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Aberdeen Asian Smaller Companies Investment Trust PLC

Annual Report and Accounts
31 July 2007

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in Aberdeen Asian Smaller Companies Investment Trust PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Financial Highlights

	2007	2006
Share price total return ^A	+23.7%	+5.3%
Diluted net asset value total return ^A	+34.7%	+11.5%
Dividend per share	6.15p	6.15p

^A 1 year return

Diluted Net Asset Value per share
with debt at fair value
At 31 July 2007 – pence

Dividends per share
pence

Mid-market price per share
At 31 July 2007 – pence

Financial Calendar

18 October 2007	Announcement of results for year ended 31 July 2007
29 November 2007	Annual General Meeting
30 November 2007	Final and special dividend payable for year ended 31 July 2007
30 November 2007	Warrant Exercise Date for 2007
March 2008	Announcement of interim results for the six months ending 31 January 2008
September 2008	Announcement of results for year ending 31 July 2008

Corporate Summary

Aberdeen Asian Smaller Companies Investment Trust PLC (the "Company")

The Company is an investment trust and its shares are listed on the London Stock Exchange. It is a member of the Association of Investment Companies ("AIC")

Investment Manager

Aberdeen Asset Management Asia Limited, 21 Church Street, #01-01 Capital Square Two, Singapore 049480 ("AAM Asia" or "the Manager")

Investment Objective

The investment objective of the Company is to maximise total return to Shareholders over the long term from a portfolio of smaller quoted companies (with a market capitalisation of up to approximately US\$750m at the time of investment) in the economies of Asia and Australasia, excluding Japan. Further information on the Investment Objective is contained in the Chairman's Statement.

Investment Policy

The Company's assets are invested in a diversified portfolio of securities in quoted smaller companies spread across a range of industries and economies in the investment region including, Australia, Bangladesh, China, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Pakistan, The Philippines, Singapore, Sri Lanka, Taiwan and Thailand together with such other countries in Asia as the Directors may from time to time determine, (collectively, the "Investment Region")

The Company's portfolio comprises securities (substantially in the form of equities or equity related securities such as convertible securities and warrants) of companies with market capitalisations of up to approximately US\$750 million at the time that the investment is made.

Investments may also be made through collective investment schemes and in companies traded on stock markets outside the Investment Region provided that over 75 per cent of their consolidated revenue is earned from trading in the Investment Region or they hold more than 75 per cent of their consolidated net assets in the Investment Region.

Achieving the Investment Policy

The Directors are responsible for determining the investment policy and the investment objective of the Company. Day to day management of the Company's assets has been delegated to AAM Asia. The Manager invests in a diversified range of companies throughout the Investment Region in accordance with the investment policy. The Manager follows a bottom-up investment process based on a disciplined evaluation of companies through direct visits by its fund

managers. Stock selection is the major source of added value. No stock is bought without the fund managers having first met management. The Manager estimates a company's worth in two stages, quality then price. Quality is defined by reference to management, business focus, the balance sheet and corporate governance. Price is calculated by reference to key financial ratios, the market, the peer group and business prospects. Top-down investment factors are secondary in the Manager's portfolio construction, with diversification rather than formal controls guiding stock and sector weights. Except for the maximum market capitalisation limit little regard is paid to market capitalisation. The Manager is authorised to invest up to 10% of the Company's gross assets in any single stock although circumstances may occasionally arise when it may be in shareholders' interests to make an investment that exceeds this level.

A detailed description of the investment process and risk controls employed by the Manager is disclosed on page 17. A comprehensive analysis of the Company's portfolio is disclosed on pages 12 and 13 including a description of the ten largest investments, the top 50 investments by value, sector/geographical analysis and currency/market performance. At the year end the Company's portfolio consisted of 66 holdings.

The Board is responsible for determining the gearing strategy for the Company. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent this is considered appropriate to do so. At the year end there was net gearing of 1.2% which compares with a maximum limit of 25% although in the last 10 years gearing has been within the approximate range of 0% to 16%. Borrowings are short term and particular care is taken to ensure that any bank covenants permit maximum flexibility of investment policy.

In addition, it is the investment policy of the Company to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts). The Company currently does not have any investments in other investment companies.

Benchmark

There is no meaningful smaller companies index against which to compare the performance of the Company. Accordingly, the Manager utilises a general regional index, the MSCI AC Asia Pacific ex Japan, as well as peer group comparisons for Board reporting. It is likely that performance will diverge, possibly quite dramatically in either direction, from this or any other index.

The Manager undertakes substantial due diligence before initiating any investment, including company visits, to assure the quality of any prospective investment. The Manager

seeks to minimise risk by using in depth research and does not see divergence from a benchmark as risk

Capital Structure

At 31 July 2007 the Company had a capital structure comprising 32,579,597 Ordinary shares of 25p and 4,848,903 Warrants to subscribe for Ordinary shares at 100p. The Company also had bank borrowings in Hong Kong Dollars and US Dollars amounting to the equivalent of £7.3 million which rank for repayment ahead of any capital repayment to Shareholders.

Total Assets and Net Asset Value

The Company had total assets (see definition on page 44) of £139.1m and an undiluted net asset value of 404.2p per share at 31 July 2007.

Websites

www.asian-smaller.co.uk
www.aberdeen-asset.com

Company Secretary

Aberdeen Asset Management PLC, One Bow Churchyard, Cheapside, London EC4M 9HH

Email: company.secretary@invtrusts.co.uk

Customer Services

Freephone 0500 00 00 40
(open Monday – Friday, 9am - 5pm)
Email: invtrusts@aberdeen-asset.com

Duration

The Company does not have a fixed life.

Principal Risk Factors

Investment in Far East equities or those of companies that derive significant revenue or profit from the Far East involves a greater degree of risk than that usually associated with investment in the securities in major securities markets. The securities that the Company owns may be considered speculative because of this higher degree of risk. Further details of the risks attaching to the Company's shares are provided in Note 18 to the financial statements. These risks include:

Ordinary Shares

The market price and the realisable value of the Ordinary shares, as well as being affected by their underlying net asset value, also take into account supply and demand, market conditions and general investor sentiment. As such, the market value and the realisable value of the Ordinary shares may fluctuate and vary considerably from their net asset

value and investors may not be able to realise the full value of their original investment.

Dividends

The Company will only pay dividends on the Ordinary shares to the extent that it has profits available for that purpose. The ability of the Company to pay any dividends in respect of the Ordinary shares will depend primarily on the level of income received from its investments. Accordingly, the amount of the dividends paid to Shareholders may fluctuate.

Borrowings

Whilst the use of borrowings should enhance the total return on the Ordinary shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is less than the cost of borrowing, further reducing the total return on the Ordinary shares. The Company currently utilises gearing in the form of bank borrowings (see 'Capital Structure' above and Note 11 on page 38).

Market Risks

The Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities, and there can be no assurance that appreciation in the value of those investments will occur. Investment in emerging securities markets in the Asia Pacific region involves a greater degree of risk than that usually associated with investment in more developed securities markets.

Foreign Exchange Risks

The Company accounts for its activities and reports its results in sterling while investments are made and realised in other currencies. It is not the Company's present intention to engage in currency hedging, although it reserves the right to do so. Accordingly, the movement of exchange rates between sterling and the other currencies in which the Company's investments are denominated or its borrowings are drawn down may have a material effect, unfavourable as well as favourable, on the returns otherwise experienced on the investments made by the Company.

Taxation and Exchange Controls

Any change in the Company's tax status or in taxation legislation (including the tax treatment of dividends or other investment income received by the Company) or failure to satisfy the conditions of section 842 of the Income and Corporation Taxes Act 1988 could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

The Company may purchase investments that may be subject to exchange controls or withholding taxes in various

Corporate Summary continued

jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on its investments and the capital value of the affected investments

Share Dealing/PEP/ISA status

Shares in the Company can be bought in the open market through a stockbroker. They can also be purchased through the Aberdeen savings schemes and are fully qualifying for inclusion within tax-efficient ISA wrappers (see page 43)

Management Agreement

The Company has an agreement with AAM Asia for the provision of management services, details of which are shown in Note 3 to the financial statements

The Directors review the terms of the investment management agreement on a regular basis and have confirmed that, due to the long-term relative performance, investment skills, experience and commitment of the investment management team, in their opinion the continuing appointment of AAM Asia is in the interests of Shareholders as a whole

Chairman's Statement

Nigel Cayzer
Chairman

Results and Dividend

I am pleased to report another substantial rise in the value of your Company. During the year to 31 July 2007, the Company's net asset value produced a diluted total return of 34.7%. While currently there is no benchmark against which to measure our performance, the MSCI AC Asia ex Japan Index rose 39.2% in the comparable period.

We are proposing a first and final dividend this year of 3.45p, together with a special dividend of 2.7p, maintaining the level of total dividends paid last year. If approved by shareholders at the Annual General Meeting of the Company, the dividends will be paid on 30 November 2007 to Ordinary shareholders on the register on 26 October 2007.

I would like to draw shareholders' attention to the fact that this is the second year that we have paid a special dividend. Our ability to do so is entirely dependent on the receipt of special dividends from the companies in the portfolio, which has been a feature for the past two years.

Overview

As many shareholders will be aware, Hugh Young and his team at Aberdeen Asset Management in Singapore believe in investing in companies which operate in segments of the market where good growth prospects exist, have strong management, have well founded balance sheets and trade on realistic valuations. This is backed up with detailed research both before any investment decision is made and afterwards, by keeping in close contact with the company to ensure that expectations are being met.

As you will see from the accompanying Manager's Review, the markets of South East Asia had a mixed time in the year under review with some markets performing well, while others like China have raced ahead placing valuations at challenging levels. The portfolio is spread across all countries of the region with the exception of China, where smaller companies are difficult to acquire and Taiwan and Australasia where valuations are still stretched.

Your portfolio trades on an average p/e of 16x 2008 earnings, which, while not cheap, is not unduly demanding

and offers some good upside when compared to some of the valuations seen in these markets.

As your Company is invested in smaller companies, they are more orientated to domestic demand. With world markets possibly facing a period of slowing economic activity, this will provide a cushion if exports to the US market were put under pressure. The problems in the international banking sector have not, as yet, had any impact on the more domestic orientated banks which appear in the portfolio.

Your Board firmly believes that this research-based investment philosophy will, in the medium term, produce good consistent returns as the companies in which the Company is invested continue to prosper. This has proved to be the case since the last period of turmoil in 1997 when the net asset value per Ordinary share fell to 56p rising, with one exception, for every year thereafter.

Share Capital and Gearing

During the year, your Company issued 250,000 new Ordinary shares in response to demand from the market. We also took the opportunity to purchase for cancellation 500,000 Warrants in order to reduce future dilution.

The Company has continued to use gearing during the year and was approximately 1.2% geared at the year end (on a net basis) compared with 4.2% at the start of the year. The Board will continue to monitor the Company's gearing on a regular basis under advice from the Manager. Subsequent to the year end the Company has reduced the level of gearing further by repaying its revolving HKD\$2.4 million borrowing facility. This line will remain available for drawing down again in the future.

Annual General Meeting

The Annual General Meeting is scheduled to be held on 29 November 2007 at 12.00 noon. Included within the Ordinary business there is a resolution to elect Mr Chris Maude to the Board. Chris was appointed to the Board on 16 May 2007 and is a chartered accountant with extensive experience of both the Far East markets and the fund management industry and the Board strongly recommends that you support his formal election.

In addition to the usual ordinary business, as special business the Board is seeking to renew its existing authority to issue new shares for cash without pre-emption rules applying and to renew its authority to buy back shares and either hold them in treasury for future resale (at asset value or above) or cancel them. The Directors are also proposing to amend the articles of association to take account of recent changes as a result of the implementation of the Companies Act 2006. These changes will enable the Company to make greater use

Chairman's Statement continued

of electronic mail and websites when communicating Company information, including distributing annual reports and accounts and sending out notices of meeting. Your Board is keen to encourage the use of electronic communications but the Company only currently intends to use electronic means where shareholders have positively elected in such manner.

