

ASIA DRAGON TRUST PLC
LEI: 549300W4KB0D75D1N730
Capturing growth from world-class Asian companies

21 April 2021

HALF YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

Highlights

- Asian stocks staged a strong rebound in the half-year under review, in stark contrast with the extreme volatility of the prior six months.
- Over the six month period, the Trust delivered a strong net asset value (NAV) total return of 23.9% in sterling terms, outpacing the 18.0% increase in the benchmark, the MSCI AC Asia Pacific (ex Japan) Index (sterling adjusted) total return.
- Longer-term performance is competitive. The Company's NAV has outperformed its index over 3, 5 and 10 years. Over ten years to 28 February 2021, on a total return basis, the NAV increased by 155.9% compared a return of 148.62% from the benchmark.
- Against the buoyant environment, your Company's holdings performed well due to their high-quality franchises and solid balance sheets. Many of them are beneficiaries of long-term structural trends that have been reinforced and hastened by the pandemic.
- Over the long term, the region continued to offer immense opportunity. Asia is the world's growth engine, its global factory and a growing consumer force to be reckoned with. As incomes rise and wealth grows, demand from local consumers for health care, technology and aspirational consumer goods is increasing. Urbanisation and infrastructure needs remain vast.
- Quality companies that can harness these structural trends, such as those that your Company holds, are well positioned to reap sustainable returns.

Investment Objective

Asia Dragon Trust's objective is long-term capital growth through investment in Asia, with the exception of Japan and Australasia. Investments are made primarily in stock markets in the region, principally in large companies. When appropriate, the Company will utilise gearing to maximise long term returns.

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INTERIM BOARD REPORT – CHAIRMAN’S STATEMENT

Results

Asian stocks staged a strong rebound in the half-year under review, in stark contrast with the extreme volatility of the prior six months. Signs of a global economic recovery, the start of vaccine rollouts and the accommodative policy stance by both governments and central banks contributed to an improvement in investor sentiment and a rebound in the capital markets. Against this backdrop, the Trust delivered a net asset value (NAV) total return of 23.9% in sterling terms, outpacing the 18.0% increase in the benchmark, the MSCI All-Country Asia (ex Japan) Index (sterling adjusted).

At the same time, the Trust’s share price increased by 27.2%. This helped to narrow its discount to NAV to 10.1%, from 12.3% at 31 August 2020.

Overview

Asian stock markets rallied in the six months under review. Positive news on the efficacy of several vaccines, as well as encouraging economic data, drew back investors who had been sitting on the sidelines. Notably, Asian stocks outpaced their global counterparts as major Western nations struggled with rising Covid-19 infection rates and were forced to re-impose lockdowns. Better-than-expected corporate earnings also underlined the region’s lead in the global economic recovery.

Positive political developments globally further added to the optimism. Among these were the UK’s trade agreement with the European Union as it exited from the bloc, Joe Biden’s US election victory, which many had hoped would lead to a more considered approach towards China, and a massive US stimulus package that was passed into law at the time of writing. As a result, some markets, such as South Korea, touched multi-year highs.

Beneath the market’s sheen, however, geopolitical tensions persisted. In the final days of the Trump administration, the US barred investments in 31 Chinese companies with alleged links to the military. It also passed legislation that would eject Chinese companies from US stock exchanges unless they met US auditing standards. Within Asia, the tensions between China and India increased, with the latter banning a number of Chinese apps, including some linked to **Alibaba** and **Tencent**.

Against the buoyant environment, your Company’s holdings performed well due to their high-quality franchises and solid balance sheets. Many of them are beneficiaries of long-term structural trends that have been reinforced and hastened by the pandemic. As the pandemic kept people at home, it has driven a boom in games consoles, laptops, monitors and televisions. Your Company’s core technology holdings, **Samsung Electronics** and **Taiwan Semiconductor Manufacturing Co (TSMC)**, benefited from the surge in demand. The recent shortage of semi-conductor chips suffered by carmakers has also underscored the strategic importance of chipmakers to the automobile supply chain. In the longer term, emergent technologies, such as 5G networks, cloud computing and artificial intelligence, should increase demand for more advanced semi-conductor chips.

