



Half Year Report **2011**

JPMorgan Chinese  
Investment Trust plc

Half Year Report & Accounts for the six months ended 31st March 2011

# Features

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### Objective

The Company's objective is to provide long term capital growth by investment in 'Greater China' (China, Hong Kong and Taiwan) companies. It aims to outperform the MSCI Golden Dragon Index total return, with net dividends reinvested in sterling terms.

### Investment Policies

- To invest in companies which are quoted on the stock exchanges of Hong Kong, China and Taiwan or which are quoted on other stock exchanges but derive a substantial part of their revenues or profits from these territories.
- To use gearing up to a maximum level of 15% of shareholders' funds to increase potential returns to shareholders.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

### Benchmark

MSCI Golden Dragon Index total return, with net dividends reinvested in sterling terms.

### Risk

Investors should note that there can be significant economic and political risks inherent in investing in an emerging economy such as China. As such, the Chinese markets can exhibit more volatility than developed markets and this should be taken into consideration when evaluating the suitability of the Company as a potential investment.

### Capital Structure

At 31st March 2011, the Company's issued share capital comprised 77,848,498 Ordinary shares of 25p each and 12,749,910 Subscription shares of 1p each.

### Continuation Vote

In accordance with the Company's Articles of Association, the Directors are required to propose a resolution that the Company continue as an investment trust at the Annual General Meeting in 2013 and every fifth year thereafter.

### Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to manage its assets.

# Half Year Performance

Total returns (includes dividends reinvested)

**+5.0%**

'Unit' return to shareholders<sup>1</sup>

**+7.1%**

Return on net assets<sup>2</sup>

**+4.9%**

Return to Ordinary shareholders<sup>3</sup>

**+4.5%**

Benchmark total return<sup>4</sup>

<sup>1</sup> A Unit comprises 5 Ordinary shares and 1 Subscription share.

<sup>2</sup> Source: J.P. Morgan.

<sup>3</sup> Source: Morningstar.

<sup>4</sup> Source: MSCI. The Company's benchmark is the MSCI Golden Dragon Index in sterling terms.

## Financial Data

	31st March 2011	30th September 2010	% change
Total net assets (£'000)	<b>131,029</b>	123,769	+5.9
Number of Ordinary shares in issue	<b>77,848,498</b>	77,307,881	+7.0
Number of Subscription shares in issue*	<b>12,749,910</b>	12,790,527	-0.3
Net asset value per Ordinary share	<b>168.3p</b>	160.1p	+5.1
Ordinary share price	<b>158.0p</b>	152.0p	+3.9
Subscription share price	<b>19.3p</b>	18.0p	+7.2
Ordinary share price discount to net asset value per Ordinary share	<b>6.1%</b>	5.1%	

A glossary of terms and definitions is provided on page 19.

\*Details of the Subscription rights conferred by these shares are given on page 17.

# Chairman's Statement



## Performance

The equity markets across the Greater China region continued to rise over the six months to 31st March 2011, despite ongoing inflationary concerns and monetary tightening measures in China: coupled with ongoing conflict in the Middle East and latterly the devastating Tohoku earthquake. It is pleasing to report that, during this period, the Company's return on net assets with net dividends reinvested increased by 7.1%. This compares favourably to the return of the Company's benchmark, the MSCI Golden Dragon Index, which increased by 4.5% (in sterling terms). Over the same period, the Company's return to Ordinary shareholders, which included a final dividend of 1.5p, increased by 4.9%. The lower return reflects a modest widening of the discount to the diluted net asset value ('NAV') per Ordinary share from 5.1% to 6.1%.

## Gearing

The Company has a £20 million credit facility with Scotiabank which gives the Investment Managers the ability to gear tactically. The Board has given the Investment Managers the flexibility to gear the portfolio up to 115% invested. During the period the level of gearing has ranged between 104.0% and 106.2%, ending the half year at 104.7%.