Investment Objective

At the time of the launch of the Company the investment objective was limited to investing in companies which had a market capitalisation of less than US\$250 million. Appreciation in the Far East markets led the Board to agree an increase in this ceiling to the current US\$600 million in 2002. The Board has now resolved to amend this level so that with immediate effect the Company's investment objective is "to maximise total return to shareholders over the long term from a portfolio of smaller quoted companies (with a market capitalisation of up to approximately US\$750 million at the time of investment) in the economies of Asia and Australasia, excluding Japan."

Outlook

Since the year end, there has been further volatility in world stock markets and the banking system is dealing with a liquidity crisis on a scale not seen for over a decade. In the light of this, it would be foolish to say that we view the future with anything other than caution. However, the quality of the portfolio with its domestic bias and reasonable level of valuation should provide strong defensive qualities in times of trouble and offer good opportunities when some of the uncertainties currently afflicting markets are resolved.

Nigel Cayzer
Chairman
18 October 2007



Manager's Review

For a fifth successive year, Asian equity markets advanced. However, in February 2007, there was a correction triggered by concerns of overheating in China. But this was short lived with investor sentiment taking comfort from strong local economies, healthy corporate earnings and robust investment inflows. The rebound was not uniform with some markets performing better and buying generally being confined to property and cyclical stocks.

Economic expansion across the region remained healthy led by strong growth in China and India. China's GDP grew by 11.5% year-on-year in the first half of 2007, while India's GDP accelerated to an 18-year high of 9.4%, on robust consumer demand and increased industrial output. Elsewhere, the property markets in Singapore and Hong Kong underpinned domestic growth. Monetary conditions continued to tighten in response to rising price pressures, with sustained high oil prices a contributing factor in the mainly oil-importing region. Concerns of overheating in China and India prompted both central banks to tighten monetary policy. Borrowing costs also rose in Australia and, from lower levels, in South Korea and Taiwan. However, Thailand and Indonesia bucked the trend, as inflation eased.

Mainland Chinese equity markets stood out, with shares doubling over the period. That followed the end of a moratorium in new issues, the listing of several large state companies, and a surge in demand as savers, faced with nominal deposit rates, chased returns. But the markets remain largely closed to foreigners and only a limited pool of institutional investors on the mainland can invest abroad. Few appear to know what they are buying since China suffers poor transparency and disclosure, and pricing is often guesswork, listed companies themselves invest in the market.

The bigger mainland companies still list in Hong Kong as 'H' shares. Two such, ICBC and Ping An, that straddle banking and insurance, respectively, sparked a retail buying frenzy. Meanwhile resources stocks and the so-called 'red chips', or mainland conglomerates, also boomed. Unfortunately this trend offered little for the small cap investor. Our exposure to the China story was exclusively in Hong Kong-listed stocks, which did well relative to Hong Kong's performance but were very much overshadowed by the mainland itself.

With China pulling the region along, investors focused on several related ideas. In Korea and Taiwan the beneficiaries were deep cyclicals – namely shipping, steel and plastics. These are not businesses where we derive much comfort because of generally poor accountability and low regard for shareholders. Anyway, small companies are by nature under-represented (these are mainly large, capital intensive businesses). Taiwan additionally has a more versatile electronics and IT strength, but up close this has always appeared to us as very commoditised, with little brand and

pricing power. That translated into our holding a couple of banks/insurers in Korea, but we had no exposure to Taiwan at all.

The same goes for Australia where the economy continued growing, driven by commodities and housing-led spending. The stock market was progressively swept along by corporate activity, in line with the UK and US, with bids for Qantas the national air carrier and other household names such as Coles. Valuations appeared rich and growth, which has defied earlier predictions of a slowdown, appears to have less potential compared with Asia proper. Again with high valuations, it offered little opportunity for the small cap investor.

India has been a core overweight for some time. The country has seen an enormous upsurge in economic activity and there is no hint yet that this is slowing. Share performance reflected that, apart from a brief sell-off in the second quarter, buying momentum was unabated. Though prices have become stretched, earnings growth has been supportive. To some extent we are witnessing a virtuous circle of increasing demand driving investment and spending. Capacity constraints have led to inevitable price rises, forcing the Reserve Bank of India to act. From an investment perspective, the variety of companies is exceptional. Even for small caps, we have been able to gain exposure to pharmaceutical, gas distribution, paint, banking and consumer stocks, which fared well. Once again, though, big cap industrial proxies were the star performers.

It was noticeable that Malaysia, a market that has long lagged regional indices, returned to the limelight. The catalyst was the promise of reform, long overdue, of government-linked companies. This sparked interest in a variety of underperforming national champions – the airline, the power companies, certain banks, and so on – largely to the detriment of our steady-as-she-goes holdings in retail and food & beverages. By contrast in Thailand, the increasingly autocratic rule of prime minister Thaksin opened the way for a bloodless coup. But after being welcomed by Bangkok's power brokers, the military blundered over policy, causing investment and spending to plummet. Yet the stock market held up, partly on contrarian buying by foreign investors (locals have been net sellers). In recent months, the prospect of a year-end election has encouraged some bottom-fishing. The market certainly looks cheap in a regional context, and is one reason we have remained overweight. Although our stocks have had a quiet time, they are well-managed and there has been no compelling reason to sell down positions given our long-term focus.

Our Singapore exposure, at around one-fifth of the portfolio, is significant. Over the period we added value in terms of the allocation but lost ground relative to the index with regard to

Manager's Review continued

stock selection, mainly as the period coincided with a very swift turnaround in property and construction, with prices for high end residential and office space climbing to new records. Investors piled into the handful of big developers in the land scarce island. Our coverage was slanted toward trading, retail and trading. Still, the salient point is that Singapore's reputation for quality stretches across the market cap spectrum and is reinforced by a regulatory and business culture that is second to none.

In general our preference for visible, well-managed companies means we naturally gravitate to the consumer area as a theme, since companies here tend to have more straightforward business models. We think rising real wealth is also supportive of domestic spending, and that in time Asia's reliance on exports will diminish. We define the sector fairly broadly to include utility and energy stocks – a fact reflected in our total holdings, which number around 66 at present. We have no preconception as to where the best such stocks reside. For example, the larger population countries don't necessarily provide the best opportunities because much will depend on overall levels of economic growth, local competition and the regulatory environment, quite apart from the companies themselves.

Altogether, the rapid gains seen across the region have not automatically shown our investment style to best effect. This should not come as a surprise given that fundamentals are usually the first casualty of liquidity-driven buying. If markets do start to consolidate, we expect buying to become more discriminating. In the meantime investors can look back on twelve months of firm progress.

Portfolio review

During the 12 months, we introduced five new stocks to the portfolio on positive growth prospects and attractive valuations. FJ Benjamin, a Singapore-based retailer with a portfolio of fashion brands that is benefiting from the recovery in consumer spending in the region, Millennium & Copthorne Hotels New Zealand, an undervalued hotel and property development group, Unilever Pakistan, a subsidiary of Unilever plc with a solid balance sheet, Castrol India, a lubricants company which offers a good dividend yield, and the Hong Kong Economic Times, a leading financial journal. Against this, we sold out of India's ICICI Bank, after a strong run in its share price. We also sold out of Korean dairy foods manufacturer Binggrae due to concerns over its operating environment.

In terms of performance, our two holdings in the shipping sector, Hong Kong's Pacific Basin Shipping (+187%*) and Bangkok-based Regional Container Lines (+117%) led absolute contributions, as trade continued to boom, allowing operators to boost rates. Not far behind was Asian Terminals (+115%) in the Philippines. However, like the property

sector, where Singapore's Wheelock was a stand-out (+107%), quality small company exposure is limited. Besides, shipping is dominated by bulk carriers, property is similarly in the hands of large players – in Singapore, where the market has burst into life, they are mainly government-linked.

Other companies that did well included Bursa Malaysia (+108%), the listed exchange, which clearly benefited from a pick-up in trading volumes as foreign interest returned to that market, Jammu & Kashmir Bank (+95%), which has nimbly capitalised on the explosion of demand for credit in India, ICI India (+88%), the MNC-subsidary, City E-Solutions, a Hong Kong-based maker of hotel management software (+83%), and Tisco Bank (+74%), which has successfully expanded out of its core stockbrokerage in Thailand.

The disappointments were spread across the portfolio. With the exception of Sri Lanka, where, Distilleries apart, all holdings were down on renewed political unrest and a slowing economy, they were stock specific in nature. For example, Giordano (-18%), a retailer of clothing 'basics', has found the transition into fashion apparel difficult, BAT Indonesia (-23%) suffered from higher tobacco taxes (though its dividend yield remains attractive), and Courts Singapore (-9.2%) struggled in the face of stiff competition, especially on credit financing. A management buyout bid was subsequently rejected as too low.

In the case of Malaysian Oxygen, the takeover of the majority parent company by Linde AG triggered a bid. As the largest minority shareholder we rejected its opening offer, but in concert with other parties we subsequently secured a 31% premium, which was a gratifying outcome. We expect more such activity, especially as multinationals move to consolidate similar such holdings in the region. But the prompt could equally come from governments. For example, Malaysia has pushed for a consolidation in the plantation sector, by contrast Taiwan continues to stall on banking sector reform. (*all figs 1-yr total return GBP)

Outlook

In a few short weeks Asian equity markets have staged an unlikely rally, following a brief lurch downwards in August. The rebound has been built on two factors: a belief that the Federal Reserve has now embarked on a course of interest rate cuts, and the perception that Asia is able to weather any mild deterioration in the US economy.

As events continue to unfold, it is too early to say exactly what risks these assumptions carry. The Federal Reserve, with its surprise 0.5% reduction on September 18, has signalled a willingness to act pre-emptively in the face of US housing market weakness and a logjam in sub-prime credit markets. Investors are betting that this will avert the threat of a more serious downturn. But the clear possibility is that housing-

related consumption, which has powered the US economy for several years, will deteriorate anyway. In turn, US profits could come under renewed pressure.

Arguably the trend of US growth has been on a downward path for eighteen months or so. So Asia has had time to adjust. In the two most important economies, China and India, growth is anyway rampant. True, some exporters have felt some squeeze on margins due to rising input costs and a lack of pricing power; industries like electronics are traditionally sensitive to the smallest changes in demand. A weak dollar would have negative consequences, yet Asia's governments haven't shown much flexibility in allowing local currencies to rise. With strong national balances and mounting foreign exchange surpluses, local currencies are fundamentally undervalued.

As ever, it is what markets are pricing that matters most. Here we are minded to say that a correction may be both necessary and desirable. While earnings growth has been decent enough, the justification for valuations on the Chinese mainland and certain pockets elsewhere seems tenuous. Daily price gains of 3-4% are neither sensible nor sustainable. Smaller companies have not had much of this run, however, having under-performed in a hot market, they could have their chance again in a less feverish one. The portfolio would be well positioned in such a case.