Meanwhile, pharmaceutical contract research organisation **Wuxi Biologics** delivered robust growth in new drug development projects as clients sought help to develop new Covid-19 treatments. During the period, your Manager invested in **Samsung Biologics**, as it expects outsourcing demand to rise among pharmaceutical firms, where biopharmaceutical products are increasingly produced, whether partially or completely, on behalf of another company. Since it started business eight years ago, Samsung Biologics has evolved into the world’s largest biopharmaceutical contract manufacturer, matching other leading players in both scale and technological know-how, but with a clear cost advantage. This exposure to the company complements the portfolio’s existing holdings in Wuxi Biologics and **Hangzhou Tigermed**, which occupy different parts of the same supply chain.

A new position was initiated in **Alibaba**. The Chinese e-commerce giant has quality assets, a solid business model and attractive growth prospects. Although your Manager had concerns about the group’s corporate governance, it has observed improvements in recent years. Your Manager has been building a position in Alibaba on share-price weakness related to regulatory intervention as it believes the group offers good value in the longer term due to its economic reach and the quality of its management.

Meanwhile, selected mainland consumer-linked stocks also fared well, although the consumption recovery has been unevenly spread. Hong Kong-listed **Kerry Logistics** benefited from higher e-commerce volumes, as well as from SF Holding’s acquisition of a controlling stake in the company. SF Holding, one of China’s largest package-delivery services, plans to use Kerry as its primary vehicle for international expansion. Elsewhere, travel services and duty-free business operator **China Tourism Group Duty Free**, carmaker **SAIC Motor** and lender **China Merchants Bank** were also buoyed by the recovery in consumption. On the other hand, property companies such as **China Resources Land**, were constrained

by a tightening policy and liquidity environment. **Shanghai International Airport** continued to face short-term earnings pressure from Covid-19, which should ease as travel restrictions are lifted. In the longer term, the airport operator should benefit from recovering demand for international travel and duty-free spending amid growing affluence across Asia.

China, meanwhile, committed to becoming carbon-neutral by 2060, with emissions peaking before 2030. In view of this goal, which should underpin multi-year growth for renewable energy, your Manager introduced **Longi Green Energy Technology** to the portfolio. As the world's largest solar wafer maker, the company should be among the winners from Beijing's renewable energy push, given its technological and cost leadership.

To fund these initiations, your Manager sold holdings in lower conviction stocks: Singapore real estate group City Developments, Myanmar-based conglomerate Yoma Strategic, SAIC Motor and Bangkok Dusit Medical Services.

Revenue Account

For the six months to 28 February 2021, the revenue account recorded a return on ordinary activities after taxation of £2,861,000, representing 2.28p per share, compared with a return of £353,000 for the six months to 29 February 2020. The increase in the revenue return is largely attributable to the change in the allocation of the management fee and financing costs. Previously all these costs were allocated to revenue. Following a review, the allocation was changed to 75% to capital and 25% to revenue, effective from 1 September 2020. The revised allocation is in line with the AIC's statement of recommended practice which recommends that an investment trust recognises expenses between income and capital that reflects its expected returns over the longer term.

Events during the Period

At the Company's Annual General Meeting on 10 December 2020, all resolutions were passed.

Discounts and Share Buybacks

The Board seeks to manage the Company's discount in line with its peer group. The discount level of the Company's shares is closely monitored by the Board and Manager and share buybacks are undertaken when appropriate. During the six month period to 28 February 2021, 1,018,529 shares were bought back and held in treasury.

As at 19 April 2021, the Company's discount stood at 8.0%, with the AIC peer group sector average at 3.6%.

Gearing

The Board continues to believe that the sensible use of modest financial gearing should enhance returns to shareholders over the longer term. The Company has in place a £50 million three-year loan facility, of which £25 million is fixed and fully drawn down and £25 million is revolving. Under the facility agreement, the Trust also has the option to increase the revolving facility by a further £25 million to £50 million ('the accordion option'), subject to approval from the lending bank's credit committee. In order to take advantage of the increasing attractive opportunities within the Asian stock markets, the Company implemented this accordion option under the facility in early January 2021.

At 28 February 2021, £40 million of the revolving facility was drawn and the Trust's net gearing position was 8.6%, compared to 3.5% at the end of August 2020.

The Manager continues to monitor closely gearing levels and bank covenants. As at 19 April 2021 the Company's net assets stood at £726 million and net gearing was 7.0%, and the Company is pleased to report that these levels remain comfortably within the covenant limits.

Outlook

The world has come some way from the early days of the pandemic. However, we are by no means near the end of this unprecedented era, even as massive stimulus and support from governments and central banks globally fuel expectations of a growth recovery and rising consumer prices.

