

# 06

## Edinburgh Dragon Trust plc

Interim report

Six months to 28 February 2006





# Objective

To achieve long term capital growth through investment in the Far East. The Company's benchmark index is the MSCI All Country Asia (ex Japan) Index.

Investments are made in stock markets in the region, with the exception of Japan and Australasia, principally in large companies.

When appropriate, the Company will utilise gearing to maximise long term returns.

## Financial Summary

	28 February 2006	31 August 2005*	% change
<b>Total return</b>			
Net asset value per share	–	–	23.0%
Share price	–	–	30.0%
MSCI All Country Asia (ex Japan) Index in sterling terms	–	–	23.9%
<b>Capital return</b>			
Net asset value per share (p)	133.72	108.73	23.0%
Share price (p)	132.00	101.50	30.0%
MSCI All Country Asia (ex Japan) Index in sterling terms	398.18	324.41	22.7%
<b>Gearing</b>			
Actual gearing ratio	13.5%	9.5%	
Maximum gearing ratio	14.4%	17.2%	
<b>Discount</b>			
to the adjusted net asset value	1.3%	6.6%	
to the adjusted net asset value with debt at repayment value	0.6%	5.4%	

\* Figures are restated to comply with revised UK GAAP. Details of the restatements can be found in note 1 to the accounts on page 9.

# Chairman's Review

## Background

I am pleased to report that your Company has performed well over the six months under review. During the period, the share price rose 30.0%, while the Company's net asset value on a total return basis rose 23.0% compared to a 23.9% rise in the benchmark, the MSCI All Country Asia (ex Japan) Index. This performance reflected a substantial narrowing of the discount from 6.6% to 1.3%. The underperformance was mainly due to being overweight in Singapore and underweight in Korea.

## Overview

Improving economic fundamentals and accommodating policy reforms assisted Asian markets to make further headway over the six months, outperforming gains in many major markets elsewhere around the globe. More importantly, rising domestic confidence helped to underpin firmer asset prices, while the quality of corporate earnings has remained strong. A further positive factor was the continued flow of foreign liquidity into Asian stocks, reflecting high levels of optimism over the region's growth prospects. This was particularly impressive given the backdrop of rising interest rates, firm commodity prices and growing inflationary pressures. However, in several countries, including Thailand and the Philippines, political unrest weighed on sentiment.

India was among the more prominent beneficiaries of overseas liquidity, with foreign institutional investment reaching record levels of more than US\$10bn in 2005. The market continued to make solid gains, spurred by robust economic growth and supportive policy measures, which included the liberalisation of key economic sectors and the Budget for financial year 2007, the latter sealing the government's commitment to encourage growth through much-needed infrastructure spending.

In North Asia, South Korea performed strongly as public policy changes encouraged domestic investors to enter the market, and consumer confidence rebounded. However, the Kospi index has remained range-bound since early 2006, following the strong run-up in 2005.

Following a prolonged period of poor performance over a number of years, the Chinese stockmarket

rebounded strongly due to a number of government measures including new rules allowing foreign investors to invest directly in the A-shares of Chinese companies, previously unavailable to foreigners. However, some investor conditions apply, including a stipulation that foreigners must buy at least 10% of the company's outstanding capital and hold the shares for a minimum of three years. The Government also revised upwards its average growth rate for the past decade, confirming that output had risen much faster than was previously reported.

Indonesia was the best performing market amongst the Southeast Asian countries. Share prices were supported by better-than-expected economic growth, and an improving outlook, which prompted a re-rating of the country's sovereign credit. The Government also unveiled a package of initiatives to encourage foreign investment by increasing spend on infrastructure.

On the monetary policy front, interest rates remained on the uptrend, largely in response to inflationary pressures. The reduction of fuel subsidies also contributed to higher levels of inflation in several countries, such as Indonesia, Malaysia and Thailand. Indonesia raised short-term rates to 12.25% in a series of rate hikes. Malaysia raised its key overnight rate twice in three months, having previously left rates unchanged for seven years. Central banks in South Korea, the Philippines, Thailand and India also raised interest rates over the period.

