

04

Edinburgh Dragon Trust plc

Interim report for the 6 months to 29 February 2004





Objective

To achieve long term capital growth through investment in the Far East. The company's benchmark index is the MSCI All Country Asia Free (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 trust will utilise gearing to maximise long term returns.

Financial Summary

	29 February 2004	31 August 2003	% change
Net asset value per share	93.75p	85.35p	9.8
Share price	83.50p	72.25p	15.6
MSCI All Country Asia Free (ex Japan) indexed in sterling terms	150.29	141.64	6.1
Actual gearing ratio	10.7%	12.5%	
Maximum gearing ratio	20.3%	31.0%	
Discount – to the adjusted net asset value	10.9%	15.3%	
– to the adjusted net asset value with debt at repayment value	7.6%	10.6%	

Over the six months to 29 February 2004, the company's net asset value rose by 9.8% to 93.75p per share compared with a rise of 6.1% for its benchmark index, the MSCI All Country Asia Free (ex Japan) index. Over the same period, the share price rose 15.6% to 83.5p reflecting a narrowing in the discount from 15.3% to 10.9%.



Tony Cassidy

Performance

The company's outperformance over the index of 3.7% was due to a number of factors. First, the company benefited by 1.1% by being geared into rising markets. Secondly, asset allocation, particularly the overweight positions in China and Thailand, added a further 2.0%. Finally, positive stock selection, notably in China and Taiwan, contributed the remaining 0.6% of outperformance.

Revenue account

For the six months to 29 February 2004 the revenue deficit represented 0.50p per share compared with a deficit of 0.64p for the six months to 28 February 2003.

Borrowings

The Board regularly reviews the borrowing facilities of the company. On 20 February 2004, the company repaid the \$15m 7.56% loan from JP Morgan Chase Bank. The prepayment penalty amounted to £1.1m, equivalent to 0.5p per share. For many years the Board has approved a strategy whereby the manager has discretion to operate the portfolio with effective gearing up to 20% of shareholder funds. The Board believes that in current market conditions the remaining \$80m 7.26% loan, repayable in December 2008, provides the manager with an adequate gearing facility. Should the manager wish to increase

further the gearing facilities of the Company and the Board deems such a strategy appropriate, short term bank borrowings will be arranged.

Management agreement

Our manager, Edinburgh Fund Managers plc, was acquired by Aberdeen Asset Management PLC during the six months to 29 February 2004.

Following a review of the management agreement, the company announced on 12 November 2003 that it had agreed with Edinburgh Fund Managers to change the period of notice required in order to terminate the Management and Secretarial Agreement from twelve months to three months. No compensation was payable in respect of these amendments.

Continuation vote

The board is pleased to report that shareholders voted in favour of continuation as an investment trust at the Annual General Meeting in December 2003. Our major shareholders have been very supportive of the company with almost 60% of shareholders voting at the meeting and 97.3% of those shareholders voting in favour of continuation. The next continuation vote is scheduled to take place at the Annual General Meeting in December 2006.

Chairman's Review

Outlook

Asia's economies and stock markets have enjoyed a strong start to 2004. Recent economic and earnings data have been positive, resulting in forecasts for the rest of the year and into 2005 being revised upwards.

In response to their global competitors, many Asian companies have cut costs by relocating their operations to lower cost economies, notably China and to an extent India. Corporate restructuring and the divestment of peripheral activities have enabled managers to focus on their core operations with a positive effect on their ability to drive through productivity gains. Balance sheet restructuring, in terms of paying down expensive debt, or rescheduling it at lower rates, or over longer periods, has lowered the cost of capital further. Rather than expending the resultant cash flows on non-viable projects as in the past, companies have sought authority to buy back and cancel their own shares or increase dividend payout ratios. The end result has been a marked pick-up in the returns companies are generating on their shareholders' funds. These improvements are now being recognised by the international investing community and Asia has enjoyed a deserved re-rating of her markets.