Aberdeen Asset Management Asia Limited
18 October 2007

Results

Financial Highlights

	31 July 2007	31 July 2006	% change
Total Assets (see definition on page 44)	£139,129,000	£106,735,000	
Total Equity Shareholders' funds (Net Assets)	£131,679,000	£98,669,000	
Share price (mid market)	320.00p	264.00p	21.2
Warrant price (mid market)	218.50p	163.00p	34.0
Net Asset Value per share (undiluted)	404.18p	306.56p	31.8
Net Asset Value per share (diluted)	364.77p	276.45p	31.9
Discount to diluted Net Asset Value	12.3%	4.5%	
Actual gearing	1.2%	4.2%	
Potential gearing	5.7%	8.2%	
Total expense ratio	1.55%	1.69%	
Dividends and earnings			
Total return per share (undiluted) ^a	108.38p	31.48p	
Revenue return per share (undiluted)	6.98p	7.25p	(3.7)
Dividends per share ^b	6.15p	6.15p	–
Dividend cover	1.13	1.18	(3.7)
Revenue reserves	£3,265,000	£2,981,000	9.5

The figures for dividends per share have not been restated in accordance with FRS 21 'Events after the Balance Sheet Date' and still reflect the dividends for the year in which they were earned

^a Measures the total earnings for the year divided by the weighted average number of Ordinary shares in issue (see Income Statement)

^b Includes a special dividend payable of 2.70p per share

Performance (total return)

	1 year % return	3 year % return	5 year % return
Share price	23.7	105.6	208.3
Net Asset Value (undiluted) per Ordinary share	34.3	114.8	207.1
Net Asset Value (diluted) per Ordinary share	34.7	117.0	197.8
MSCI AC Asia Pacific Free ex Japan Index (currency adjusted)	39.2	124.8	167.7

Dividends

	Rate	Ex date	Record date	Payment date
Proposed Final 2007	3.45p	24 October 2007	26 October 2007	30 November 2007
Proposed Special 2007	2.70p	24 October 2007	26 October 2007	30 November 2007
Final 2006	3.45p	18 October 2006	20 October 2006	30 November 2006
Special 2006	2.70p	18 October 2006	20 October 2006	30 November 2006

Performance

Share Price Premium/(Discount) to Diluted NAV¹

Five years to 31 July 2007

Capital Return of NAV and Share Price vs MSCI AC Asia Pacific Free ex Japan Index

Five years to 31 July 2007

Ten Year Financial Record

Year to 31 July	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total revenue (£'000)^a	801	869	1,334	1,673	1,946	2,338	3,077	3,473	5,080	5,485
Per share										
Net revenue return (p)	0.11	0.26	1.12	1.84	2.67	3.12	4.01	4.54	7.25	6.98
Total return (p)	(56.16)	40.72	32.20	(11.59)	25.63	34.52	25.48	95.93	31.48	108.38
Net dividends paid/proposed (p)	0.11	0.26	1.22	2.00	2.65	3.10	3.10	3.45	^b 6.15	^b 6.15
Net asset value per share										
Undiluted (p)	56.06	96.52	129.46	118.83	141.80	173.22	195.60	287.94	306.56	404.18
Diluted (p)	n/a	n/a	123.85	114.93	113.13	158.04	175.78	251.25	276.45	364.77
Shareholders' funds (£'000)	19,620	33,782	38,520	31,791	37,938	46,345	52,332	83,082	98,669	131,679

^a The total revenue figure for 1999 has been restated in line with FRS 16 Current Tax. No restatement was required for years 1997 and 1998 as no franked income was received net of tax credits.

^b Includes 2.70p Special Dividend.

The figures for 2005 for Shareholders' Funds and Net Asset Value per share have been restated to reflect the changes in accounting policies. The figures for dividends have not been restated and still reflect the dividends for the years in which they were earned.

Investment Portfolio – Ten Largest Investments

As at 31 July 2007

Company	Sector	Country	Valuation 2007 £'000	Total assets %	Valuation 2006 £'000
Bukit Sembawang Estates ^ Singapore-based residential property developer with a large landbank	Real Estate	Singapore	7,017	5.0	3,476
Bank NISP A conservatively-run Indonesian bank, majority owned by OCBC of Singapore, it specialises in lending to the small and medium-sized business segment	Commercial Banks	Indonesia	6,265	4.5	4,293
Wheelock Properties A subsidiary of Wheelock & Company Limited (Hong Kong) which invests in, and develops, retail and residential properties in Singapore	Real Estate	Singapore	4,899	3.5	2,976
Pacific Basin Shipping One of the world's largest handysize drybulk carrier owner-operators	Marine	Hong Kong	4,289	3.1	1,888
Korean Reinsurance Leading domestic reinsurance company with a conservative portfolio and an increasing overseas presence	Insurance	South Korea	3,795	2.7	3,115
AEON Co The Company operates a chain of superstores and malls selling a broad range of goods including clothing, food, household goods and other merchandise	Multi-line Retail	Malaysia	3,761	2.7	1,777
WBL Conglomerate with principal activities in technology, automotive distribution and property investments	Electronic Equipment & Instruments	Singapore	3,468	2.5	3,553
Hana Microelectronics Semiconductor and microelectronics contract manufacturer with operations in Thailand and China	Electronic Equipment & Instruments	Thailand	3,275	2.4	3,003
Robinson & Co Leading retailer that owns franchise for Marks & Spencer in Singapore and Malaysia. Also manages two other retail entities: Robinsons businesses and John Little	Multi-line Retail	Singapore	3,230	2.3	1,987
LPI Capital Underwriter for all classes of general insurance which includes fire, auto and marine insurance	Insurance	Malaysia	3,219	2.3	2,314
Top ten investments			43,218	31.0	

Investment Portfolio – Other Investments

As at 31 July 2007

Company	Sector	Country	Valuation 2007 £'000	Total assets %	Valuation 2006 £'000
ICI India	Chemicals	India	3,214	2.3	1,601
Siam Makro	Food & Staples Retailing	Thailand	3,022	2.2	2,331
Region Container Lines	Marine	Thailand	3,015	2.2	1,609
M P Evans	Food Products	Other Asia	3,010	2.2	4,528
Pos Malaysia	Air Freight & Logistics	Malaysia	2,984	2.2	2,874
Jeonbuk Bank	Commercial Banks	South Korea	2,961	2.1	1,660
Daegu Bank	Commercial Banks	South Korea	2,923	2.1	2,900
Hong Kong & Shanghai Hotels	Hotels, Restaurants & Leisure	Hong Kong	2,913	2.1	2,265
Jammu & Kashmir Bank	Commercial Banks	India	2,861	2.1	1,524
Godrej Consumer Products	Personal Products	India	2,744	2.1	2,819
Top twenty investments			72,865	52.6	
United Plantations	Food Products	Malaysia	2,698	1.9	–
AEON Stores	Multi-line Retail	Hong Kong	2,654	1.9	1,787
Hong Kong Economic Times	Media	Hong Kong	2,641	1.9	–
Cafe de Coral	Hotels, Restaurants & Leisure	Hong Kong	2,526	1.8	2,147
Asian Terminals	Transportation Infrastructure	Philippines	2,499	1.8	1,398
Tisco Bank	Consumer Finance	Thailand	2,287	1.6	1,508
SBS Transit	Road and Rail	Singapore	2,101	1.5	1,116
FJ Benjamin Holdings	Specialty Retail	Singapore	2,055	1.5	–
Hong Leong Finance	Consumer Finance	Singapore	1,975	1.4	1,651
Cebu Holdings	Real Estate	Philippines	1,974	1.4	897
Top thirty investments			96,275	69.3	
Straits Trading	Industrial Conglomerates	Singapore	1,948	1.4	1,306
Eastern Water Resources ^A	Water Utilities	Thailand	1,938	1.4	1,827
Bursa Malaysia	Diversified Financial Services	Malaysia	1,922	1.4	1,743
Gujarat Gas	Gas Utilities	India	1,859	1.4	–
Kansai Nerolac Paints	Chemicals	India	1,832	1.3	1,305
AEON Credit Service	Consumer Finance	Hong Kong	1,729	1.2	1,612
Guinness Anchor	Beverages	Malaysia	1,681	1.2	1,611
Aventis Pharmaceuticals	Pharmaceuticals	India	1,597	1.1	1,562
Jollibee Foods	Hotels, Restaurants & Leisure	Philippines	1,585	1.1	1,034
Castrol	Chemicals	India	1,452	1.0	–
Top forty investments			113,818	81.8	
Keells (J)	Industrial Conglomerates	Sri Lanka	1,342	1.0	1,717
Fong's Industries	Machinery	Hong Kong	1,254	0.9	1,175
Unilever Pakistan	Food Products	Pakistan	1,194	0.9	–
Distilleries	Beverages	Sri Lanka	1,177	0.9	1,431
Commercial Bank of Ceylon	Commercial Banks	Sri Lanka	1,158	0.8	895
Multi Bintang Indonesia	Beverages	Indonesia	1,063	0.8	1,193
Giordano International	Specialty Retail	Hong Kong	1,018	0.7	1,332
Hung Hing Printing	Containers & Packaging	Hong Kong	1,015	0.7	1,129
City E-Solutions	Hotels, Restaurants & Leisure	Hong Kong	1,011	0.7	–
ORIX Leasing	Consumer Finance	Pakistan	1,003	0.7	836
Top fifty investments			125,053	89.9	
Other investments			8,739	6.3	
Total investments			133,792	96.2	
Net current assets			5,337	3.8	
Total assets ^B			139,129	100.0	

^A Holding in equity and warrants to convert to equity

^B see definition on page 44

All investments are in equities or warrants to convert to equities. For a full portfolio listing for Aberdeen Asian Smaller Companies Investment Trust, please go to www.asian-smaller.co.uk.

Sector/Geographical Analysis

As at 31 July 2007

Sector Breakdown

Geographic Breakdown

Currency/Market Performance

Year to 31 July 2007

Currency Returns (£)

MSCI Country Index Total Returns (£)

Information about the Manager

Aberdeen Asset Management Asia Limited

Aberdeen Asset Management Asia Limited ("AAM Asia") is the Manager of the Company. AAM Asia is based in Singapore and is a wholly-owned subsidiary and the Asia Pacific headquarters of Aberdeen Asset Management PLC (the "Aberdeen Group"), a publicly-quoted company on the London Exchange.

Worldwide, the Aberdeen Group manages a combined US\$183.7 billion (as at 31 July 2007) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds.

AAM Asia have been the Aberdeen Group's principal managers of Asia-Pacific assets since 1992, and had over 240 staff across the region at 31 July 2007. Total funds in the region, which are also managed from Kuala Lumpur, Hong Kong, Sydney and Bangkok, are over US\$50.2 billion as at 31 July 2007.

The Aberdeen Group has its headquarters in Aberdeen with principal offices in Bangkok, Edinburgh, Manchester, Fort Lauderdale, Glasgow, Hong Kong, Kuala Lumpur, Jersey, London, Philadelphia, Singapore and Sydney.

The Aberdeen Group manages over 30 investment companies and other closed-ended funds representing approximately US\$11.5 billion under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

The Investment Team Senior Managers

Hugh Young

Managing Director
BA in Politics from Exeter University
Started investment career in 1980
In charge of AAM Asia's Far East funds since 1985

Peter Hames

Investment Director
BSc in Economics & Accountancy from Bristol University
Started investment career in 1985. Joined the Group in 1989.

Flavia Cheong

Senior Investment Manager
Masters in Economics from University of Auckland. Previously with Investment Company of the People's Republic of China and Development Bank of Singapore.
Started investment career in 1987.
Joined AAM Asia in August 1996.

Nicholas Yeo

Investment Manager
Chartered Financial Analyst, BA (Hons) in Accounting and Finance from University of Manchester, MSc in Financial Mathematics from Warwick Business School. Joined Aberdeen in November 2000 via the acquisition of Murray Johnstone.

Adrian Lim

Investment Manager
Chartered Financial Analyst, B Acc from Nanyang Technological University (Singapore). Joined the Group in 2000. Previously he was an associate director at Arthur Andersen advising on mergers & acquisitions in South East Asia.

Andrew Gillan

Investment Manager
MA Joint Honours in French and European History from University of Edinburgh. Joined Murray Johnstone in September 2000 and transferred to AAM Asia in November 2001.

The Investment Process

Philosophy and Style

The Manager's investment philosophy is that markets are not always efficient. We believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment. Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up or top slice positions, which accounts for the bulk of the activity within the portfolio during the year under review.

AAM Asia, is based in Singapore. Founded in 1992, the office is run by Hugh Young and Peter Hames, the founding managing and investment directors respectively. They oversee a team of nine portfolio managers who act as generalists, cross-covering the region. In addition, AAM Asia has offices in Sydney and Bangkok.

Risk Controls

We seek to minimise risk by our in depth research. We do not view divergence from a benchmark as risk – we view investment in poorly run expensive companies that we do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

Aberdeen's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Manager primarily to check the portfolio is behaving as expected, not as a predictive tool.