## Portfolio activity

Over the six month period total purchases amounted to £58.3 million whilst sales amounted to £42.1 million.

In terms of sales, we sold out of POSCO, the world's fifth largest steel producer, on the grounds that the stock had performed well despite a substantial rise in raw material prices, that China was facing an oversupply situation, and that as a result of these pressures the company was losing its pricing power. We also sold the holding in Samsung Fire and Marine which had performed

extremely well and was trading at almost 2x book value, which we considered expensive.

The proceeds were mainly reinvested back into the portfolio's core holdings, but three new holdings were also introduced. The first, Shinsegae, is a well managed discount store operator with 71 E-Mart stores across South Korea, and the opportunity is for the company to continue to increase margins via improved product mix, greater labour efficiency and increased bargaining power. Effectively this was a switch out of an export play, POSCO (see above), into a more domestically oriented company. The second new investment was Dialog, the leading mobile operator in Sri Lanka, which had recently listed. Dialog, a subsidiary of Telekom Malaysia, has developed a sound business model based on low subscriber acquisition costs, a broad sales and distribution network and an extensive range of value-added services. Cash flow is strong, it has in the past paid out in full previous years' profits, its gearing level of less than 10% seems comfortable, and it has a high return on equity of 47%. The third new investment was Fubon Financial, one of Taiwan's largest banks. The stock has performed poorly over the past few years, and with a valuation of only 1.3 times its assets on the balance sheet had, in our view, factored in the negatives of poor operating results and slow industry consolidation. However, there is potential for increasing synergy between the various subsidiaries, whilst at the same time the bank pays out a healthy dividend.

These new purchases and top-ups have increased the level of gearing which, at the period end, stood at 13.5% i.e. the level of cash available for investment has been kept below 1%.

#### **Revenue account**

For the six months to 28 February 2006 the revenue account recorded a deficit of £1,008,000, representing 0.42p per share compared with a deficit of 0.12p for the six months to 28 February

2005. However, since the majority of Asian dividend income is accounted for in the second half of the Company's financial year, the Company is forecast to make a positive revenue return for the 12 months to 31 August 2006.

#### **Outlook**

Asian economies have entered 2006 on a stable footing. Fundamentals are solid, with domestic demand playing a growing role in the region's fortunes. While the sustainability of the US economic expansion remains uncertain, there now appear to be signs of a long-awaited recovery in both Europe and Japan.

Nonetheless, given the strong performance in share prices over the past year, a correction would not be unexpected. Valuations look less compelling, and a fundamental re-rating of markets now depends on companies being able to deliver on their earnings projections, in the face of rising input costs and competitive pressures. However, foreign interest in the region remains keen so the liquidity-driven rally may continue.

Looking further out, we feel Asian markets will continue to offer good value relative to other major markets. We thus remain confident that Dragon's strategy, focusing on companies with a robust business model, sound finances, and management with a high regard for minority shareholders, will continue to deliver good results for our own shareholders over the long term.

**Tony Cassidy**  
Chairman

8 May 2006

# Income Statement

Six months ended 28 February 2006  
(unaudited)

	Revenue £'000	Capital £'000	Total £'000
Realised gains on investments	–	22,734	22,734
Unrealised gains on investments	–	38,369	38,369
Currency (losses)/gains	–	(825)	(825)
Income	2,833	–	2,833
Investment management fee	(1,504)	–	(1,504)
Administrative expenses	(437)	–	(437)
<b>Net return before finance costs and taxation</b>	<b>892</b>	<b>60,278</b>	<b>61,170</b>
Interest payable and similar charges	(1,684)	–	(1,684)
<b>Return on ordinary activities before taxation</b>	<b>(792)</b>	<b>60,278</b>	<b>59,486</b>
Taxation on ordinary activities	(216)	–	(216)
<b>Return on ordinary activities after taxation</b>	<b>(1,008)</b>	<b>60,278</b>	<b>59,270</b>
<b>Return per Ordinary share (pence)</b>	<b>(0.42)</b>	<b>25.40</b>	<b>24.98</b>

The total column of this statement represents the profit and loss account of the Company.