## Share Issues and Repurchases in the Period

During the period, the Company issued 500,000 Ordinary shares for a total consideration of £885,250 at a weighted average premium diluted to NAV of 2.5%. In addition, the Company issued 40,617 Ordinary shares as a result of the exercise of Subscription Share Rights. At the time of writing, the Company's issued share capital consists of 77,852,510 Ordinary shares and 12,745,898 Subscription shares.

## Subscription Shares

Since the bonus issue Subscription shares in April 2008 up to the date of this report, a total of 1,390,509 Subscription shares have been exercised into Ordinary shares raising proceeds of £1,887,937.25. Further details on the Subscription shares, including the apportionments for capital gains tax purposes and how they may be exercised, can be found on page 17 of this report and on the Company's website at [www.jpmchinese.co.uk](http://www.jpmchinese.co.uk)

**Outlook**

The economic setting to 2011 should continue to be positive for Greater China equities, with domestic economic growth and supportive global monetary policy underpinning markets. Despite inflationary pressures limiting China's equity market performance in the short term, the investment managers believe that valuations are attractive. Taiwan will continue to benefit from the twin trends of global export market recovery and increasing inflows of mainland tourists and repatriation of liquidity from overseas. Hong Kong's growth as an offshore international finance centre for China should continue to underpin equity market performance.

**Nigel Melville**  
Chairman

25th May 2011

# Investment Managers' Report



Howard Wang

Over the 6-month period ending March 2011, the Company achieved a total return of +7.1%, outperforming the benchmark return of +4.5% by 2.6%.

Stock selection was strong across all three Greater China markets and added most to outperformance. Allocation detracted some value given the portfolio's overweight in China which underperformed in the last quarter of 2010. Stock selection however more than compensated for this being strongest in China, followed by Taiwan and Hong Kong. The Fund's gearing over the period also added to returns.

We remain optimistic about Greater China markets, despite the increased volatility, and will be selectively accumulating positions on any weakness as a result.

## China Review

Although positive macro indicators suggested China's economy was gaining momentum as it entered the last quarter of 2010, higher-than-expected inflation and the ensuing tightening measures (a 0.50% rise in interest rates on 10 December and a further 0.25% rise on 25 December) resulted in the relative underperformance of the China stock market.

However, over the first quarter in 2011, China equities outperformed both Hong Kong and Taiwan equities in volatile trading with both the MSCI China Index and domestic A-Shares (CSI 300 Index) edging upward (about 3% quarter on quarter).



Emerson Yip

## China Outlook

We expect continued government measures to temper inflation expectations, including interest rate increases, open market operations, loan quotas and price guidance/controls on selective products. Although fighting inflation remains a short-term priority and the market could remain volatile amid the uncertainty of external environments and government measures, we think the market will re-focus on growth prospects when inflation pressure recedes. However, sustained high oil prices could trigger upside risks to inflation, though China is less vulnerable than most other countries given government-controlled prices for major oil products and grains. With the policy headwinds, we expect economic growth could soften in the second quarter of 2011 and gradually reaccelerate in the second half to average about 9% for the 2011 financial year.



William Tong

## Hong Kong Review

Over the fourth quarter 2010, the MSCI Hong Kong was led higher by property stocks as confidence grew that government cooling measures would not derail the investment attractiveness of physical properties. The market rallied as sustained loose monetary conditions and a strong pick-up in economic activity bolstered investors' confidence. Continued talks of the internationalisation of the Renminbi and the associated liquidity benefits for Hong Kong as China's international financial centre buoyed local bank shares.

Hong Kong equities reversed this course over the first quarter of 2011 and underperformed the China and regional markets. Part of the underperformance was driven by the continuing trend of fund flows out of emerging markets. While the Hong Kong budget contained measures to expand property supply in the long term, there were no further demand restrictions. The government also bowed to public pressure



Shumin Huang

by giving out HKD6,000 (£465) to every citizen in cash, even as inflationary concerns remain. Government measures announced in late 2010 have had little impact on rising property price trends, with prices up over 10% since November. Corporate earnings results were generally strong, especially for those companies geared towards the domestic and China economies.