Your Manager is also monitoring the impact of inflation on two fronts. First, rising commodity prices could feed into raw material costs, hurting margins although many of your Company's holdings should be buffered by their ability to set prices, given their market leading positions. Second, rising prices could push central banks to reverse policy and raise interest rates, which would, in turn, increase the cost of borrowing. Both of these could affect the profitability of investee companies although your Company's holdings generally have strong balance sheets and therefore should be resilient to such changes.

Global developments, meanwhile, bear close watch. Chief among these is US foreign policy under President Biden, especially on China, and the progress of vaccine rollouts across Asia.

All of these imply near-term challenges for economies and markets in Asia. What is more pertinent for us as investors, however, is that over the long term, the region continues to offer immense opportunity.

Asia is the world's growth engine, its global factory and a growing consumer force to be reckoned with. As incomes rise and wealth grows, demand from local consumers for health care, technology and aspirational consumer goods is increasing. Urbanisation and infrastructure needs remain vast.

Quality companies that can harness these structural trends, such as those that your Company holds, are well positioned to reap sustainable returns.

For Asia Dragon Trust plc,
James Will
Chairman
20 April 2021

INTERIM BOARD REPORT

Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial position, performance and prospects. The Board has in place a robust process to identify, assess and monitor the principal risks and uncertainties facing the Company and to identify and evaluate newly emerging risks. A summary of the principal risks and uncertainties facing the Company is summarised below under the following headings:

- Investment Performance
- Concentration Risk
- Major market event or geo-political risk
- Resource
- Reliance on Third Party Service Providers
- Discount volatility
- Gearing
- Regulatory
- Brexit

Details of these risks and a description of the mitigating action which the Company has taken are provided in detail on pages 14 to 15 of the 2020 Annual Report. The principal risks have not materially changed during the six months to 28 February 2021. The Board continues to monitor the risk environment and does not expect the risks facing the Company to materially change in the second half of the financial year ended 31 August 2021.

In addition to these risks, there are also a large number of international political and economic uncertainties which could have an impact on the performance of Asian markets. The outbreak of the global Covid-19 virus has resulted in business disruption and stock market volatility across the world since early 2020. The extent of the effect of the virus, including its long term impact, is difficult to predict. The Manager has undertaken a detailed review of the investee companies in the Company's portfolio to assess the impact of Covid-19 on their operations such as employee absence, reduced demand, reduced turnover and supply chain breakdowns and will review carefully the composition of the Company's portfolio and will be pro-active where necessary.

The outcome and potential impact of Brexit remains an economic risk for the Company, principally in relation to the potential impact of Brexit on currency volatility. As an investment trust with an Asian mandate, the Company's portfolio is unlikely to be adversely impacted as a direct result of post Brexit regulation although some currency volatility could arise. The Board will continue to monitor developments as they occur so that the Company is ready to respond appropriately.

Going Concern

The Directors have undertaken a rigorous review of the Company's ability to continue as a going concern with particular focus on the impact of the Covid-19 pandemic. The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short timescale.

The Company has a three year loan facility of £75 million in place until July 2022. The Board has set limits for borrowing and regularly monitors the Company's covenant compliance and gearing levels and is satisfied that there is sufficient headroom in place and flexibility if required. A replacement option would be sought in advance of the expiry of the facility in July 2022, or, should the Board decide not to renew this facility, any outstanding borrowing would be repaid through the proceeds of equity sales as required.

The Board has considered the impact of Covid-19 and believes that this will have a limited financial impact on the Company's operational resources and existence. The Company's portfolio comprises primarily "Level One" assets (listed on a recognisable exchange and realisable within a short timescale), and the Company employs a relatively low level of gearing. The Board has been regularly updated by the Manager on the resilience of the Manager's systems as well as those of the other key third party service providers and is satisfied that suitable business continuity plans are in place and have proved effective throughout the course of the pandemic.

The Directors are mindful of the principal risks and uncertainties disclosed above and, having reviewed forecasts detailing revenue and liabilities, they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Responsibility Statement of the Directors in respect of the Half Yearly Financial Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with FRS 104 Interim Financial Reporting;
- the Interim Board Report (constituting the interim management report) includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For Asia Dragon Trust plc,

James Will
Chairman

20 April 2021

FINANCIAL HIGHLIGHTS

	28 February 2021	31 August 2020	% change
Equity shareholders' funds (£'000)	730,444	599,431	+21.9
Net asset value per share	582.77p	474.39p	+22.8
Share price (mid)	524.00p	416.00p	+26.0
Discount to net asset value per Ordinary share {A}	10.1%	12.3%	
MSCI AC Asia (ex Japan) Index (sterling adjusted; capital return)	1187.30	1012.62	+17.3
Net gearing {A}	8.6%	3.5%	
Ongoing charges ratio {A}	0.83%	0.89%	

{A} Considered to be an Alternative Performance Measure.