No Statement of Total Recognised Gains and Losses has been prepared as all gains and losses have been reflected in the Income Statement.

The financial statements have been restated to reflect the change to accounting policies as set out in the accompanying notes.

All revenue and capital items in the above statement derive from continuing operations.

Six months ended 28 February 2005			Year ended 31 August 2005		
Revenue £'000	(unaudited) (restated) Capital £'000	Total £'000	Revenue £'000	(audited) (restated) Capital £'000	Total £'000
–	3,811	3,811	–	20,995	20,995
–	22,267	22,267	–	37,750	37,750
–	1,207	1,207	–	(897)	(897)
2,662	–	2,662	10,059	–	10,059
(1,068)	–	(1,068)	(2,298)	–	(2,298)
(329)	–	(329)	(733)	–	(733)
1,265	27,285	28,550	7,028	57,848	64,876
(1,452)	–	(1,452)	(3,130)	–	(3,130)
(187)	27,285	27,098	3,898	57,848	61,746
(91)	(21)	(112)	(407)	–	(407)
<b>(278)</b>	<b>27,264</b>	<b>26,986</b>	<b>3,491</b>	<b>57,848</b>	<b>61,339</b>
<b>(0.12)</b>	<b>11.97</b>	<b>11.85</b>	<b>1.50</b>	<b>24.87</b>	<b>26.37</b>

# Balance Sheet

	As at 28 February 2006 (unaudited) £'000	As at 28 February 2005 (unaudited) (restated) £'000	As at 31 August 2005 (audited) (restated) £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	360,692	243,014	283,456
<b>Current assets</b>			
Debtors	947	2,152	812
US Treasury Bills	–	5,168	–
Cash at bank	2,841	16,567	19,770
	3,788	23,887	20,582
<b>Creditors: amounts falling due within one year</b>	(1,511)	(1,725)	(1,556)
<b>Net current assets</b>	2,277	22,162	19,026
<b>Total assets less current liabilities</b>	362,969	265,176	302,482
<b>Creditors: amounts falling due after more than one year</b>	(45,605)	(41,435)	(44,388)
<b>Net assets</b>	<b>317,364</b>	<b>223,741</b>	<b>258,094</b>
<b>Capital and reserves</b>			
Called-up share capital	47,455	47,455	47,455
Capital reserve – unrealised	107,653	57,776	70,485
Capital reserve – realised	66,708	25,723	43,598
Special reserve	85,520	85,520	85,520
Capital redemption reserve	8,752	8,752	8,752
Share premium account	4,285	4,285	4,285
Warrant reserve	1,047	1,047	1,047
Revenue reserve	(4,056)	(6,817)	(3,048)
<b>Equity Shareholders' funds</b>	<b>317,364</b>	<b>223,741</b>	<b>258,094</b>
<b>Adjusted net asset value per Ordinary share (pence)</b>	<b>133.72</b>	<b>94.26</b>	<b>108.73</b>

# Reconciliation of Movements in Shareholders' Funds

## Six months ended 28 February 2006

	Share capital £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Special reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Warrant reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2005 as previously reported	47,455	71,285	43,598	85,520	8,752	4,285	1,047	(3,048)	258,894
Restatement (see note 2)	–	(800)	–	–	–	–	–	–	(800)
Balance at 31 August 2005 (restated)	47,455	70,485	43,598	85,520	8,752	4,285	1,047	(3,048)	258,094
Return on ordinary activities after taxation	–	37,168	23,110	–	–	–	–	(1,008)	59,270
<b>Balance at 28 February 2006</b>	<b>47,455</b>	<b>107,653</b>	<b>66,708</b>	<b>85,520</b>	<b>8,752</b>	<b>4,285</b>	<b>1,047</b>	<b>(4,056)</b>	<b>317,364</b>