Regional Teams

Company visit note

Risk controls

Your Board of Directors

The Directors, all of whom are non-executive, and the majority of whom are independent of the Manager, supervise the management of Aberdeen Asian Smaller Companies Investment Trust PLC and represent the interests of Shareholders

Nigel Cayzer

Status Independent Non-Executive Chairman

Age 53

Length of service 12 years, appointed Chairman on 28 September 1995

Experience Chairman of Oryx International Growth Fund Limited and a director of a number of other investment companies

Last re-elected to the Board 29 November 2006

Committee membership Nomination Committee (Chairman)

Remuneration £22,000 per annum

All other public company

directorships Oryx International Growth Fund Limited and Cayzer Continuation Limited

Employment by the Manager None

Other connections with Trust or Manager None

Shared Directorships with any other Trust Directors None

Shareholding in Company 350,979 Ordinary shares (non-beneficial)

Haruko Fukuda OBE

Status Independent Non-Executive Director

Age 61

Length of service 4 years, appointed a Director on 30 January 2003

Experience was, until recently, chief executive of the World Gold Council. She was vice chairman of Nikko Europe PLC and a Partner of James Capel & Co. She was a non-executive director of the Foreign & Colonial Investment Trust PLC for seventeen years until May 2005 and has been a director of several other investment trust companies

Last re-elected to the Board 29 November 2006

Committee membership Audit Committee, Management Engagement Committee and Nomination Committee

Remuneration £17,000 per annum

All other public company

directorships Chairman of Caliber Global Investment Ltd and a director of Investec PLC

Employment by the Manager None

Other connections with Trust or

Manager None

Shared Directorships with any other Trust Directors None

Shareholding in Company 3,040 Ordinary shares

Martin Gilbert

Status Non-Executive Director

Age 52

Length of service. 12 years, appointed a Director on 20 September 1995

Experience: qualified as a chartered accountant in 1982 and thereafter pursued a career in investment management

Last re-elected to the Board 26 November 2006

Committee membership Nomination Committee

Remuneration £17,000 per annum

All other public company

directorships Aberdeen Asset Management PLC, Aberdeen Football Club PLC, Aberdeen Asia-Pacific Income Fund Inc, Aberdeen Asia-Pacific Income Investment Company Ltd, Aberdeen Development Capital PLC, Aberdeen Global Income Fund Inc, Aberdeen Growth Opportunities VCT 2, ADC Zeros 2005 PLC, Chaucer Holdings PLC, First Group PLC, Primary Health Properties PLC, Aberdeen Growth Opportunities VCT PLC, Aberdeen Growth VCT 1 PLC and The Enhanced Zero Trust PLC

Employment by the Manager Chief executive of Aberdeen Asset Management PLC

Other connections with Trust or Manager Director of Aberdeen Asset Managers Limited

Shared Directorships with any other Trust Directors None

Shareholding in Company 66,233 Ordinary shares, 9,773 Warrants

Alternate Director Hugh Young

Alan Kemp

Status Independent Non-Executive Director

Age 63

Length of service 11 years, appointed a Director on 16 May 1996

Experience has been involved in fund management since 1970 and with investment trusts since 1972. He was deputy manager of The Edinburgh Investment Trust plc from 1974 to 1985 and was subsequently deputy chief executive of Dunedin Fund Managers. He is now an independent financial consultant.

Last re-elected to the Board 26 November 2006

Committee membership Audit Committee (Chairman), Management Engagement Committee and Nomination Committee

Remuneration £19,000 per annum

All other public company directorships JPMorgan US Discovery Investment Trust PLC

Employment by the Manager None

Other connections with Trust or

Manager: None

Shared Directorships with any other Trust Directors None

Shareholding in Company: 33,500 Ordinary shares

Chris Maude

Status Independent Non-Executive Director

Age 56

Length of service 5 months, appointed a Director on 16 May 2007

Experience co-founded MPC Investors Ltd, an independent asset management company, in 2000 where he is the finance director. He had spent the previous eleven years in Asia initially as finance director at James Capel in Hong Kong before being recruited by UBS Securities (East Asia) Limited as regional finance director in Singapore. Mr Maude is a chartered accountant and holds a degree in Engineering from Cambridge University.

Last re-elected to the Board n/a

Committee membership Audit Committee, Management Engagement Committee and Nomination Committee

Remuneration £17,000 per annum

All other public company directorships. none

Employment by the Manager: None

Other connections with Trust or Manager None

Shared Directorships with any other Trust Directors None

Shareholding in Company 37,300 Ordinary shares

Hugh Young

Status Alternate Non-Executive Director for Martin Gilbert

Age 49

Experience was an investment manager with Fidelity International and MGM Assurance prior to joining what is now Aberdeen Asset Managers Limited in December 1985. He is managing director of Aberdeen Asset Management Asia Limited, responsible for all the Aberdeen Group's investments in Asia.

Remuneration £Nil

All other public company directorships Aberdeen New Thai Investment Trust PLC, Aberdeen New Dawn Investment Trust PLC and Aberdeen Asian Income Fund Limited

Employment by the Manager Managing Director of Aberdeen Asset Management Asia Limited

Other connections with Trust or Manager None

Shareholding in Company 20,000 Ordinary shares, 104,000 Warrants

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 31 July 2007

Business Review

A review of the Company's activities is given in the Corporate Summary on pages 2 to 4, the Chairman's Statement on pages 5 and 6 and the Manager's Review on pages 7 to 9. This includes a review of the business of the Company and its principal activities, likely future developments of the business, recommended dividends and details of the issue of new shares during the year by the Company. The major risks associated with the Company are detailed in the Corporate Summary on pages 2 to 4 and in Note 18 to the Financial Statements. Further details of the risk management objectives and policies are provided in the Corporate Governance Statement on pages 23 to 25. The Key Performance Indicators for the Company including NAV performance and share price performance are detailed on page 10.

The current Directors, Messrs N K Cayzer, A S Kemp, M J Gilbert (alternate H Young), C S Maude and Miss H Fukuda together with Mr Iain Saunders who resigned on 10 October 2006 were the only Directors who served during the year.

The Company does not make political donations or expenditures and has not made any donations for charitable purposes during the year and in common with most investment trusts, the Company has no employees. Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

Share Capital

On 19 December 2006 250,000 new Ordinary shares were issued pursuant to an authority to allot up to 10% of the issued share capital for cash granted to the Company at the Annual General Meeting held on 26 November 2006. On 12 December 2006 143,389 shares were allotted following an exercise of Warrants. During the year the Company purchased in the market for cancellation 500,000 Warrants to subscribe for Ordinary shares.

Results and Dividends

Details of the Company's results and dividends proposed are shown on page 10 of this Report.

Principal Activity

The business of the Company is that of an investment trust investing in Asia. The objective of the Company is set out on page 2 of this Report. The Directors do not envisage any change in this activity in the foreseeable future.

Status

The Company is registered as a public limited company, is an investment company as defined by Section 266 of the Companies Act 1985, and is a member of the Association of Investment Companies.

The Company has been approved by HM Revenue & Customs as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 July 2006. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 July 2007 so as to be able to continue to obtain approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for that year, although approval for that year would be subject to review were there to be an enquiry under the Corporate Tax Self Assessment regime.

The Company's shares qualify as an eligible security in a PEP, providing that the investment is funded from proceeds raised from the sale of an existing PEP holding. The Company intends to manage its affairs so as to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account ("ISA") and it is the Directors' intention that the Company should continue to be a qualifying trust.

Charitable Contributions

During the year, the Company did not make any charitable contributions.

Corporate Governance

The Statement of Corporate Governance is shown on pages 23 to 25.

Directors

Details of the current Directors of the Company are shown on pages 18 and 19. Mr Saunders resigned from the Board on 10 October 2006. Messrs Gilbert, Kemp and Cayzer have each served on the Board for more than nine years and in accordance with corporate governance best practice will retire at the Annual General Meeting ("AGM") on 29 November 2007 and, being eligible, offer themselves for re-election. Mr Maude was appointed to the Board during the year, and in accordance with the Articles of Association of the Company, offers himself for election at the AGM. The Board considers that there is a balance of skills and experience within the Board relevant to the leadership and direction of the Company and that all the Directors contribute effectively.

The Directors at 31 July 2007 and at 1 August 2006 had

no interest other than those interests, all of which are beneficial interests, shown below in the share capital of the Company

	31 July 2007		1 August 2006 ^A	
	Ordinary shares	Warrants	Ordinary shares	Warrants
N K Cayzer	-	-	-	-
H Fukuda	3,040	-	2,982	-
M J Gilbert	66,233	9,773	66,233	9,773
A S Kemp	33,500	-	33,500	-
C S Maude	37,300	-	37,300	-
H Young (alternate)	20,000	104,000	20,000	104,000

^A or at subsequent date of appointment

In addition to the above, Mr Cayzer is deemed to have a non-beneficial interest in 350,979 Ordinary shares. The above interests were unchanged at 18 October 2007, being the nearest practicable date prior to the signing of this Report. No Director has a service contract with the Company although Directors are issued with letters of appointment upon appointment. The Directors' interests in contractual arrangements with the Company are as shown in note 17 to the financial statements. No other Directors were interested in contracts with the Company during the period or subsequently.

Substantial Interests

The Board has been advised that the following Shareholders shown below owned 3% or more of the issued Ordinary share capital of the Company at 18 October 2007, being the nearest practicable date prior to the signing of this Report.

Shareholder	Number of Ordinary shares held	% held
Funds managed by Aberdeen Asset Management PLC	4,823,500	14.8
Funds managed by M&G Investment Management Limited	3,443,334	10.6
Aberdeen Asset Managers Savings Scheme (non-beneficial)	2,746,040	8.4
Charles Stanley, Stockbroker	1,358,327	4.2
Reliance Mutual	1,250,000	3.8

Special Business at the Annual General Meeting

Under resolution 10 it is proposed that, in line with common practice, the Directors be authorised to allot up to £814,489 of relevant securities in the Company (equivalent to 3,257,959 Ordinary shares of 25p, representing approximately 10% of the Company's issued share capital) without further reference to the Company in general meeting

for a period ending at the conclusion of the Annual General Meeting in 2008. The Directors have no current intention to utilise this authority.

Under Section 89(1) of the Companies Act 1985, where it is proposed to issue equity securities (which includes Ordinary shares, Warrants and convertible debt securities) for cash, they must first be offered to existing Shareholders in proportion to their holdings. In some circumstances it is beneficial to allot such securities for cash without first offering them in this way. The Directors will therefore propose a special resolution (resolution 11) at the Annual General Meeting which, if passed, will allow them to allot equity securities for cash up to an aggregate nominal value of £814,489 as if Section 89(1) did not apply. This authority includes shares held in treasury (if any) pursuant to the authority conferred by resolution 12 below that the Company sells or transfers. Since the introduction of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 on 1 December 2003, a listed company is able to hold shares that it has repurchased in treasury rather than cancel them (provided they do not exceed 10% of the Company's issued share capital). This authority will lapse (unless renewed) at the conclusion of the Annual General Meeting in 2008. Ordinary shares (including any treasury shares) would not be issued at a price that is less than the prevailing net asset value. The Company has not bought any shares for cancellation or held any shares in treasury during the period under review.

Under resolution 12, which is a special resolution, it is proposed that the general authority for the Company to buy back up to 14.99% of its Ordinary shares, approved by Shareholders and Warrant holders on 29 November 2006, be renewed at the Annual General Meeting for an amount up to 4,883,681 of its Ordinary shares for a further 12 months unless renewed before that time. The maximum and minimum prices to be paid are stated in resolution 12. Any Ordinary shares purchased in this way will either be cancelled and the number of Ordinary shares will be reduced accordingly or, pursuant to the power granted in resolution 11 above, may be held in and issued from treasury (provided such number does not exceed 10% of the Company's issued share capital). The Directors do not intend to issue shares from treasury at a discount to the prevailing net asset value.