	Six months ended 28 February 2021	Year ended 31 August 2020
Net asset value total return per Ordinary share {A}	+23.9%	+4.7%
Share price total return per Ordinary share {A}	+27.2%	+4.6%
MSCI AC Asia Pacific (ex Japan) Index (sterling adjusted) total return	+18.0%	+10.9%
Discount to net asset value {A}	10.1%	12.3%

{A} Considered to be an Alternative Performance Measure.

PERFORMANCE HIGHLIGHTS

	6 months ended 28 February 2021	Year ended 28 February 2021	3 years ended 28 February 2021	5 years ended 28 February 2021	10 years ended 28 February 2021
Net asset value per share {A}	+23.9%	+33.2%	+39.8%	+132.4%	+155.9%
Share price {A}	+27.2%	+35.7%	+46.4%	+143.4%	+158.8%
MSCI AC Asia (ex Japan) Index (sterling adjusted)	+18.0%	+30.1%	+29.7%	+120.1%	+148.6%

{A} Considered to be an Alternative Performance Measure.

INVESTMENT PORTFOLIO
As at 28 February 2021

Company	Industry	Country	Valuation £'000	Total assets %
Taiwan Semiconductor Manufacturing Company	Semiconductors & Semiconductor Equipment	Taiwan	79,734	10.0
Tencent Holdings	Interactive Media & Services	China	75,073	9.4
Samsung Electronics (Pref)	Technology Hardware Storage & Peripherals	South Korea	73,848	9.2
AIA Group	Insurance	Hong Kong	34,975	4.4
Alibaba Group	Internet & Direct Marketing Retail	China	32,630	4.1
Housing Development Finance Corp	Thriffs & Mortgage Finance	India	25,713	3.2
Kweichow Moutai 'A'	Beverages	China	20,541	2.6
China Resources Land	Real Estate Management & Development	China	19,137	2.4
Ping An Insurance 'H'	Insurance	China	18,702	2.3
Bank Central Asia	Banks	Indonesia	18,570	2.3
Top ten investments			398,923	49.9
China Tourism Group Duty Free Corp 'A'	Speciality Retail	China	15,418	1.9
Meituan-Dianping Class B	Internet & Direct Marketing Retail	China	13,402	1.7
Wuxi Biologics (Cayman)	Life Sciences Tools & Services	China	13,383	1.7
Tata Consultancy Services	IT Services	India	13,210	1.7
Kotak Mahindra Bank	Banks	India	12,973	1.6
Midea Group 'A'	Household Durables	China	12,613	1.6
Hon Hai Precision Industry	Electronic Equipment, Instruments & Components	Taiwan	12,347	1.5
LG Chem	Chemicals	South Korea	12,124	1.5
Samsung SDI	Electronic Equipment, Instruments & Components	South Korea	11,358	1.4
Oversea-Chinese Banking Corporation	Banks	Singapore	11,037	1.4
Twenty largest investments			526,788	65.9
Hong Kong Exchanges & Clearing	Capital Markets	Hong Kong	10,633	1.3
Kerry Logistics Network	Air Freight & Logistics	Hong Kong	10,380	1.3
Ayala Land	Real Estate Management & Development	Philippines	10,256	1.3
Ultratech Cement	Construction Materials	India	9,837	1.2
China Conch Venture Holdings	Construction & Engineering	China	9,263	1.2
Sands China	Hotels, Restaurants & Leisure	China	8,762	1.1
Yunnan Energy New Material	Containers & Packaging	China	8,416	1.1
China Merchants Bank 'H'	Banks	China	8,004	1.0
Longi Green Energy Technology	Semiconductors & Semiconductor Equipment	China	7,969	1.0
China Vanke 'H'	Real Estate Management & Development	China	7,845	1.0
Thirty largest investments			618,153	77.4
Shenzhou International Group	Textiles, Apparel & Luxury Goods	China	7,733	1.0
ITC	Tobacco	India	7,646	1.0
Silergy Corp	Semiconductors & Semiconductor Equipment	Taiwan	7,433	0.9
Vietnam Technological & Commercial Bank	Banks	Vietnam	7,309	0.9
DBS Group	Banks	Singapore	7,168	0.9
SBI Life Insurance	Insurance	India	7,154	0.9