## Six months ended 28 February 2005

	Share capital £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Special reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Warrant reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2004 as previously reported	45,354	33,933	22,865	85,520	8,752	81	1,047	(6,539)	191,013
Restatement (see note 2)	–	(563)	–	–	–	–	–	–	(563)
Balance at 31 August 2004 (restated)	45,354	33,370	22,865	85,520	8,752	81	1,047	(6,539)	190,450
Return on ordinary activities after taxation	–	24,406	2,858	–	–	–	–	(278)	26,986
Exercising of Warrants	2,101	–	–	–	–	4,204	–	–	6,305
<b>Balance at 28 February 2005 (restated)</b>	<b>47,455</b>	<b>57,776</b>	<b>25,723</b>	<b>85,520</b>	<b>8,752</b>	<b>4,285</b>	<b>1,047</b>	<b>(6,817)</b>	<b>223,741</b>

## Year ended 31 August 2005

	Share capital £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	Special reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Warrant reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2004 as previously reported	45,354	33,933	22,865	85,520	8,752	81	1,047	(6,539)	191,013
Restatement (see note 2)	–	(563)	–	–	–	–	–	–	(563)
Balance at 31 August 2004 (restated)	45,354	33,370	22,865	85,520	8,752	81	1,047	(6,539)	190,450
Return on ordinary activities after taxation	–	37,115	20,733	–	–	–	–	3,491	61,339
Exercising of Warrants	2,101	–	–	–	–	4,204	–	–	6,305
<b>Balance at 31 August 2005 (restated)</b>	<b>47,455</b>	<b>70,485</b>	<b>43,598</b>	<b>85,520</b>	<b>8,752</b>	<b>4,285</b>	<b>1,047</b>	<b>(3,048)</b>	<b>258,094</b>

# Cash Flow Statement

	Six months ended 28 February 2006 (unaudited) £'000	Six months ended 28 February 2005 (unaudited) £'000	Year ended 31 August 2005 (audited) £'000
Revenue before finance costs and taxation	892	1,265	7,028
Increase in accrued income	(198)	(150)	(100)
Increase in other debtors	(56)	(7)	(23)
Increase in creditors	144	4	74
<b>Net cash inflow from operating activities</b>	<b>782</b>	<b>1,112</b>	<b>6,979</b>
<b>Net cash outflow from servicing of finance</b>	<b>(1,672)</b>	<b>(1,490)</b>	<b>(3,099)</b>
<b>Total tax paid</b>	<b>(99)</b>	<b>(101)</b>	<b>(467)</b>
<b>Net cash outflow from financial investment</b>	<b>(16,316)</b>	<b>(19,247)</b>	<b>(25,939)</b>
<b>Net cash outflow before financing</b>	<b>(17,305)</b>	<b>(19,726)</b>	<b>(22,526)</b>
<b>Net cash inflow from financing</b>	<b>–</b>	<b>6,303</b>	<b>6,305</b>
<b>Management of liquid resources</b>	<b>–</b>	<b>24,913</b>	<b>30,425</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(17,305)</b>	<b>11,490</b>	<b>14,204</b>
<b>Reconciliation of net cash flow to movements in net debt</b>			
(Decrease)/increase in cash as above	(17,305)	11,490	14,204
Net change in liquid resources	–	(24,913)	(30,425)
<b>Change in net debt resulting from cash flows</b>	<b>(17,305)</b>	<b>(13,423)</b>	<b>(16,221)</b>
Amortised Loan Note expenses	(16)	(15)	(31)
Exchange movements	(825)	1,207	(897)
<b>Movement in net debt in the period</b>	<b>(18,146)</b>	<b>(12,231)</b>	<b>(17,149)</b>
Opening net debt	(24,618)	(7,469)	(7,469)
<b>Closing net debt</b>	<b>(42,764)</b>	<b>(19,700)</b>	<b>(24,618)</b>
<b>Represented by:</b>			
Cash and cash equivalents	2,841	21,735	19,770
Debt falling due after more than one year	(45,605)	(41,435)	(44,388)
	<b>(42,764)</b>	<b>(19,700)</b>	<b>(24,618)</b>

# Notes to the Financial Statements

## 1. Accounting Policies

The accounts have been prepared under the historical cost convention, as modified to include the revaluation of investments and in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies" (issued January 2003 and revised in December 2005). They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The financial statements, and the net asset value per share figures, have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP). The new Financial Reporting Standards, issued as part of the programme to converge UK GAAP with International Financial Reporting Standards (IFRS), were applicable for the accounting period ended 28 February 2006 and the financial statements for the six months ended 28 February 2005 and year ended 31 August 2005 have also been restated (see note 2).