In light of the new provisions governing company communications, including electronic communications (for example via the Company's website or by email), which have recently been introduced by the Companies Act 2006 (the "2006 Act") the Board is proposing resolution 13. The Company does not at present, communicate electronically with Shareholders and there are no such provisions in its current Articles. The new provisions in the 2006 Act apply to all types of company communications made pursuant to the

Directors' Report continued

2006 Act (including distribution of Annual reports, Interim reports and Notice of AGM) In light of the new provisions the Company may in the future decide to communicate electronically to its Shareholders as the Directors believe that this will now generate cost savings for the Company, reduce the Company's environmental impact and enhance the level and quality of the Company's communications with Shareholders Resolution 13 seeks shareholder approval to adopt new Articles of Association to incorporate the new arrangements and also permit the Company to communicate electronically with Shareholders in accordance with the Disclosure and Transparency Rules of the FSA Apart from these amendments, there are no other substantive changes to the new Articles of Association proposed to be adopted on 29 November 2007

The authority and amendments to the Articles will not of themselves force either the Company or any individual shareholder to send or receive any notices, documents or information (including Annual Reports and admission documents) by electronic means They will, however, allow the Company to approach Shareholders in the future for their individual agreement to use electronic mail and/or publication on its website for Company communications In due course, the Company will be sending a request letter to all Shareholders offering them the opportunity to elect to receive electronic communications from the Company Shareholders should read this letter carefully and follow the instructions set out in it Shareholders will at all times be able to request hard copies of any document published electronically and they will be able to revoke any consent to the Company communicating with them electronically at any time Although the application of the new regime would mean that, in certain circumstances, Shareholders would be deemed to have opted-in to the regime, the Directors would prefer that the Shareholders opt-in voluntarily to the regime, and therefore intend to send documentation to Shareholders on this basis

Copies of the existing Articles of Association of the Company and the proposed amended Articles of Association will be available for inspection at the Company's Registered Office from 26 October 2007 to (and including) the date of the Annual General Meeting during normal business hours on any day (Saturdays, Sundays and public holidays excepted) and will also be available at the Registered Office for at least 15 minutes before the Annual General Meeting until its conclusion

The above resolutions will give Directors additional flexibility going forward and the Directors consider that it will be in the interest of the Company that such powers be available Accordingly, the Directors recommend that Shareholders vote in favour of resolutions 10, 11, 12 and 13 Such powers

will only be implemented when, in the view of the Directors, to do so will be for the benefit of all Shareholders

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements The Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future

Creditor Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates All other expenses are paid on a timely basis in the ordinary course of business The Directors do not consider any creditors to represent trade creditors

Accountability and Audit

After making enquiries and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the Financial Statements

The respective responsibilities of the Directors and the Auditors in connection with the financial statements are set out on pages 26 and 28

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information Additionally there are no important events since the year end

Independent Auditors

The auditors, Ernst & Young LLP, have indicated their willingness to remain in office The Directors will place a resolution before the Annual General Meeting to re-appoint Ernst & Young LLP as auditors for the ensuing year, and to authorise the Directors to determine their remuneration


By order of the Board
Aberdeen Asset Management PLC Secretaries
One Bow Churchyard
London EC4M 9HH
18 October 2007

Statement of Corporate Governance

Introduction

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's Shareholders for good governance and this statement describes how the Company applies the principles identified in the Combined Code on Corporate Governance ("the Combined Code") issued in June 2006 (as appended to the UK Listing Authority Listing Rules). Additionally, the AIC published a Code on Corporate Governance in July 2003 (the "AIC Code") (as amended in February 2006 and May 2007) which complements the Combined Code and represents a framework of best practice for investment companies. The Company has complied with the Combined Code and the recommendations of the AIC Code, except as set out below.

The Combined Code includes provisions relating to

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function
- The need for a senior independent director

For the reasons set out below and in the AIC Code, and in the preamble to the Combined Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company.

The Board

The Board currently consists of a non-executive Chairman and, four other non-executive Directors. All Directors, with the exception of Mr Gilbert, are considered by the Board to be independent of the Manager ("AAM Asia") and free of any material relationship with the Manager. Mr Gilbert is Chief Executive of Aberdeen Asset Management PLC, the parent company of AAM Asia and Mr Young, his Alternate, is Managing Director of AAM Asia and as such neither Mr Gilbert nor Mr Young are considered to be independent. Mr Gilbert submits himself for annual re-election to the Board at each AGM and the Board supports Mr Gilbert's re-election as a non-independent Director.

Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company. The Board considers that the post of chief executive officer is not relevant for an investment trust company as this role has effectively been delegated to the Manager, under the terms of the investment management agreement. Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and senior independent Director. Mr Cayzer has served on the Board as a Director and Chairman since 28 September 1995. The Board takes the view that independence is not

compromised by length of tenure and that experience can add significantly to the Board's strength. The Board is satisfied that Mr Cayzer and Mr Kemp who, having each served on the Board for more than nine years must stand for annual re-election, are both independent in character and effective Directors and it recommends that Shareholders support their re-election. During the year Mr Maude was appointed to the Board. Mr Maude has a wealth of Far East and general financial experience and the Board strongly recommends that shareholders support his election at the forthcoming AGM.

During the year ended 31 July 2007 the Board met seven times. In addition, the Audit Committee and Management Engagement Committee met jointly twice. Between meetings the Board maintains regular contact with the Manager.

Directors have attended Board and Committee meetings during the year ended 31 July 2007 as follows (with their eligibility to attend the relevant meeting in brackets).

Director	Board Meetings	Nomination Committee Meetings	Audit & Management Engagement Committee Meetings
N K Cayzer (Chairman) ^A	7 (7)	3 (3)	0 (0)
H Fukuda	6 (7)	2 (3)	2 (2)
M J Gilbert (or Alternate) ^B	7 (7)	3 (3)	0 (0)
A S Kemp	7 (7)	3 (3)	2 (2)
C S Maude ^C	1 (1)	0 (0)	0 (0)

^A Mr Cayzer is not a member of the Audit and Management Engagement Committee

^B Mr Gilbert is not a member of the Audit and Management Engagement Committee

^C Mr Maude was appointed to the Board on 16 May 2007

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the senior staff of the Investment Manager. Such matters include strategy, borrowings, treasury and dividend policy. Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

The Board has put in place the necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board as well as an appraisal and performance evaluation of the Board as a whole. The appraisals were carried out by way of a detailed questionnaire, the summarised results of which were then reviewed and discussed by the Directors.

Statement of Corporate Governance continued

The Board has also reviewed the Chairman's and Directors' other commitments and is satisfied that the Chairman and other Directors are capable of devoting sufficient time to the Company

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, Aberdeen Asset Management PLC, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with

Board Committees

Audit & Management Engagement Committee

An Audit Committee has been established with written terms of reference and comprises three independent Directors, Mr Kemp (Chairman), Mr Maude and Miss Fukuda. The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis. Copies of the terms of reference are available on the Company's website and upon request

A summary of the Committee's main audit review functions is shown below

- to review and monitor the internal control systems and risk management systems on which the Company is reliant,
- to consider annually whether there is a need for the Company to have its own internal audit function,
- to monitor the integrity of the interim and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Investment Manager and Administrator;
- to meet with the external Auditor to review their proposed audit programme of work and the findings of the Auditors. The Board shall also use this as an opportunity to assess the effectiveness of the audit process,
- to develop and implement policy on the engagement of the external Auditor to supply non-audit services (During the period under review, fees amounting to £7,000 were paid to the Auditors in respect of non-audit services in connection with the review of the Interim Report and for tax services – the Board will review any future fees in the light of the requirement to maintain the Auditor's independence),
- to review an annual statement from the Manager detailing the arrangements in place within Aberdeen whereby Aberdeen staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters,
- to make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor, and

- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification. At its October meeting the Audit Committee confirmed its view that the Auditor remained independent and objective

The Management Engagement Committee meets jointly with the Audit Committee. The joint Committee annually reviews matters concerning the management contract which exists between the Company and the Investment Manager. Details of the Management Agreement are shown on page 34 of the Annual Report. The terms and conditions of the Investment Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee at least once a year. The Board remains satisfied that the continuing appointment of the Investment Manager on the terms agreed is in the interests of Shareholders as a whole. The key factors taken into account in reaching this decision are the long-term performance of the portfolio and the investment skills, experience and commitment of the Investment Manager. The Investment Management Agreement is terminable on not less than one year's notice

Nomination Committee

Appointments to the Board of Directors are considered by the Nomination Committee which comprises the entire Board and whose Chairman is the Chairman of the Company. The terms of reference of the Nomination Committee are reviewed and re-assessed for their adequacy on an annual basis. Copies of the terms of reference are available on the Company's website and upon request

Possible new Directors are identified against the requirements of the Company's business and the need to have a balanced Board. Every Director is entitled to receive appropriate training as deemed necessary. In relation to the recruitment of Mr C S Maude as an independent non-executive Director, the Directors drew up a long list of candidates using an agreed job specification from which a short list of potential candidates was chosen for consideration

A Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by Shareholders at the first subsequent AGM. The Articles of Association require that one third of the Directors retire by rotation at each AGM and that Directors are required to submit themselves for re-election at least every three years

Remuneration Committee

Under the UK Listing Authority rules, where an investment trust has only non-executive directors, the Code principles relating to directors' remuneration do not apply. The full

Board acts as the Remuneration Committee whose Chairman is the Chairman of the Company

The Company's remuneration policy is to set remuneration at a level to attract individuals of a calibre appropriate to the Company's future development. Further information on remuneration is disclosed in the Directors' Remuneration Report on page 27

Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following the Financial Reporting Council's publication of "Internal Control: Revised Guidance for Directors on the Combined Code" (the FRC guidance) in October 2005, the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and Accounts, is regularly reviewed by the Board and accords with the FRC Guidance. The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed.

The significant risks faced by the Company are as follows:

- financial,
- operational, and,
- compliance

The key components designed to provide effective internal control are outlined below:

- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance,
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate,
- as a matter of course the Manager's compliance department continually reviews the Manager's operations,
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers,
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Manager, has decided to place reliance on the Manager's systems and internal audit procedures, and

- at its October 2007 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 July 2007 by considering documentation from the Manager, including the internal audit and compliance functions and taking account of events since 31 July 2007. The results of the assessment were then reported to the Board at the next Board meeting.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

Exercise of Voting Powers

The Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights in respect of investee companies. The underlying aim of exercising such voting rights is to protect the return from an investment.

Relations with Shareholders

The Directors place a great deal of importance on communication with Shareholders. The Annual Report is widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Investment Manager's freephone information service and the Company's website. The Company responds to letters from Shareholders on a wide range of issues and usually a representative from the Board meets with major shareholders on an annual basis in order to gauge their views.

The Notice of the Annual General Meeting included within the Annual Report and Accounts is sent out at least 20 working days in advance of the meeting. All Shareholders have the opportunity to put questions to the Board or Manager, either formally at the Company's Annual General Meeting or at the subsequent buffet luncheon for Shareholders. The Company Secretary is available to answer general Shareholder queries at any time throughout the year.

Socially Responsible Investment Policy

The Directors are aware of their duty to act in the interests of the Company. They acknowledge that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and the Directors, have therefore asked the Managers to ensure that they take regular account of the social, environment and ethical factors, which may affect the performance or value of the Company's investments.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards. Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the net return of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this Report will be put to the members at the forthcoming Annual General Meeting. As the Board of Directors is comprised solely of non-executive Directors, it is exempt under the Listing Rules from appointing a Remuneration Committee. The determination of the Directors' fees is a matter dealt with by the whole Board. This Report has been divided into separate sections for unaudited and audited information.

Unaudited information

Remuneration Policy

The Company's Articles of Association currently limit the aggregate fees payable to the Board of Directors to a total of £120,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. It is intended that this policy will continue for the year to 31 July 2008.

No element of the Directors' remuneration is performance related.

A resolution to receive and adopt the Directors' Remuneration Report will be proposed at the Annual General Meeting.

None of the Directors has a service contract with the Company although upon appointment Directors are issued with letters of appointment. The Company's Articles of Association provide that Directors shall not remain in office for longer than three years without submitting themselves for re-election. The Directors' interests in contractual arrangements with the Company are as shown in note 17 to the financial statements. No other Directors were interested in contracts with the Company during the period or subsequently. No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors. The Company's Articles indemnify each of the Directors out of the assets of the Company against any liabilities incurred by them as a Director of the Company in defending proceedings or in connection with any application to the Court in which relief is granted.