China Resources Gas	Gas Utilities	China	6,881	0.9
Info Edge (India)	Interactive Media & Services	India	6,592	0.8
Singapore Telecommunications	Diversified Telecommunication Services	Singapore	6,584	0.8
Budweiser Brewing	Beverages	Hong Kong	6,320	0.8
Forty largest investments			688,973	86.3
Bank of Philippine Islands	Banks	Philippines	6,173	0.8
GDS Holdings ADS	IT Services	China	6,035	0.8
Siam Cement 'F'	Construction Materials	Thailand	5,883	0.7
Shanghai International Airport 'A'	Transport Infrastructure	China	5,753	0.7
New Oriental Education & Technology Group Inc ADR	Diversified Telecommunication Services	China	5,421	0.7
Accton Technology Corp	Communications Equipment	Taiwan	5,319	0.7
Samsung Biologics	Life Sciences Tools & Services	South Korea	5,188	0.7
Hindustan Unilever	Household Products	India	5,137	0.6
CapitaLand	Real Estate Management & Development	Singapore	5,091	0.6
John Keells Holdings	Industrial Conglomerates	Sri Lanka	5,031	0.6
Fifty largest investments			744,004	93.2
Vietnam Dairy Products	Food Products	Vietnam	4,927	0.6
Astra International	Automobiles	Indonesia	4,915	0.6
Hangzhou Tigermed Consulting Co {A }	Life Sciences Tools & Services	China	4,535	0.5
KE Holdings	Real Estate Management & Development	China	4,271	0.5
Wanhua Chemical Group	Chemicals	China	4,164	0.5
Prestige Estate Projects	Real Estate Management & Development	India	4,085	0.5
Mobile World Investment Corporation	Speciality Retail	Vietnam	3,978	0.5
Nari Technology	Electrical Equipment	China	3,906	0.5
Beijing Sinnet Technology 'A'	IT Services	China	3,568	0.5
ASM Pacific Technology	Semiconductors & Semiconductor Equipment	Hong Kong	3,320	0.4
Sixty largest investments			785,673	98.3
Commercial Bank of Ceylon	Banks	Sri Lanka	2,886	0.4
Koh Young Technology	Semiconductors & Semiconductor Equipment	South Korea	2,773	0.4
JD Health International	Internet & Direct Marketing Retail	China	2,550	0.3
Joynn Laboratories	Life Sciences Tools & Services	China	728	0.1
Indocement Tunggal Prakarsa	Construction Materials	Indonesia	700	0.1
			795,310	99.6
Net current assets{B}			3,553	0.4
Total assets less current liabilities{B}			798,863	100.0

{A } Holding includes investment in both 'A' and 'H' shares.

{B} Excluding bank loan of £40,000,000.

Note: Unless otherwise stated, foreign stock is held and all investments are equity holdings.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Six months ended 28 February 2021		
	Note	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments		-	143,315	143,315
Net currency losses		-	(51)	(51)
Income	2	4,800	-	4,800
Investment management fee		(591)	(1,773)	(2,364)
Administrative expenses		(560)	-	(560)
Net return/(loss) before finance costs and taxation		3,649	141,491	145,140
Interest payable and similar charges		(83)	(249)	(332)
Net return/(loss) before taxation		3,566	141,242	144,808
Taxation	3	(705)	(2,369)	(3,074)
Net return/(loss) attributable to equity shareholders		2,861	138,873	141,734
Return per Ordinary share (pence)	4	2.28	110.49	112.77

The total columns of this statement represent the profit and loss account of the Company. There is no other comprehensive income and therefore the return attributable to equity shareholders is also the total comprehensive income for the period.

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

The accompanying notes are an integral part of the condensed financial statements.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		Six months ended 29 February 2020		
	Note	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments		-	(15,496)	(15,496)
Net currency losses		-	(299)	(299)
Income	2	3,639	-	3,639
Investment management fee		(2,027)	-	(2,027)
Administrative expenses		(585)	9	(576)
Net return/(loss) before finance costs and taxation		1,027	(15,786)	(14,759)
Interest payable and similar charges		(280)	-	(280)
Net return/(loss) before taxation		747	(15,786)	(15,039)
Taxation	3	(394)	(216)	(610)
Net return/(loss) attributable to equity shareholders		353	(16,002)	(15,649)
Return per Ordinary share (pence)	4	0.28	(12.50)	(12.22)