The main change arising from the revisions to UK GAAP for Edinburgh Dragon Trust is the recognition of investments at fair value, which for listed investments is deemed to be bid market prices. Previously investments were valued at mid market prices.

The same accounting policies used for the year ended 31 August 2005 have been applied with the following exceptions:

**(a) Investments** – Listed investments have been designated upon initial recognition as fair value through profit and loss. Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned and are initially measured at fair value. Transaction costs on purchases and sales are taken through the Income Statement as part of the cost or sales consideration, dealt within the capital column. Such costs are disclosed separately in note 5. Subsequent to initial recognition, investments are valued at fair value.

Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the capital reserve – unrealised.

**(b) Realised capital reserve** – Gains or losses on investments realised in the period that have been recognised in the Income Statement are transferred to the realised capital reserve. In addition, any prior unrealised gains or losses on such investments are transferred from the unrealised capital reserve to realised capital reserve on disposal of the investment.

**(c) Unrealised capital reserve** – Increases and decreases in the fair value of investments are recognised in the income statement and are then transferred to the unrealised capital reserve.

The impact of these changes is shown below.

## 2. Restatement for first time adoption of revised UK GAAP

	As at 31 August 2005 (audited) (restated) £'000	As at 28 February 2005 (unaudited) (restated) £'000	As at 31 August 2004 (audited) (restated) £'000
<b>Reconciliation of Balance Sheets</b>			
Net assets as previously reported	258,894	224,400	191,013
Restatement of investments at bid value	(800)	(659)	(563)
Restated net assets	<b>258,094</b>	<b>223,741</b>	<b>190,450</b>

Notes to the Financial Statements – continued

	Year ended 31 August 2005 (restated) £'000	Six months ended 28 February 2005 (restated) £'000
<b>Reconciliation of the Income Statement</b>		
Total transfer to reserves per originally reported Statement of Total Return	61,576	27,082
Change from mid to bid basis 28 February 2005	–	(659)
Change from mid to bid basis 31 August 2004	563	563
Change from mid to bid basis at 31 August 2005	(800)	–
<b>Restated net return on ordinary activities after taxation per Income Statement</b>	<b>61,339</b>	<b>26,986</b>

  

	Six months ended 28 February 2006 £'000	Six months ended 28 February 2005 (restated) £'000	Year ended 31 August 2005 (restated) £'000
<b>3. Income</b>			
<b>Income from investments</b>			
Franked investment income	–	–	35
Overseas dividends	2,548	2,382	9,447
	<u>2,548</u>	<u>2,382</u>	<u>9,482</u>
<b>Other income</b>			
Interest receivable	212	220	414
Income from stock lending	73	60	163
	<u>285</u>	<u>280</u>	<u>577</u>
<b>Total income</b>	<b>2,833</b>	<b>2,662</b>	<b>10,059</b>

  

	Six months ended 28 February 2006 p	Six months ended 28 February 2005 (restated) p	Year ended 31 August 2005 (restated) p
<b>4. Return per share</b>			
Revenue return	(0.42)	(0.12)	1.50
Capital return	25.40	11.97	24.87
<b>Total return</b>	<b>24.98</b>	<b>11.85</b>	<b>26.37</b>

  

The figures above are based on the following attributable assets:

	Six months ended 28 February 2006 £'000	Six months ended 28 February 2005 (restated) £'000	Year ended 31 August 2005 (restated) £'000
Revenue return	(1,008)	(278)	3,491
Capital return	60,278	27,264	57,848
<b>Total return</b>	<b>59,270</b>	<b>26,986</b>	<b>61,339</b>

  

Weighted average number of Ordinary shares	<b>237,276,875</b>	<b>227,871,117</b>	<b>232,583,858</b>
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**5. Transaction costs**