The chart shown below illustrates the total Shareholder return for a holding in the Company's shares as compared to

the MSCI AC Asia Pacific ex Japan Index (in Sterling terms) for the five year period to 31 July 2007.

Audited information

Directors' Emoluments

The Directors who served in the year received the following fees:

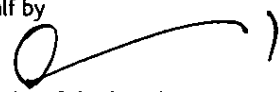
Director	2007 £	2006 £
N K Cayzer (Chairman and highest paid Director)	22,000	20,000
H Fukuda	17,000	15,000
M J Gilbert	17,000	15,000
A S Kemp (Audit Committee Chairman)	19,000	17,000
C S Maude (appointed 16/5/07)	3,565	0
I Saunders (resigned 10/10/06)	3,290	15,000
Total	81,855	82,000

Sums Paid to Third Parties

Of the fees disclosed above, £17,000 (2005 – £15,000) was payable to third parties in respect of making available the services of one of the Directors. These fees were assigned to Aberdeen Asset Management PLC (M J Gilbert). The amounts paid by the Company to the Directors were for services as non-executive Directors.

Approval

The Directors' Remuneration Report on page 27 was approved by the Board on 18 October 2007 and signed on its behalf by


By order of the Board
Aberdeen Asset Management PLC Secretaries
18 October 2007

Independent Auditors' Report to the Members of Aberdeen Asian Smaller Companies Investment Trust PLC

We have audited the financial statements of Aberdeen Asian Smaller Companies Investment Trust PLC (the "Company") for the year ended 31 July 2007 which comprise the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Statement of Corporate Governance reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited

financial statements. This information comprises only the Corporate Summary, Chairman's Statement, Manager's Review, Results, Performance, Investment Portfolio, Sector/Geographical Analysis, Currency/Market Performance, Information about the Manager, The Investment Process, Your Board of Directors, Directors' Report, Statement of Corporate Governance, unaudited part of the Directors' Remuneration Report, Marketing Strategy, How to Invest in Aberdeen Asian Smaller Companies Investment Trust PLC, Glossary of Terms and Definitions, Notice of Annual General Meeting, Corporate Information and Your Company's History. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31 July 2007 and of its net return for the year then ended,
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
18 October 2007
London

Income Statement

	Notes	Year ended 31 July 2007			Year ended 31 July 2006		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	–	32,355	32,355	–	6,968	6,968
Income	2	5,485	–	5,485	5,080	–	5,080
Exchange gains		–	536	536	–	490	490
Investment management fees	3	(1,243)	–	(1,243)	(941)	–	(941)
Administrative expenses	4	(612)	–	(612)	(584)	–	(584)
Net return on ordinary activities before interest payable and taxation		3,630	32,891	36,521	3,555	7,458	11,013
Finance costs	5	(448)	–	(448)	(421)	–	(421)
Return on ordinary activities before taxation		3,182	32,891	36,073	3,134	7,458	10,592
Taxation	6	(919)	–	(919)	(904)	–	(904)
Return on ordinary activities after taxation		2,263	32,891	35,154	2,230	7,458	9,688
Return per share (pence)	8						
Basic		6 98	101 40	108 38	7 25	24 23	31 48
Diluted		6 34	92 13	98 47	6 57	21 96	28 53

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

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

No operations were acquired or discontinued in the year

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement

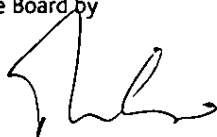
The accompanying notes are an integral part of the financial statements

Balance Sheet

	Notes	As at 31 July 2007 £'000	As at 31 July 2006 £'000
Fixed assets			
Investments at fair value through profit or loss	9	133,792	103,101
Current assets			
Debtors and prepayments	10	432	427
Cash and short term deposits		5,884	3,970
		6,316	4,397
Creditors amounts falling due within one year	11		
Bank loans		(7,338)	(8,012)
Other creditors		(979)	(763)
		(8,317)	(8,775)
Net current liabilities		(2,001)	(4,378)
Total assets less current liabilities		131,791	98,723
Provisions for liabilities and charges	12	(112)	(54)
Net assets		131,679	98,669
Capital and reserves			
Called-up share capital	13	8,145	8,047
Capital redemption reserve		2,062	2,062
Share premium account		11,087	10,259
Special reserve		14,990	14,990
Warrant reserve		1,576	1,785
Capital reserve – realised		37,021	27,211
Capital reserve – unrealised		53,533	31,334
Revenue reserve		3,265	2,981
Equity Shareholders' funds		131,679	98,669
Net asset value per share (pence)	14		
Basic		404 18	306.56
Diluted		364 77	276.45

The financial statements were approved by the Board of Directors and authorised for issue on 18 October 2007 and were signed on behalf of the Board by

Nigel Cayzer
Chairman



The accompanying notes are an integral part of the financial statements

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 July 2007

	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Warrant reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000
Balance at 31 July 2006	8,047	2,062	10,259	14,990	1,785	27,211	31,334	2,981	98,669
Issue of shares	62	–	720	–	–	–	–	–	782
Exercise of warrants	36	–	108	–	(47)	47	–	–	144
Buyback of warrants	–	–	–	–	(162)	(929)	–	–	(1,091)
Return on ordinary activities after taxation	–	–	–	–	–	10,692	22,199	2,263	35,154
Dividends paid (see note 7)	–	–	–	–	–	–	–	(1,979)	(1,979)
Balance at 31 July 2007	8,145	2,062	11,087	14,990	1,576	37,021	53,533	3,265	131,679

For the year ended 31 July 2006

	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Special reserve £'000	Warrant reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total £'000
Balance at 31 July 2005	7,214	2,062	4,194	14,990	2,275	17,581	33,016	1,750	83,082
Issue of shares	456	–	4,935	–	–	–	–	–	5,391
Exercise of warrants	377	–	1,130	–	(490)	490	–	–	1,507
Return on ordinary activities after taxation	–	–	–	–	–	9,140	(1,682)	2,230	9,688
Dividends paid (see note 7)	–	–	–	–	–	–	–	(999)	(999)
Balance at 31 July 2006	8,047	2,062	10,259	14,990	1,785	27,211	31,334	2,981	98,669

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend

The accompanying notes are an integral part of the financial statements

Cash Flow Statement

		Year ended 31 July 2007		Year ended 31 July 2006	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	15		3,377		3,451
Servicing of finance					
Bank and loan interest paid			(332)		(421)
Taxation					
Net taxation paid			(728)		(592)
Financial investment					
Purchases of investments		(15,665)		(19,909)	
Sales of investments		17,544		13,142	
Net cash inflow/(outflow) from financial investment			1,879		(6,767)
Equity dividends paid			(1,979)		(999)
Net cash inflow/(outflow) before financing			2,217		(5,328)
Financing					
Issue of shares		782		6,653	
Exercise of warrants		144		1,507	
Buyback of warrants		(1,091)		–	
Net cash (outflow)/inflow from financing activities			(165)		8,160
Increase in cash and cash equivalents	16		2,052		2,832
Reconciliation of net cash flow to movements in net debt					
Increase in cash as above			2,052		2,832
Exchange movements			536		490
Movement in net debt in the year			2,588		3,322
Net debt at 1 August			(4,042)		(7,364)
Net debt at 31 July	16		(1,454)		(4,042)

The accompanying notes are an integral part of the financial statements

Notes to the Financial Statements For the year ended 31 July 2007

1 Accounting policies

(a) Basis of preparation and going concern

The financial statements have been prepared on the going concern basis in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice '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 Directors believe preparing the financial statements on a going concern basis is appropriate for the reasons outlined in the Directors' Report on page 22.

The financial statements, and the net asset value per share figures, have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

(b) Valuation of investments

Listed investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at cost. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices. 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.

(c) Income

Dividends receivable on equity shares are recognised on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are recognised when the Company's right to receive payment is established. Fixed returns on debt securities are recognised on a time apportioned basis so as to reflect the effective yield on shares. Other returns on debt securities are recognised when the right to return is established. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

Income is charged 100% through the revenue column of the Income Statement.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses, including management fees and finance costs, are charged 100% through the revenue column of the Income Statement with the exception of transaction costs incurred on the purchase and disposal of investments which are recognised as a capital expense in the Income Statement.

(e) Taxation

The charge for taxation is based on the revenue return for the year.

Deferred tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in future against which the deferred tax asset can be offset.

(f) Capital reserves

Capital reserve – realised

The following are accounted for in this reserve

- gains and losses on the realisation of investments, and
- realised exchange differences of a capital nature

Notes to the Financial Statements continued

Capital reserve – unrealised

The following are accounted for in this reserve

- increases and decreases in the valuation of investments held at the year-end, and
- unrealised exchange differences of a capital nature

(g) Foreign currency

Overseas monetary assets are converted into Sterling at the rate of exchange ruling at the balance sheet date. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

	2007 £'000	2006 £'000
2 Income		
Income from investments		
UK dividend income	73	105
Overseas dividends	5,194	4,880
Stock dividend	66	–
	5,333	4,985
Other income		
Deposit interest	152	95
Total income	5,485	5,080

	Revenue £'000	2007 Capital £'000	Total £'000	Revenue £'000	2006 Capital £'000	Total £'000
3 Investment management fees						
Investment management fees	1,243	–	1,243	941	–	941

The Company has an agreement with Aberdeen Asset Management Asia Limited ('AAM Asia') for the provision of management services.

During the period the management fee was payable monthly in arrears and is based on an annual amount of 1.2%, calculated on the average net asset value of the Company over a 24 month period, valued monthly. The agreement is terminable on one year's notice. The balance due to AAM Asia at the year end was £341,000 (2006 – £177,000).

	Revenue £'000	2007 Capital £'000	Total £'000	Revenue £'000	2006 Capital £'000	Total £'000
4 Administrative expenses						
Administration fees	66	–	66	64	–	64
Directors' fees	82	–	82	82	–	82
Share Plan marketing contribution	85	–	85	57	–	57
Auditors' remuneration						
– fees payable to the auditors for the audit of the annual accounts	21	–	21	20	–	20
– fees payable to the auditors and its associates for other services						
– interim review	5	–	5	4	–	4
– tax services	2	–	2	–	–	–
Custodian charges	198	–	198	201	–	201
Charitable donations	–	–	–	–	–	–
Other expenses	153	–	153	156	–	156
	612	–	612	584	–	584

The Company has an agreement with Aberdeen Asset Managers Limited ("AAM") for the provision of administration services. The administration fee is payable quarterly in advance and was based on an annual amount of £66,000 (2006 – £64,000) and there was £17,000 (2006 – £16,000) prepaid to AAM at the year end. The agreement is terminable on six month's notice.

The Company also has an agreement with AAM for the provision of marketing services in relation to the Company's participation in the Aberdeen Investment Trust Share Plan and ISA. The total fee paid and payable under the agreement was £85,000 (2006 – £57,000) and there was £15,000 (2006 – £7,000 accrual) prepaid to AAM at the year end.

No pension contributions were made in respect of any of the Directors.