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		As at 28 February 2021	As at 31 August 2020
	Notes	£'000	£'000
Non-current assets			
Investments at fair value through profit or loss		795,310	620,827
Current assets			
Debtors and prepayments		5,477	3,929
Cash and cash equivalents		1,488	11,390
		6,965	15,319
Creditors: amounts falling due within one year			
Other creditors		(3,412)	(4,666)
Bank loan	10	(40,000)	(6,000)
		(43,412)	(10,666)
Net current (liabilities)/assets		(36,447)	4,653
Creditors: amounts falling due after more than one year			
Bank loan	10	(24,996)	(24,995)
Deferred tax liability on Indian capital gains	3	(3,423)	(1,054)
		(28,419)	(26,049)
Net assets		730,444	599,431
Capital and reserves			
Called-up share capital		31,922	31,922
Share premium account		60,416	60,416
Capital redemption reserve		28,154	28,154
Capital reserve	6	575,476	441,359
Revenue reserve		34,476	37,580
Equity shareholders' funds		730,444	599,431
Net asset value per Ordinary share (pence)	7	582.77	474.39

CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 28 February 2021

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2020	31,922	60,416	28,154	441,359	37,580	599,431
Return after taxation	-	-	-	138,873	2,861	141,734
Dividend paid (note 8)	-	-	-	-	(5,965)	(5,965)
Buyback of Ordinary shares for treasury	-	-	-	(4,756)	-	(4,756)
Balance at 28 February 2021	31,922	60,416	28,154	575,476	34,476	730,444

Six months ended 29 February 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 August 2019	31,922	60,416	28,154	431,945	37,271	589,708
(Loss)/return after taxation	-	-	-	(16,002)	353	(15,649)
Dividend paid (note 8)	-	-	-	-	(6,088)	(6,088)
Buyback of Ordinary shares for treasury	-	-	-	(4,086)	-	(4,086)
Balance at 29 February 2020	31,922	60,416	28,154	411,857	31,536	563,885

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended 28 February 2021 £'000	Six months ended 29 February 2020 £'000
Operating activities		
Net return before taxation	144,808	(15,039)
Adjustments for:		
(Gains)/losses on investments	(143,315)	15,496
Currency losses	51	299
(Increase)/decrease in accrued dividend income	(1,427)	173
Decrease in other debtors	19	15
Increase/(decrease) in other creditors	190	(42)
Interest payable and similar charges	318	280
Stock dividends included in investment income	(327)	-
Overseas withholding tax	(416)	(307)
	-----	-----
Cash (used in)/from operations	(99)	875
Interest paid	(318)	(282)
	-----	-----
Net cash (outflow)/inflow from operating activities	(417)	593
Investing activities		
Purchases of investments	(148,894)	(67,830)
Sales of investments	116,181	79,337
Capital gains tax on sales	-	(49)
	-----	-----
Net cash (used in)/from investing activities	(32,713)	11,458
Financing activities		
Equity dividend paid	(5,965)	(6,088)
Buyback of Ordinary shares to treasury	(4,756)	(4,086)
Drawdown of loan	34,000	-
Tender Offer for Ordinary shares inclusive of expenses	-	(5)
	-----	-----
Net cash from/(used in) financing activities	23,279	(10,179)
	-----	-----
(Decrease)/increase in cash and cash equivalents	(9,851)	1,872
Analysis of changes in cash and cash equivalents during the period		
Opening balance	11,390	10,170
Effect of exchange rate fluctuations on cash held	(51)	(299)
(Decrease)/increase in cash and cash equivalents as above	(9,851)	1,872

Closing balance	1,488	11,743
Represented by:		
Money market funds	100	2,300
Cash and short term deposits	1,388	9,443
	1,488	11,743

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation. The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) and with the principles of the Statement of Recommended Practice for Financial Statements of Investment Trust Companies and Venture Capital Trusts'. Given that the Company's portfolio comprises primarily "Level 1" assets (listed on a recognisable exchange and realisable within a short timescale), and the Company's relatively low level of gearing, the Directors believe that adopting a going concern basis of accounting remains appropriate. The condensed financial statements have also been prepared on the assumption that approval as an investment trust will continue to be granted by HMRC. The interim financial statements have been prepared using the same accounting policies as the preceding annual financial statements.