During the period expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

	<b>Six months ended 28 February 2006 £'000</b>	<b>Six months ended 28 February 2005 £'000</b>	<b>Year ended 31 August 2005 £'000</b>
Purchases	127	287	514
Sales	170	274	530
	<b>297</b>	<b>561</b>	<b>1,044</b>

6. There will be no interim dividend for the year to 31 August 2006; the objective of the Company is long term capital appreciation.
7. As at 28 February 2006 there were 237,276,875 Ordinary shares in issue. No shares were issued or cancelled during the period.
8. The financial information for the six months ended 28 February 2006 and 28 February 2005 comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 August 2005 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors as originally submitted was unqualified. The interim accounts have been prepared on the same basis as the annual accounts, with the exception of the policies in note 1.

# Independent review report by KPMG Audit Plc to Edinburgh Dragon Trust plc

## **Introduction**

We have been engaged by the Company to review the financial information set out on pages 4 to 11 and we have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

## **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4: 'Review of Interim Financial Information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 28 February 2006.

8 May 2006

KPMG Audit Plc  
Chartered Accountants  
Edinburgh

# Twenty Largest Investments

At 28 February 2006

Company	Market Value £'000	Country/Region	MSCI Classification	Main Business
Samsung Electronics	31,837	South Korea	Information Technology	Semiconductors and electronics manufacturer
Housing Development Finance	15,799	India	Financials	Home mortgage provider
United Overseas Bank	14,170	Singapore	Financials	Banking
Oversea-Chinese Banking Corp	13,413	Singapore	Financials	Banking
China Mobile	13,389	China	Telecommunications	Wireless telecom provider
Swire Pacific 'B'	11,456	Hong Kong	Financials	Conglomerate
Taiwan Semiconductor	11,180	Taiwan	Information Technology	Semiconductors and electronics manufacturer
Hyundai Motors Pref	10,806	South Korea	Consumer Discretionary	Car manufacturer
City Developments	10,708	Singapore	Consumer Discretionary	Hotels, restaurants and leisure
CNOOC	10,605	China	Energy	Oil and gas
<b>Ten largest investments</b>	<b>143,363</b>	<b>39.5% of total assets less current liabilities</b>		
Siam Cement	10,394	Thailand	Materials	Industrial conglomerate
Singapore Technologies Engineering	9,637	Singapore	Industrials	Aerospace and defence
Hero Honda	8,553	India	Consumer Discretionary	Motorcycle manufacturer
PTT Exploration & Production	8,277	Thailand	Energy	Oil and gas
Sun Hung Kai Properties	8,197	Hong Kong	Financials	Property developer
Public Bank Berhad	8,177	Malaysia	Financials	Banking
Shinsegae	8,151	South Korea	Consumer Staples	Food and staples retailing
ICICI Bank	7,918	India	Financials	Banking
Fubon Financial	7,681	Taiwan	Financials	Diversified financial services
Wing Hang Bank	7,262	Hong Kong	Financials	Banking
<b>Twenty largest investments</b>	<b>227,610</b>	<b>62.7% of total assets less current liabilities</b>		
Other investments (31 investments)	133,082	36.7% of total assets less current liabilities		
<b>Total value of investments</b>	<b>360,692</b>	<b>99.4% of total assets less current liabilities</b>		
Net current assets	2,277	0.6% of total assets less current liabilities		
<b>Total assets less current liabilities</b>	<b>362,969</b>	<b>100.0% of total assets less current liabilities</b>		

## Distribution of Investments

	At 28 February 2006 %	At 31 August 2005 %	At 28 February 2005 %
Singapore	21.9	19.1	16.8
South Korea	17.4	17.2	18.6
Hong Kong	13.4	17.8	16.4
India	15.3	14.0	13.3
Taiwan	7.5	5.5	9.5
China	7.3	8.2	8.1
Malaysia	6.4	7.1	7.1
Thailand	5.4	6.0	6.9
Indonesia	2.7	2.9	3.3
Philippines	2.4	2.2	–
Sri Lanka	0.3	–	–
<b>Total investments</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

# Information for Investors

## The Investment Trust Savings Plan

The Investment Trust Share Plan provides a straightforward way to invest in Edinburgh Dragon Trust. Investors can make regular monthly payments (minimum £100 per month) or invest occasional lump sums (minimum £250 initially and £50 thereafter). Existing shareholders can also transfer their shares into the Plan and have their dividends reinvested. There is no charge for buying or holding shares through the Plan other than 0.5% Government Stamp Duty which is currently payable on all share purchases. There is a £10+VAT transaction fee per sale.