### **Hong Kong Outlook**

As property prices are still on the rise, we remain on the lookout for additional government measures given public pressure over high property prices. With the increasing integration of financial markets with the Mainland, there are also concerns that local dollar liquidity is being drained by depositors buying Renminbi and companies borrowing in Hong Kong dollars for use on the Mainland. While this situation could benefit local banks in terms of their pricing power on loans, tighter liquidity conditions could hamper further asset price appreciation.

### **Taiwan Review**

Post the mayoral election in the fourth quarter of 2010, the Taiwan TWSE Index started to rise strongly. Investors were initially apprehensive but the election outcome turned out to reinforce the status quo with the two major political parties (KMT and DPP) retaining their respective seats. It was only in the last few weeks of the year when benefits associated with the Economic Cooperation Framework Agreement (abbreviated ECFA), a preferential trade agreement between the governments of China and Taiwan, coupled with an increasingly improving demand outlook from the West and an acceleration of foreign inflows drove the market higher.

Driven by strong foreign buying from the previous quarter and despite concerns that a rising Taiwan dollar could impact technology margins, the Taiwan market had a good start to 2011, but the trend reversed from mid February. Initially, there was optimism on global demand for technology stocks and the positive spill-over effect from the ECFA. However, the strong inflows to Taiwan reversed after the Chinese New Year as liquidity retreated out of emerging markets and into developed markets.

### **Taiwan Outlook**

The Taiwan market is likely to remain volatile as investors grapple with uncertainty surrounding unrest in the Middle East and North Africa and Japan's ability to resume normal production amid power and supply shortages following the devastating Tohoku earthquake. Any potential spike in oil prices and further disruption to key components supply would increase input costs and impair utilisation and production efficiency. However, there would be opportunities for some companies as orders could be re-routed to Taiwan at the expense of Japan.

**Howard Wang**

**Emerson Yip**

**William Tong**

**Shumin Huang**

Investment Managers

25th May 2011

# Twenty Largest Investments

at 31st March 2011

Company	Country of Listing/ Classification*	Valuation £'000	Portfolio % <sup>1</sup>	Benchmark %	Active Position %
JF China Pioneer 'A' Share Fund	China A-Shares (indirect)	7,818	6.0	0.0	+6.0
CNOOC	Hong Kong Red Chip Shares	6,373	4.9	4.6	+0.3
China Construction Bank	Hong Kong H-Shares	5,684	4.3	4.1	+0.2
Taiwan Semiconductor Manufacturing	Taiwan	4,724	3.6	3.4	+0.2
Cheung Kong	Hong Kong	4,227	3.2	3.1	+0.1
Bank of China	Hong Kong H-Shares	3,978	3.0	2.9	+0.1
Tencent	China Others	3,174	2.4	2.3	+0.1
Formosa Chemical & Fibre	Taiwan	2,984	2.3	2.2	+0.1
Hang Lung Properties	Hong Kong	2,914	2.2	2.1	+0.1
Wharf	Hong Kong	2,643	2.0	1.9	+0.1
Hon Hai Precision Industry	Taiwan	2,585	2.0	1.9	+0.1
Industrial & Commercial Bank of China	Hong Kong H-Shares	2,519	1.9	1.8	+0.1
Ping An Insurance	Hong Kong H-Shares	2,506	1.9	1.8	+0.1
China Mobile	Hong Kong Red Chip Shares	2,461	1.9	1.8	+0.1
Agricultural Bank of China	Hong Kong H-Shares	2,455	1.9	1.8	+0.1
China National Building Material	Hong Kong H-Shares	2,373	1.8	1.7	+0.1
China Oilfield Services	Hong Kong H-Shares	2,201	1.7	1.6	+0.1
Advanced Semiconductor Engineering	Taiwan	2,192	1.7	1.6	+0.1
Yanzhou Coal Mining	Hong Kong H-Shares	2,095	1.6	1.5	+0.1
BOC Hong Kong	Hong Kong	2,020	1.5	1.5	0.0
<b>Total<sup>2</sup></b>		<b>67,926</b>	<b>51.8</b>	<b>43.6</b>	

\*A glossary of terms and definitions is provided on page 19.

<sup>1</sup>Based on total assets less current liabilities of £131.0m.