Nonetheless, there remain a number of risks for Asia both in a political and an economic context. With over one billion Asians eligible to vote at the polls, politics will play an important part this year. Key elections have already taken place in Malaysia, Taiwan and Indonesia and will soon be held in India, Korea and Philippines. Historically, the democratic process across parts of Asia has often been volatile and marked by some level of civil unrest and hence uncertainty. Meanwhile, the ongoing

disarmament discussions with North Korea are likely to make newspaper headlines intermittently throughout the year and there also remains the threat of further terrorist strikes.

Last year's SARS virus outbreak and this year's avian flu served to remind investors that Asia is, from time to time, affected by localised health concerns which threaten to break out into international epidemics. However, their impact on economic fundamentals and stock market valuations is usually fairly limited. Indeed, in most cases, markets react with some initial vigour which more often than not throws up a number of interesting longer term investment opportunities. Of more concern to us would be a dramatic sell off in the value of the US dollar or a sharp contraction in China's economic growth. Whilst neither scenario currently seems likely, both risks are being closely monitored.

Given the strong market moves over the past twelve months, valuations are no longer as attractive as they were, although they are still far from peak levels. Whilst some share prices have been pushed to high levels, there remain many shares which have been overlooked and which represent fair value to those investors with an investment process of sufficient discipline and patience to unearth them. To that end your company, through the manager, remains committed to identifying and, at the right price, investing in companies with proven management skills, operating with clearly defined strategies in business areas offering good long term growth opportunities.

Tony Cassidy
Chairman
6 April 2004

Twenty Largest Investments

at 29 February 2004

Company	Market Value £000	Country/ Region	MSCI Classification	Main Business
Samsung Electronics	19,978	South Korea	Information Technology	Semiconductors and electronics manufacturer
China Merchants Holdings	6,286	China	Industrials	Port operator
Hutchison Whampoa	5,668	Hong Kong	Industrials	Conglomerate
PTT Public	5,520	Thailand	Energy	Oil and gas
Henderson Land Development	5,346	Hong Kong	Financials	Property developer
China Mobile	5,340	China	Telecommunications	Wireless telecom provider
Cheung Kong Holdings	5,140	Hong Kong	Financials	Property developer
Housing Development Finance	5,086	India	Financials	Home mortgage provider
Venture MFG	4,764	Singapore	Information Technology	Electronics manufacturer
Keppel Corp	4,622	Singapore	Industrials	Oil rigs and related construction
Ten largest investments	67,750	26.5% of the total assets less current liabilities		
Hang Seng Bank	4,590	Hong Kong	Financials	Banking
Kookmin Bank	4,500	South Korea	Financials	Banking
Singapore Exchange	4,457	Singapore	Financials	Securities exchange manager
HSBC Holdings	4,431	Hong Kong	Financials	Banking
Aluminium Corporation of China	4,361	China	Materials	Alumina and aluminium producer
Malaysia International Shipping	4,240	Malaysia	Industrials	Shipping
Sun Hung Kai Properties	4,237	Hong Kong	Financials	Property developer
Kingboard Chemicals	4,167	China	Information Technology	Laminates and PCB manufacturer
Global Bio-Chem Technologies	4,119	China	Consumer Staples	Corn based bio- chemical products
Perusahaan Otomobil	4,105	Malaysia	Consumer Discretionary	Auto manufacturer
Twenty largest investments	110,957	43.4% of the total assets less current liabilities		
Other investments (53 investments)	124,297	48.6% of the total assets less current liabilities		
Total value of investments	235,254	92.0% of the total assets less current liabilities		
Net current assets	20,449	8.0% of the total assets less current liabilities		
Total assets less current liabilities	255,703	100.0% of the total assets less current liabilities		