## Investment Trust ISA

The Investment Trust Individual Savings Account (ISA) is a tax efficient savings vehicle. There are two types of ISAs available, a Maxi and a Mini. A Maxi ISA allows investors to maximise the amounts placed in stocks and shares. Investors will have the opportunity to invest up to £7,000 in the tax year 2006/2007 in Edinburgh Dragon Trust when they take out a Maxi ISA.

The annual management fee is fixed at £24 +VAT. No charges are made for buying shares other than Government Stamp Duty on share purchases. There is a £15 + VAT transaction fee per sale. An ISA and PEP transfer facility is also available

## The Investment Trust Pension

The Investment Trust Pension enables investors to save for retirement by investing in Edinburgh Dragon Trust. The Investment Trust Pension offers a Personal Pension. Contributions can be made regularly or by lump sums, and there are low minimum investment amounts.

## Note

Please remember that past performance is not necessarily a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and the tax rates and reliefs, as well as the tax treatment of ISAs and PEPs, may be changed by future legislation.

## Keeping you informed

Edinburgh Dragon Trust's share price appears daily in the Financial Times, Scotsman and Daily Telegraph. Investors can also obtain the latest share price by phoning FT Cityline on 0906-843 4608. All calls cost 60p per minute.

For internet users, detailed data on Edinburgh Dragon Trust, including price, performance information and a monthly factsheet, is available from the Trust's website ([www.edinburghdragon.co.uk](http://www.edinburghdragon.co.uk)) and the TrustNet website ([www.trustnet.co.uk](http://www.trustnet.co.uk)). Alternatively, you can call 0500 00 00 40 for information on Edinburgh Dragon Trust.

For information concerning your shareholding, please contact:

## Registrars

Lloyds TSB Registrars  
The Causeway  
Worthing  
West Sussex BN99 6DA  
Telephone: 0870 601 5366  
Website: [www.lloydstsb-registrars.co.uk](http://www.lloydstsb-registrars.co.uk)

## Marketing Information Service

For marketing literature and application forms for Investment Trust products, please contact:  
Telephone: 0800 027 9558  
Email: [aam@lit-request.com](mailto:aam@lit-request.com)

For information on the Share, ISA and PEP Plans please contact:

Aberdeen Investment Trust Administration  
Block C, Western House  
Lynchwood Business Park  
Peterborough, PE2 6BP  
Telephone: 0500 00 0040

For information on the Pension Plan, please contact:

Pension Administrator  
Edinburgh Pension Centre  
Capita SIP Services  
141 Castle Street  
Salisbury  
Wiltshire SP1 3TB  
Telephone: 0800 137 079

*The above has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Edinburgh Fund Managers plc which is authorised and regulated by the Financial Services Authority and is a member of the Aberdeen Asset Management Group of Companies.*

# Corporate Information

## **Directors**

Anthony Cassidy, Chairman  
Frank Frame  
David Gairns  
Anthony Lowrie  
Peter Tyrie  
Iain Watt

**Website:** [www.edinburghdragon.co.uk](http://www.edinburghdragon.co.uk)

## **Manager and Secretary**

Edinburgh Fund Managers plc  
A subsidiary of Aberdeen Asset Management PLC  
**Website:** [www.aberdeen-asset.com](http://www.aberdeen-asset.com)

## **Registered Office**

Donaldson House  
97 Haymarket Terrace  
Edinburgh EH12 5HD

## **Registrars**

Lloyds TSB Registrars  
The Causeway  
Worthing  
West Sussex BN99 6DA  
Telephone: 0870-601 5366  
**Website:** [www.lloydstsb-registrars.co.uk](http://www.lloydstsb-registrars.co.uk)



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