2. Income

	Six months ended 28 February 2021 £'000	Six months ended 29 February 2020 £'000
Income from investments		
UK dividend income	-	38
Overseas dividends	4,799	3,582
	<u>4,799</u>	<u>3,620</u>
Other income		
Deposit interest	-	8
Interest from money market funds	1	9
Other income	-	2
	<u>1</u>	<u>19</u>
Total income	<u>4,800</u>	<u>3,639</u>

3. Taxation.

The taxation for the period represents withholding tax suffered on overseas dividend income and a movement in provision for Indian Capital Gains Tax.

An amount of £705,000 of withholding tax was suffered in the six months to 28 February 2021 (29 February 2020 - £394,000). The Indian Capital Gains Tax accrual has increased by £2,369,000 (29 February 2020 - increase of £167,000) since the year end with a balance outstanding at 28 February 2021 of £3,423,000 (29 February 2020 - £1,951,000).

4. Return per Ordinary share

Six months ended	Six months ended
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	28 February 2021	29 February 2020
	P	P
Basic		
Revenue return	2.28	0.28
Capital return	110.49	(12.50)
Total return	112.77	(12.22)
The figures above are based on the following:		
	£'000	£'000
Revenue return	2,861	353
Capital return	138,873	(16,002)
Total return	141,734	(15,649)
Weighted average number of Ordinary shares in issue	125,681,941	128,111,741

The Company has no securities in issue that could dilute the return per Ordinary share. Therefore, for the six months ended 28 February 2021 (29 February 2020 - same) no diluted calculation is provided.

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/(losses) on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 28 February 2021	Six months ended 29 February 2020
	£'000	£'000
Purchases	201	113
Sales	201	127
	402	240

6. **Capital reserves.** The capital reserve reflected in the Condensed Statement of Financial Position at 28 February 2021 includes gains of £294,442,000 (31 August 2020 - £179,491,000) which relate to the revaluation of investments held at the reporting date.

7. **Net asset value.** The net asset value per share and the net assets attributable to the Ordinary shareholders at the period end were as follows:

	As at 28 February 2021	As at 31 August 2020
Net assets attributable (£'000)	730,444	599,431
Number of Ordinary shares in issue{ A }	125,339,924	126,358,453
Net asset value per share (pence)	582.77	474.39
{ A } Excluding shares held in treasury.		

8. **Dividends**

	Six months ended 28 February 2021	Six months ended 29 February 2020
	£'000	£'000
2019 final dividend - 4.75p	-	6,088
2020 final dividend - 4.75p	5,965	-

5,965

6,088

There will be no interim dividend for the year to 31 August 2021 (2020 - nil) as the objective of the Company is long-term capital appreciation.

9. **Fair value hierarchy.** FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

All of the Company's investments are in quoted equities (31 August 2020 - same) which are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments as at 28 February 2021 of £795,310,000 (31 August 2020 - £620,827,000) has therefore been deemed as Level 1.

10. **Bank loans.** The Company has a £50,000,000 multicurrency revolving facility with Scotiabank Europe Plc. This agreement was entered into on 30 July 2019 with a termination date of 29 July 2022. At 28 February 2021, £40,000,000 of this facility has been drawn down at a rate of 0.9965% which matures on 26 March 2021.

The Company has a fixed loan facility agreement of £25,000,000 at an interest rate of 1.61% with Scotiabank Europe Plc, with a termination date of 29 July 2022. The agreement of this facility incurred an arrangement fee of £7,500, which is being amortised over the life of the loan.

The agreements contain the following covenants:

- the net asset value of the Company shall not at any time be less than £385 million.
- the adjusted asset coverage of the Company, as defined in the loan facility agreement, shall not at any time be less than 4.00 to 1.00.

All covenants have been complied with throughout the period.

11. **Called-up share capital.** In the six months to 28 February 2021, the Company bought back 1,018,529 (29 February 2020 - 995,794) Ordinary shares to be held in treasury, at a total cost of £4,756,000 (29 February 2020 - £4,086,000).

At the end of the period there were 159,611,677 (29 February 2020 - 159,611,677) Ordinary shares in issue, of which 34,271,753 (29 February 2020 - 31,858,623) were held in treasury.

Since the period end a further 56,430 Ordinary shares of 20p each have been purchased by the Company at a total cost of £304,000 all of which were held in treasury.