Statement of Total Return

(Unaudited)
6 months to 29 February 2004

	Revenue £000	Capital £000	Total £000
Net gains on investments	—	18,920	18,920
Net currency gains	—	1,131	1,131
Currency gain on repayment of currency loan	—	1,237	1,237
Repayment penalty on currency loan	—	(1,105)	(1,105)
Investment income	1,931	—	1,931
Interest receivable	139	—	139
Other income	96	—	96
Investment management fee	(1,028)	—	(1,028)
Administrative expenses	(327)	—	(327)
	<hr/>	<hr/>	<hr/>
NET RETURN BEFORE FINANCE COSTS AND TAXATION	811	20,183	20,994
Interest payable and similar charges	(1,850)	—	(1,850)
	<hr/>	<hr/>	<hr/>
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION	(1,039)	20,183	19,144
Taxation	(85)	—	(85)
	<hr/>	<hr/>	<hr/>
RETURN ATTRIBUTABLE TO EQUITY SHAREHOLDERS	(1,124)	20,183	19,059
	<hr/>	<hr/>	<hr/>
RETURN PER ORDINARY SHARE	(0.50p)	8.91p	8.41p
	<hr/>	<hr/>	<hr/>
DILUTED RETURN PER ORDINARY SHARE	(0.49p)	8.82p	8.33p
	<hr/>	<hr/>	<hr/>

All revenue and capital items in the above statement derive from continuing operations.
Return per ordinary share is calculated using the weighted average ordinary 20p shares in issue.

Statement of Total Return

(Unaudited)			(Audited)		
6 months to 28 February 2003			12 months to 31 August 2003		
Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
—	(15,740)	(15,740)	—	36,344	36,344
—	(329)	(329)	—	(288)	(288)
—	—	—	—	—	—
—	—	—	—	—	—
1,448	—	1,448	5,070	—	5,070
315	—	315	524	—	524
18	—	18	37	—	37
(730)	—	(730)	(1,585)	—	(1,585)
(254)	—	(254)	(561)	—	(561)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
797	(16,069)	(15,272)	3,485	36,056	39,541
(2,161)	—	(2,161)	(4,318)	—	(4,318)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(1,364)	(16,069)	(17,433)	(833)	36,056	35,223
(76)	—	(76)	(340)	—	(340)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(1,440)	(16,069)	(17,509)	(1,173)	36,056	34,883
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(0.64p)	(7.09p)	(7.73p)	(0.52p)	15.91p	15.39p
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
n/a	n/a	n/a	n/a	n/a	n/a
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Balance Sheet

	(Unaudited) At 29 February 2004 £000	(Audited) At 31 August 2003 £000	(Unaudited) At 28 February 2003 £000
FIXED ASSETS			
Investments	235,254	217,669	154,456
CURRENT ASSETS			
Debtors	693	1,731	753
US Treasury Bills	13,984	33,449	39,905
Cash and short term deposits	8,103	2,078	8,213
	22,780	37,258	48,871
CREDITORS: AMOUNTS FALLING			
DUE WITHIN ONE YEAR	2,331	1,431	1,985
NET CURRENT ASSETS	20,449	35,827	46,886
TOTAL ASSETS LESS CURRENT LIABILITIES	255,703	253,496	201,342
CREDITORS: AMOUNTS FALLING			
DUE AFTER MORE THAN ONE YEAR	42,969	59,906	60,144
	212,734	193,590	141,198
CAPITAL AND RESERVES			
Called up share capital – equity	45,354	45,325	45,325
Other reserves	167,380	148,265	95,873
TOTAL EQUITY SHAREHOLDERS' FUNDS	212,734	193,590	141,198
Adjusted net asset value per share	93.75p	85.35p	62.23p
Adjusted diluted net asset value per share	92.26p	84.22p	62.13p