<sup>2</sup>At 30th September 2010, the value of the twenty largest investments amounted to £66.8m, representing 53.7% of total assets less current liabilities.

# Portfolio Analyses

## Geographical Analysis

	31st March 2011			30th September 2010		
	Portfolio %	Benchmark %	Active Position %	Portfolio %	Benchmark %	Active Position %
Hong Kong H-Shares	27.4	27.4	0.0	28.3	26.9	+1.4
China Others	13.8	8.3	+5.5	14.8	12.8	+2.0
Hong Kong Red Chip Shares	10.9	11.8	-0.9	12.9	13.5	-0.6
China A-Shares (indirect)	6.0	–	+6.0	6.4	–	+6.4
China B-Shares	1.9	0.6	+1.3	1.7	0.7	+1.0
China Total	60.0	48.1	+11.9	64.1	53.9	+10.2
Taiwan	27.1	30.1	-3.0	26.0	29.1	-3.1
Hong Kong	18.1	21.8	-3.7	15.2	17.0	-1.8
Net current liabilities	(5.2)	–	-5.2	(5.3)	–	-5.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>	<b>100.0</b>	

Based on total assets less current liabilities of £131.0m (2010: £124.3m).

## Sector Analysis

	31st March 2011			30th September 2010		
	Portfolio %	Benchmark %	Active Position %	Portfolio %	Benchmark %	Active Position %
Financials (including Property)	46.1	36.4	+9.7	41.8	35.6	+6.2
Information Technology	15.7	19.8	-4.1	20.3	19.8	+0.5
Materials	11.5	7.6	+3.9	10.0	6.5	+3.5
Energy	10.0	9.4	+0.6	8.8	8.6	+0.2
Industrials	7.1	7.6	-0.5	6.8	7.4	-0.6
Consumer Discretionary	5.3	6.1	-0.8	6.4	6.6	-0.2
Consumer Staples	4.2	2.7	+1.5	4.6	3.7	+0.9
Telecommunication Services	2.4	6.5	-4.1	3.5	7.5	-4.0
Utilities	1.8	3.5	-1.7	1.5	3.8	-2.3
Healthcare	1.1	0.4	+0.7	1.6	0.5	+1.1
Net current liabilities	(5.2)	–	-5.2	(5.3)	–	-5.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>	<b>100.0</b>	

Based on total assets less current liabilities of £131.0m (2010: £124.3m).

# Income Statement

for the six months ended 31st March 2011

	(Unaudited) Six months ended 31st March 2011			(Unaudited) Six months ended 31st March 2010			(Audited) Year ended 30th September 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains on investments held at fair value through profit or loss</b>	–	<b>8,648</b>	<b>8,648</b>	–	13,808	13,808	–	17,011	17,011
Net foreign currency gains/(losses)	–	<b>186</b>	<b>186</b>	–	(414)	(414)	–	(317)	(317)
Income from investments	<b>84</b>	–	<b>84</b>	177	–	177	3,223	–	3,223
Other interest receivable and similar income	–	–	–	–	–	–	1	–	1
<b>Gross return</b>	<b>84</b>	<b>8,834</b>	<b>8,918</b>	177	13,394	13,571	3,224	16,694	19,918
Management fee	<b>(635)</b>	–	<b>(635)</b>	(527)	–	(527)	(1,098)	–	(1,098)
Performance fee	–	<b>(394)</b>	<b>(394)</b>	–	(77)	(77)	–	(110)	(110)
Other administrative expenses	<b>(264)</b>	–	<b>(264)</b>	(248)	–	(248)	(462)	–	(462)
<b>Net (loss)/return on ordinary activities before finance costs and taxation</b>	<b>(815)</b>	<b>8,440</b>	<b>7,625</b>	(598)	13,317	12,719	1,664	16,584	18,248
Finance costs	<b>(145)</b>	–	<b>(145)</b>	(64)	–	(64)	(127)	–	(127)
<b>Net (loss)/return on ordinary activities before taxation</b>	<b>(960)</b>	<b>8,440</b>	<b>7,480</b>	(662)	13,317	12,655	1,537	16,584	18,121
Taxation	<b>(8)</b>	–	<b>(8)</b>	–	–	–	(356)	–	(356)
<b>Net (loss)/return on ordinary activities after taxation</b>	<b>(968)</b>	<b>8,440</b>	<b>7,472</b>	(662)	13,317	12,655	1,181	16,584	17,765
<b>(Loss)/return per Ordinary share</b> (note 4)	<b>(1.25)p</b>	<b>10.86p</b>	<b>9.61p</b>	(0.88)p	17.76p	16.88p	1.55p	21.83p	23.38p