12. **Analysis of changes in net debt**

	At 31 August 2020 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 28 February 2021 £'000
Cash and short term deposits	11,390	(51)	(9,851)	-	1,488
Debt due within one year	(6,000)	-	(34,000)	-	(40,000)
Debt due after more than one year	(24,995)	-	-	(1)	(24,996)
	(19,605)	(51)	(43,851)	(1)	(63,508)

At

At

	31 August 2019 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	29 February 2020 £'000
Cash and short term deposits	10,170	(299)	1,872	-	11,743
Debt due within one year	(6,000)	-	-	-	(6,000)
Debt due after more than one year	(24,993)	-	-	(1)	(24,994)
	(20,823)	(299)	1,872	(1)	(19,251)

A statement reconciling the movement in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

- 13. Related party transactions and transactions with the Manager.** The Company has an agreement with Aberdeen Standard Fund Managers Limited ("ASFML" or the "Manager") for the provision of management and administration services, promotional activities and secretarial services.
- The management fee for the six months ended 28 February 2021 is calculated at 0.85% per annum of net assets up to £350 million and 0.50% per annum of net assets over this threshold. Management fees are calculated and payable on a quarterly basis. On 1 September 2020, the management fee capitalisation rate was changed to 75% chargeable to capital and 25% to revenue. During the period £2,364,000 (29 February 2020 – £2,027,000) of management fees were payable to the Manager, with a balance of £1,219,000 (29 February 2020 – £1,011,000) due to ASFML at the period end.
- The management agreement is terminable by the Company on three months' notice or in the event of a change of control in the ownership of the Manager. The notice period required to be given by the Manager is six months. At the end of the period the Company had £100,000 (29 February 2020 - £2,300,000) invested in Aberdeen Standard Liquidity Fund (Lux) - Sterling Fund which is managed and administered by Aberdeen Standard Investments. The Company pays a management fee on the value of these holdings but no fee is chargeable at the underlying fund level.
- Promotional activities costs are based on current annual amount of £200,000 (29 February 2020 - £200,000), payable quarterly in arrears. During the period £100,000 (29 February 2020 - £100,000) of fees were payable, with a balance of £32,000 (29 February 2020 - £33,000) being due at the period end.
- 14. Segmental information.** The Company is engaged in a single segment of business, which is to invest in equity securities. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based on the Company as one segment.
- 15. Half-Yearly Financial Report.** The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 - 436 of the Companies Act 2006. The financial information for the six months ended 28 February 2021 and 29 February 2020 has not been audited. The Company's external auditor, PricewaterhouseCoopers LLP has not reviewed the financial information for the six months ended 28 February 2021.
- The information for the year ended 31 August 2020 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditor on those accounts contained no qualification or statement under Section 498(2) or (3) of the Companies Act 2006.
- 16.** This Half-Yearly Financial Report was approved by the Board on 20 April 2021.

ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures ("APMs") are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

Total return. NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the six months ended 28 February 2021 and 29 February 2020 and total return for the period.

	Dividend	NAV	Share
2021	rate		price
31 August 2020	N/A	474.39p	416.00p
19 November 2020	4.75p	540.71p	479.50p
28 February 2021	N/A	582.77p	524.00p
Total return		+23.9%	+27.2%

	Dividend	NAV	Share
2020	rate		price
31 August 2019	N/A	458.03p	402.50p
21 November 2019	4.75p	445.34p	396.50p
29 February 2020	N/A	441.39p	390.00p
Total return		-2.6%	-1.9%

Discount to net asset value per Ordinary share. The difference between the share price of 524.00p (31 August 2020 - 416.00p) and the net asset value per Ordinary share of 582.77p (31 August 2020 - 474.39p) expressed as a percentage of the net asset value per Ordinary share.

Net gearing. Net gearing measures the total borrowings of £64,996,000 (31 August 2020 - £30,995,000) less cash and cash equivalents of £3,228,000 (31 August 2020 - £10,257,000) divided by shareholders' funds of £730,444,000 (31 August 2020 - £599,431,000), expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes net amounts due from brokers at the period end of £1,740,000 (31 August 2020 - due to brokers - £1,133,000) as well as cash and short term deposits of £1,488,000 (31 August 2020 - £11,390,000).

Ongoing charges. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average net asset values with debt at fair value throughout the year. The ratio for 28 February 2021 is based on forecast ongoing charges for the year ending 31 August 2021.

	28 February	31 August
	2021	2020
Investment management fees (£'000)	4,803	4,058
Administrative expenses (£'000)	1,094	1,070
Less: non-recurring charges (£'000)	(18)	(49)
Ongoing charges (£'000)	5,879	5,079
Average net assets (£'000)	711,993	573,046
Ongoing charges ratio	0.83%	0.89%

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations which among other things, includes the cost of borrowings and transaction costs.