	Revenue £'000	2007 Capital £'000	Total £'000	Revenue £'000	2006 Capital £'000	Total £'000
5 Finance costs						
On bank loans and overdrafts	448	–	448	421	–	421

	Revenue £'000	2007 Capital £'000	Total £'000	Revenue £'000	2006 Capital £'000	Total £'000
6 Taxation						
(a) Analysis of charge for the year						
Corporation tax	855	–	855	923	–	923
Overseas taxation	221	–	221	189	–	189
Relief for overseas taxation	(211)	–	(211)	(188)	–	(188)
Prior year adjustment	(4)	–	(4)	(15)	–	(15)
Current taxation	861	–	861	909	–	909
Deferred taxation	58	–	58	(5)	–	(5)
Total tax	919	–	919	904	–	904

Notes to the Financial Statements continued

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a large company (30%). The differences are explained below

	2007 £'000	2006 £'000
Revenue return on ordinary activities before taxation	3,182	3,134
Return on ordinary activities multiplied by the UK standard tax rate of corporation tax of 30% (2006 – 30%)	955	940
Effects of		
Franked dividend receipts not chargeable to corporation tax	(22)	(31)
Overseas tax	221	189
Double tax relief	(211)	(188)
Movement in income taxable on receipt	(58)	14
Non-taxable stock dividend	(20)	–
Prior year adjustment	(4)	(15)
Current tax charge	861	909

7	Dividends	2007 £'000	2006 £'000
	Final dividend for 2006 – 3 45p (2005 – 3 45p)	1,110	999
	Special dividend for 2006 – 2 70p (2005 – nil)	869	–
		1,979	999

The proposed final and special dividends are subject to approval by Shareholders at the Annual General Meeting and have not been included as a liability in these financial statements

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered. The revenue available for distribution by way of dividend for the year is £2,263,000 (2006 – £2,230,000)

	2007 £'000	2006 £'000
Proposed final dividend for 2007 – 3 45p (2006 – 3 45p)	1,124	1,110
Proposed special dividend for 2007 – 2 70p (2006 – 2 70p)	880	869
	2,004	1,979

8	Return per Ordinary share	Revenue	2007 Capital	Total	Revenue	2006 Capital	Total
	Basic						
	Return on ordinary activities after taxation (£'000)	2,263	32,891	35,154	2,230	7,458	9,688
	Weighted average shares in issue			32,435,487			30,773,921
	Basic return per Ordinary share (p)	6.98	101.40	108.38	7.25	24.23	31.48

	Revenue	2007 Capital	Total	Revenue	2006 Capital	Total
Diluted						
Number of dilutive shares			3,264,294			3,183,540
Diluted shares in issue			35,699,781			33,957,461
Diluted return per Ordinary share (p)	6 34	92 13	98 47	6 57	21 96	28 53

The calculation of the diluted total, revenue and capital returns per Ordinary share are carried out in accordance with Financial Reporting Standard No 22, "Earnings per Share". For the purposes of calculating diluted total, revenue and capital returns per Ordinary share, the number of Ordinary shares is the weighted average used in the basic calculation plus the number of Ordinary shares deemed to be issued for no consideration on exercise of all Warrants by reference to the average share price of the Ordinary shares during the year. The calculations indicate that the exercise of Warrants would result in an increase in the weighted average number of Ordinary shares of 3,264,294 (2006 – 3,183,540) to 35,699,781 (2006 – 33,957,461) Ordinary shares.

9 Investments	Listed in UK £'000	Listed overseas £'000	Total £'000
Fair value through profit or loss			
Opening book cost	1,184	70,583	71,767
Opening unrealised appreciation	3,344	27,990	31,334
Opening valuation	4,528	98,573	103,101
Movements in year			
Purchases at cost	–	15,677	15,677
Sales – proceeds	(2,735)	(14,606)	(17,341)
– realised gains on sales	2,115	8,041	10,156
(Decrease)/increase in unrealised appreciation	(898)	23,097	22,199
Closing valuation	3,010	130,782	133,792
	Listed in UK £'000	Listed overseas £'000	Total £'000
Closing book cost	564	79,695	80,259
Closing unrealised appreciation	2,446	51,087	53,533
	3,010	130,782	133,792
Gains on investments			
Realised gains on sales	2,115	8,041	10,156
(Decrease)/increase in unrealised appreciation	(898)	23,097	22,199
	1,217	31,138	32,355

Transaction costs

During the year 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:

Notes to the Financial Statements continued

	2007 £'000	2006 £'000
Purchases	48	52
Sales	58	63
	106	115

10 Debtors: amounts falling due within one year	2007 £'000	2006 £'000
Amounts due from brokers	–	203
Other debtors	9	6
Prepayments and accrued income	423	218
	432	427

11 Creditors: amounts falling due within one year	2007 £'000	2006 £'000
Bank loans	7,338	8,012
Amounts due to brokers	–	54
Other creditors	644	291
Corporation tax payable	335	418
	8,317	8,775

At the year end the Company had drawn down US\$8,214,550 and HK\$52,413,225 from Allied Irish Bank at a rate of 5.94688% and 5.0567%. The HK\$ borrowings were repaid in full on 28 September 2007 and the US\$ borrowings are due to be repaid or rolled over on 25 October 2007.

12 Provisions for liabilities and charges	2007 £'000	2006 £'000
Deferred tax on accrued income		
At 1 August	54	59
Deferred tax charged/(credited) to the Income Statement in the year	58	(5)
At 31 July	112	54

13 Called up share capital	2007 £'000	2006 £'000
Authorised		
42,000,000 (2006 – 42,000,000) Ordinary shares of 25p	10,500	10,500
Called-up, allotted and fully paid		
32,579,597 (2006 – 32,186,208) Ordinary shares of 25p	8,145	8,047

During the year 250,000 Ordinary shares of 25p were issued, in accordance with authority granted by Shareholders at the last Annual General Meeting, at an average price of 313.00p per share. These were at a premium to diluted net asset value. The total consideration received was £782,500.

During the year an additional 143,389 Ordinary shares of 25p were issued after 143,389 Warrants were exercised at 100p each. The total consideration received was £143,389.

During the year an additional 500,000 Warrants were purchased for cancellation. The total net cost was £1,091,429.

At 31 July 2007 there were 32,579,597 (2006 – 32,186,208) Ordinary shares in issue.

At 31 July 2007 there were 4,848,903 (2006 – 5,492,292) Warrants in issue. Each Warrant entitles a holder to subscribe for an Ordinary share of 25p at a price of 100p. Further details of exercise rights are included on page 48.

14 Net asset value per equity share	2007	2006
Basic		
Net assets attributable	£131,679,000	£98,669,000
Number of Ordinary shares in issue	32,579,597	32,186,208
Net asset value per Ordinary share	404 18p	306 56p
Diluted		
Net assets attributable	£136,528,000	£104,161,000
Number of Ordinary shares if Warrants converted	37,428,500	37,678,500
Net asset value per Ordinary share	364 77p	276 45p

The diluted net asset value per Ordinary share has been calculated on the assumption that 4,848,903 (2006 – 5,492,292) Warrants in issue were exercised on the first day of the financial year at 100p per share, giving year end figures of 37,428,500 (2006 – 37,678,500) Ordinary shares.

15 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities	2007 £'000	2006 £'000
Net returns before finance costs and taxation	36,521	11,013
Adjustments for		
Realised gains on investments	(10,156)	(8,650)
Unrealised (gains)/losses on investments	(22,199)	1,682
Effect of foreign exchange rate gains	(536)	(490)
(Increase)/decrease in prepayments and accrued income	(205)	22
(Increase)/decrease in other debtors	(3)	1
Increase in other creditors	236	64
Overseas withholding tax suffered	(215)	(191)
Stock Dividend included in investment income	(66)	–
Net cash inflow from operating activities	3,377	3,451

16 Analysis of changes in net debt	1 August 2006 £'000	Cash flow £'000	Exchange movements £'000	31 July 2007 £'000
Net cash				
Cash at bank and overdrafts	3,970	2,052	(138)	5,884
Debt				
Debt falling due within one year	(8,012)	–	674	(7,338)
	(4,042)	2,052	536	(1,454)

Notes to the Financial Statements continued

17 Related party transactions

Mr M J Gilbert is a director of Aberdeen Asset Management PLC and its subsidiary AAM Asia. Mr Gilbert is also a director of AAM. Transactions with Mr Gilbert during the year consisted entirely of Directors' fees, as outlined on page 27.

AAM Asia has an agreement to provide management services to the Company, the terms of which are outlined in note 3. AAM has an agreement to provide both administration and marketing services to the Company, the terms of which are outlined in note 4.

18 Financial instruments

The Company's financial instruments comprise equity investments, cash balances and borrowings. As an investment trust, the Company holds a portfolio of financial assets in pursuit of its investment objective and debtors and creditors arising in the normal course of business. The Company makes use of borrowings to achieve improved performance in rising markets. The risk of borrowings may be reduced by raising the level of cash balances or fixed interest investments held.

Fair value

Investments (see note 9) are valued at fair value, which is deemed to be their bid market price. The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the Balance Sheet. Short term debtors and creditors are excluded other than for currency disclosures.

Market price risk

The management of market risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis, with the objective of maximising overall return to Shareholders. Further information on the investment portfolio is set out on pages 12 to 14. The Company has not used derivatives to date as part of its investment strategy but reserves the right to do so in the future.

Interest rate risk

Financial assets

The Company has financial assets in the form of bank balances held. These balances are mainly held at floating rates of interest, the weighted average at the year-end being 1.78% (2006 – 2.40%).

Financial liabilities

The Company finances its operations through its term loans. The Company has borrowed in Hong Kong Dollars and US Dollars at fixed rates of interest. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

The interest rate profile of the Company's financial assets and liabilities (including loans but excluding short term debtors and creditors) at 31 July 2007 and 31 July 2006 was as follows:

Type	Total (as per Balance Sheet)		Floating rate		Financial assets on which no interest is paid		Weighted average interest rate ^a	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 %	2006 %
Assets								
Equities	133,792	103,101	–	–	133,792	103,101	–	–
Cash at bank	5,884	3,970	5,884	3,970	–	–	1.78	2.40
	139,676	107,071	5,884	3,970	133,792	103,101	–	–

	Total (as per Balance Sheet)		Floating rate		Weighted average interest rate ^A		Period for which interest rate is fixed	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 %	2006 %	2007 %	2006 %
Liabilities								
Bank loans	(7,338)	(8,012)	(7,338)	(8,012)	4.77	5.10	–	–
Total	(7,338)	(8,012)	(7,338)	(8,012)	–	–	–	–

Maturity analysis ^B

Bank loans	7,338	8,012	7,338	8,012	–	–	–	–
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^A The Weighted average interest rate is based on the current yield of each asset, weighted by its market value. This excludes all equities and stocks where payments have been suspended.

^B The maturity dates of the Company's loans are shown in note 11 to the financial statements. All loans are payable on demand within one year.

Foreign currency risk

The Company's total return and net assets can be significantly affected by currency translation movements as the majority of the Company's assets and revenue are denominated in currencies other than Sterling, which is the Company's functional currency. It is not the Company's policy to hedge this risk but it reserves the right to do so in the future.

Foreign currency exposure by currency of denomination

Country	Investments	Net monetary assets /(liabilities) ^A	Total currency exposure	Investments	Net monetary assets /(liabilities) ^A	Total currency exposure
	2007 £'000	2007 £'000	2007 £'000	2006 £'000	2006 £'000	2006 £'000
Hong Kong	22,412	(3,296)	19,116	15,687	(3,593)	12,094
India	15,559	8	15,567	11,559	45	11,604
Indonesia	8,680	–	8,680	6,866	–	6,866
Malaysia	16,265	4,303	20,568	14,023	70	14,093
Pakistan	2,196	–	2,196	836	–	836
Philippines	6,984	57	7,041	4,162	–	4,162
Singapore	28,638	–	28,638	18,718	71	18,789
South Korea	9,679	–	9,679	9,727	130	9,857
Sri Lanka	5,077	–	5,077	5,365	–	5,365
Thailand	14,805	–	14,805	11,630	–	11,630
New Zealand	487	–	487	–	–	–
USA	–	(4,042)	(4,042)	–	(4,400)	(4,400)
	130,782	(2,970)	127,812	98,573	(7,677)	90,896

^A Including bank loans

Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments, if necessary. Short-term flexibility is achieved through use of overdraft facilities. At the year end, with the exception of the bank loans the Company had no net bank borrowings.

19 Contingent liabilities

As at 31 July 2007 there was a contingent liability of £373,000 (2006 – £362,000). This sum is the total cost which would arise on conversion of the warrants held in Eastern Water Resources.

Marketing Strategy

Aberdeen Asian Smaller Companies Investment Trust PLC contributes to the marketing programme run by the Aberdeen Group on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by AAM. This contribution, which is reviewed annually, will amount to £90,000 for the year ending 31 December 2007.

The purpose of the Programme is to communicate effectively with existing Shareholders and gain more new Shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares.

These aims can be met in several ways:

Investor relations programme

AAM runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month institutional investors and prospects receive a Manager's report on your Company that includes detailed performance analysis.

Newsletter

The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by the Aberdeen Group, is distributed free of charge.

Public relations

AAM undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

Shareholder services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately.