Cashflow Statement

	(Unaudited) For the six months to 29 February 2004 £000	(Unaudited) For the six months to 28 February 2003 £000	(Audited) For the year to 31 August 2003 £000
Revenue before finance costs and taxation	811	797	3,485
Decrease/(increase) in accrued income	194	(220)	(321)
(Increase)/decrease in other debtors	(15)	15	6
Increase/(decrease) in creditors	32	(102)	45
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,022	490	3,215
NET CASH OUTFLOW FROM SERVICING OF FINANCE	(2,158)	(2,163)	(4,281)
TOTAL TAX PAID	(114)	(39)	(280)
NET CASH INFLOW/(OUTFLOW) FROM FINANCIAL INVESTMENT	3,418	10,825	(1,918)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	2,168	9,113	(3,264)
NET CASH OUTFLOW FROM FINANCING MANAGEMENT OF LIQUID RESOURCES	(9,016)	—	—
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,394	(12,089)	(18,298)

Distribution of Investments

	At 29 February 2004 %	At 31 August 2003 %	At 28 February 2003 %
Hong Kong (Special Administrative Region)	17.8	15.8	11.0
Taiwan	12.9	14.8	10.2
South Korea	18.0	19.6	18.7
Singapore	8.3	5.9	4.6
India	6.3	6.0	3.1
Malaysia	6.8	5.8	6.2
Thailand	7.0	7.2	8.6
Indonesia	2.5	1.9	1.0
China	12.4	8.9	12.7
Other	—	—	0.6
Total investments	92.0	85.9	76.7
Net current assets	8.0	14.1	23.3
Total assets less current liabilities	100.0	100.0	100.0

Notes

1. The accounts have been prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The same accounting policies used for the year to 31 August 2003 have been applied.
2. There will be no interim dividend for the year to 31 August 2004; shareholders are reminded that the objective of the company is long term capital appreciation.
3. As at 29 February 2004 there were 226,767,972 ordinary shares and 10,508,903 warrants in issue.
4. The financial information for the year ended 31 August 2003, has been extracted from the Annual Report and Accounts of the company which have been filed with the Register of Companies. The auditor's report on those accounts was unqualified.

The statement of total return and balance sheet set out do not represent full accounts in accordance with Section 240 of the Companies Act 1985.

Information for Investors

InvestIT – The Edinburgh Fund Managers Investment Trust Savings Plan

This product provides a straightforward way to invest in Edinburgh Dragon Trust. You can make regular monthly payments and/or invest occasional lump sums. Main register shareholders may also have their dividends reinvested in the Plan. There is no charge for buying or holding shares through InvestIT other than 0.5% Government Stamp Duty which is currently payable on all share purchases. There is a nominal £10+VAT transaction fee applied to all sales.

Edinburgh Fund Managers Investment Trust ISA

ISA – The Edinburgh Fund Managers 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 each of the tax years up to 2005/2006 in Edinburgh Dragon Trust when they take out a Maxi ISA.

The initial charge is £30+VAT and the annual management fee is 0.5%+VAT. No charges are made for buying or selling shares other than Government Stamp Duty on share purchases.

The Edinburgh Fund Managers Investment Trust Pension

This low cost and flexible pension allows you to include Edinburgh Dragon Trust in your retirement planning. Contributions can be made monthly, yearly or by lump sums at very low cost.

Please remember that past performance is not necessarily a guide to the future. Stock market 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.

Keeping you informed

Edinburgh Dragon Trust's share price appears daily in most leading newspapers. 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 and performance information, is available on the manager's website (www.edfd.com).

For information and applications forms on InvestIT, ISA, Pension and Share Exchange please contact:

Contacts

Literature requests: 0800 027 9558

General queries: 0800 028 6789

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.

Directors

A F Cassidy, Chairman

A R Fleming

F R Frame

D W Gairns

P R Tyrie

I A Watt

Manager and Secretary

Edinburgh Fund Managers plc

Website: www.edfd.com

Registered Office

Donaldson House

97 Haymarket Terrace

Edinburgh EH12 5HD

Telephone: 0131-313 1000

Registrars

Lloyds TSB Registrars Scotland

Registrar Department

PO Box 28448

Finance House

Orchard Brae

Edinburgh EH4 1WQ

Telephone: 0870-601 5366

Website: www.lloydstsb-registrars.co.uk