The Marketing Programme is under the direction of AAM's Head of Investor Relations for Investment Trusts, who has considerable experience in the marketing and communications of investment products. He is supported by a team of marketing professionals.

Internet

The AAM Investment Trusts web site contains details of closed end funds and investment companies managed or advised by the Aberdeen Group.

Aberdeen Asian Smaller Companies Investment Trust PLC also has its own dedicated website www.asian-smaller.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports. The site is continuously being evaluated for improvement.

It is intended that ongoing Programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its Shareholder base, improve liquidity and sustain ratings.

The Company is committed to a close monitoring of the Programme and the Head of Investor Relations for Investment Trusts reports to the Board and provides a written summary quarterly.

If you have any questions about your Company, the Manager or performance, please telephone the AAM Customer Services Department (direct private investors) on 0500 00 00 40 or our Broker Desk on 0800 592 487 (Institutions and IFAs). Alternatively, internet users may email AAM at inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP.

How to Invest in Aberdeen Asian Smaller Companies Investment Trust PLC

Aberdeen Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") which covers a number of investment companies under its management including Aberdeen Asian Smaller Companies Investment Trust PLC. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250 per trust, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor needs to invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Aberdeen Investment Trust Individual Savings Account

The Aberdeen Investment Trust ISA (the "ISA") aims to generate income and/or capital growth within a tax efficient environment. Investors can hold up to two components within an ISA: stocks and shares (including Investment Trusts) and cash. AAM offers both a Mini and Maxi stocks and shares ISA, but does not offer the cash component.

Maxi ISA

The Maxi ISA offers a wide range of AAM managed or advised Investment Companies. The Maxi ISA does not have a cash component. An investment of up to £7,000 can be made in the tax year 2007/2008.

Mini ISA

AAM offers a Mini ISA which will enable investors to invest up to £4,000 in the tax year 2007/2008. There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA management charge is £24 + VAT, calculated monthly and deducted from income half yearly. Under current legislation, trusts can grow free of income or capital gains tax. In the case of dividends from equity assets held within an ISA or a PEP, a 10% tax credit was reclaimed up to 5 April 2004, when the tax credit was abolished.

Aberdeen's Investment Plan for Children

Aberdeen Asset Managers runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including Aberdeen Asian Smaller Companies Investment Trust PLC. Anyone can invest in the Children's Plan, including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor needs to invest in a Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen Asset Managers in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

PEP Transfer

PEPs are an easy way to make medium to long term tax efficient investments in the stock markets. All income and capital gains are free of tax. Since 5 April 1999 no further subscriptions can be made into a PEP. Investors can, however, transfer existing PEPs to AAM. The minimum lump sum for a PEP transfer is £1,000 and is subject to a minimum per trust of £250.

Trust Information

If investors would like details of any trust managed by AAM, or information on the Children's Plan, Share Plan or ISA, please telephone 0500 00 00 40 or write to Aberdeen Investment Trusts, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP or e-mail invtrusts@aberdeen-asset.com. Details are also available by accessing the internet on the following page: <http://www.invtrusts.co.uk>

Glossary of Terms and Definitions

Actual Gearing

Total Assets (as below) less all cash and fixed interest assets (excluding convertibles) divided by shareholders' funds

Asset Cover

The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.

Discount

The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Cover

Earnings per share divided by dividends per share expressed as a ratio.

Dividend Yield

The annual dividend expressed as a percentage of the share price.

Net Asset Value

The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

Potential Gearing

Total Assets including all debt being used for investment purposes divided by shareholders' funds.

Premium

The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

Price/Earnings Ratio

The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

Prior Charges

The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

Total Assets

Total Assets less current liabilities (before deducting prior charges as defined above).

Total Expense Ratio

Ratio of expenses as percentage of average shareholders' funds calculated as per the industry standard Lipper Fitzrovia method.

Total Return

Total Return involves reinvesting the net dividend in the month that the share price goes ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the trust on the date to which that dividend was earned, eg quarter end, half year or year end date.

Winding-up Date

The date specified in the Articles of Association for winding-up a company.

Notice of Annual General Meeting

Notice is hereby given that the twelfth Annual General Meeting of Aberdeen Asian Smaller Companies Investment Trust PLC will be held at One Bow Churchyard, Cheapside, London EC4M 9HH, at 12 noon on 29 November 2007 for the following purposes

To consider and if thought fit, pass the following Resolutions of which Resolutions 1 – 10 will be proposed as Ordinary Resolutions and Resolutions 11, 12 and 13 as Special Resolutions

Ordinary Business

- 1 To receive and adopt the Directors' Report and financial statements for the year ended 31 July 2007, together with the auditors' report thereon
- 2 To receive and adopt the Directors' Remuneration Report
- 3 To approve the payment of a final dividend of 3.45 pence per Ordinary share
- 4 To approve the payment of a special dividend of 2.70 pence per Ordinary share
- 5 To re-elect Mr Cayzer as a Director
- 6 To re-elect Mr Gilbert as a Director
- 7 To re-elect Mr Kemp as a Director
- 8 To elect Mr Maude as a Director
- 9 To re-appoint Ernst & Young LLP as auditors and to authorise the Directors to determine their remuneration

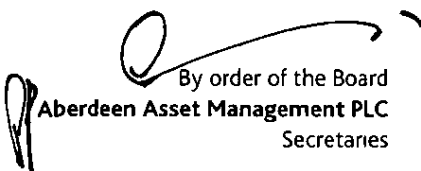
Special Business

- 10 THAT with effect from the time of the passing of this resolution the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the "Act")) up to an aggregate amount of £814,489 representing approximately 10 per cent of the present issued share capital during the period expiring at the conclusion of the next Annual General Meeting of the Company in 2008, but so that this authority shall allow the Company and its Directors to make offers or agreements before such expiry which would or might require such securities to be allotted after such expiry and the Directors may make such offers or agreements as if such expiry had not occurred
- 11 THAT subject to the passing of resolution number 10 set out above, the Directors be and are hereby empowered, pursuant to Section 95(1) of the Act, to allot equity securities (within the meaning of Section 94(2) and 94(3A) of the Act) for cash pursuant to the authority conferred by resolution number 10 as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities
 - (i) (otherwise than pursuant to sub-paragraph (ii) below) which are, or are to be wholly paid up in cash, at the price of not less than the net asset value per share at allotment, as determined by the Directors, up to an aggregate nominal value of £814,489, and
 - (ii) in connection with issues by way of rights in favour of all holders of Ordinary shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective number of Ordinary shares held by them on the record date of such allotment or otherwise allotted in accordance with the right conferred on such equity securities (but subject in either case to such exclusions or other arrangements or legal problems under the laws of or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever) at a price of not less than the net asset value per share at allotment, as determined by the Directors,and shall expire at the conclusion of the Annual General Meeting of the Company in 2008, but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may make such offers or agreements as if such expiry had not occurred
- 12 THAT the Company is, pursuant to Section 166 of the Act, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Act) of and to cancel or otherwise hold in treasury Ordinary shares of 25p each in the capital of the Company ("Ordinary shares") provided that
 - (i) the maximum number of Ordinary shares hereby authorised to be purchased is 4,883,681 Ordinary shares being 14.99 per cent of the issued share capital at the date of the passing of the resolution,
 - (ii) the minimum price which may be paid for Ordinary shares is 25p per Ordinary share,

Notice of Annual General Meeting continued

- (iii) the maximum price which may be paid for an Ordinary share shall not be more than the higher of (i) an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary share taken from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary share is purchased, and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out,
 - (iv) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract to purchase would or might require to be executed wholly or partly after the expiry of such authority, and may make the purchase of Ordinary shares in pursuance of any such contract, and
 - (v) the authority hereby conferred shall expire on the day of the Annual General Meeting to be held in 2008 unless such authority is received prior to such time
- 13 (1) THAT the Company adopt new Articles of Association (in the form of the draft produced to the meeting with such amendments as shown by text being underlined or deleted and initialled by the Chairman for the purpose of identification) in substitution for and to the entire exclusion of the existing Articles of Association of the Company
- (2) THAT the Company may use electronic means (within the meaning of the Disclosure Rules and Transparency Rules Sourcebook published by the Financial Services Authority) to convey information to members

One Bow Churchyard, Cheapside,
London EC4M 9HH
26 October 2007

 By order of the Board
Aberdeen Asset Management PLC
Secretaries

Notes

- (i) A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.
- (ii) A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to shares. A member may not appoint more than one proxy to exercise rights attached to any one share.
- (iii) Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or notarially certified copy of that power or authority should be sent to The Registrars, Aberdeen Asian Smaller Companies Investment Trust PLC, Equiniti Limited (formerly Lloyds TSB Registrars), The Causeway, Worthing, West Sussex BN99 6ZR, so as to arrive not less than forty eight hours before the time fixed for the meeting.
- (iv) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members not later than forty eight hours before the time fixed for the meeting (or, in the event that the meeting be adjourned, on the register of members forty eight hours before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than forty eight hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.
- (v) No Director has a service contract with the Company.
- (vi) Copies of the existing Articles of Association of the Company and the proposed amended Articles of Association will be available for inspection at the Company's Registered Office from 26 October 2007 to (and including) the date of the Annual General Meeting during normal business hours on any day (Saturdays, Sundays and public holidays excepted) and will also be available at the Registered Office for at least 15 minutes before the Annual General Meeting until its conclusion.

Corporate Information

Directors

Nigel Cayzer, Chairman
Haruko Fukuda OBE
Martin Gilbert
Alan Kemp
Chris Maude

Alternate Director

Hugh Young (alternate for Martin Gilbert)

Manager

Aberdeen Asset Management Asia Limited
21 Church Street
#01-01 Capital Square Two
Singapore 049480

Secretaries and Registered Office

Aberdeen Asset Management PLC
One Bow Churchyard, Cheapside
London EC4M 9HH
Registration Number 3106339

Registrars

Equiniti Limited
(formerly Lloyds TSB Registrars)
The Causeway
Worthing
West Sussex, BN99 6DA
Shareholder Helpline 0870 601 5366
(Calls charged at National Call Rate)

Stockbrokers

Landsbanki Securities (UK) Limited
Beaufort House
15 St Botolphs Street
London
EC3A 7QR

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Allied Irish Bank PLC
St Helens's
1 Undershaft
London EC3A 8AB

Bank of Scotland
Corporate Banking (Scotland)
3-5 Albyn Place
Aberdeen AB10 1PY

Solicitors

Maclay Murray & Spens LLP
One London Wall
London EC2Y 5AB

Website

www.asian-smaller.co.uk

Your Company's History

Issued Share Capital at 31 July 2007

32,579,597	Ordinary shares of 25p
4,848,903	Warrants to subscribe at 100p

Capital History

19 October 1995	35,000,000 Ordinary shares of 25p each placed at 100p with 7,000,000 Warrants attaching, each conferring the right to subscribe for one Ordinary share of 25p at 100p
21 December 1998	600 Ordinary shares issued following the exercise of Warrants
27 January 2000	3,500,000 Ordinary shares purchased for cancellation at 95p per share
22 February 2000	1,746,500 Ordinary shares purchased for cancellation at 105p per share
5 June 2001	500,000 Ordinary shares purchased for cancellation at 90 25p
31 July 2001	2,500,000 Ordinary shares purchased for cancellation at 91 5p
Year ended 31 July 2005	2,100,000 new Ordinary shares issued at prices ranging from 196 5p to 252 5p
14 December 2005	1,507,108 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2006	1,825,000 new Ordinary shares issued at prices ranging from 250 75p to 324 0p
12 December 2006	143,389 Ordinary shares issued following the exercise of Warrants
Year ended 31 July 2007	250,000 new Ordinary shares issued at 313p and 500,000 Warrants purchased for cancellation at prices ranging from 214p to 227p

Warrants

The Company has 4,848,903 Warrants in issue. The Warrants confer the right to subscribe for one Ordinary share of 25p at 100p on 30 November in any of the years 2007 to 2010 inclusive or, if later, the date in any such year thirty days after the date on which copies of the audited accounts of the Company for its then immediately preceding financial year are dispatched to Shareholders.