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. The Total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

# Reconciliation of Movements in Shareholders' Funds

Six months ended 31st March 2011 (Unaudited)	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 30th September 2010</b>	19,455	12,281	3	581	37,392	52,454	1,603	<b>123,769</b>
Shares issued	125	761	–	–	–	–	–	<b>886</b>
Issue of Ordinary shares on exercise of Subscription shares	10	58	–	–	–	–	–	<b>68</b>
Net return/(loss) on ordinary activities	–	–	–	–	–	8,440	(968)	<b>7,472</b>
Dividends appropriated in the period	–	–	–	–	–	–	(1,166)	<b>(1,166)</b>
<b>At 31st March 2011</b>	19,590	13,100	3	581	37,392	60,894	(531)	<b>131,029</b>

Six months ended 31st March 2010 (Unaudited)	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 30th September 2009</b>	19,026	8,989	3	581	34,363	35,870	1,542	<b>100,374</b>
Shares issued	125	612	–	–	–	–	–	<b>737</b>
Re-issue of Ordinary shares from Treasury	–	1,171	–	–	3,029	–	–	<b>4,200</b>
Net return/(loss) on ordinary activities	–	–	–	–	–	13,317	(662)	<b>12,655</b>
Dividends appropriated in the period	–	–	–	–	–	–	(1,120)	<b>(1,120)</b>
<b>At 31st March 2010</b>	19,151	10,772	3	581	37,392	49,187	(240)	<b>116,846</b>

Year ended 30th September 2010 (Audited)	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 30th September 2009</b>	19,026	8,989	3	581	34,363	35,870	1,542	<b>100,374</b>
Shares issued	125	612	–	–	–	–	–	<b>737</b>
Re-issue of Ordinary shares from Treasury	–	1,171	–	–	3,029	–	–	<b>4,200</b>
Exercise of Subscription shares into Ordinary shares	(13)	13	–	–	–	–	–	<b>–</b>
Issue of Ordinary shares on exercise of Subscription shares	317	1,496	–	–	–	–	–	<b>1,813</b>
Net return on ordinary activities	–	–	–	–	–	16,584	1,181	<b>17,765</b>
Dividends appropriated in the year	–	–	–	–	–	–	(1,120)	<b>(1,120)</b>
<b>At 30th September 2010</b>	19,455	12,281	3	581	37,392	52,454	1,603	<b>123,769</b>

# Balance Sheet

at 31st March 2011

	(Unaudited) 31st March 2011 £'000	(Unaudited) 31st March 2010 £'000	(Audited) 30th September 2010 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss:			
China	78,649	69,390	79,644
Taiwan	35,533	32,838	32,318
Hong Kong	23,693	20,996	18,898
<b>Total investments</b>	<b>137,875</b>	123,224	130,880
<b>Current assets</b>			
Debtors	529	766	2,338
Cash and short term deposits	189	940	1,360
	718	1,706	3,698
<b>Creditors:</b> amounts falling due within one year	<b>(7,563)</b>	(7,616)	(10,322)
Financial liability: Derivative financial instruments	(1)	–	–
<b>Net current liabilities</b>	<b>(6,846)</b>	(5,910)	(6,624)
<b>Total assets less current liabilities</b>	<b>131,029</b>	117,314	124,256
<b>Provisions for liabilities and charges</b>			
Performance fee	–	(468)	(487)
<b>Total net assets</b>	<b>131,029</b>	116,846	123,769
<b>Capital and reserves</b>			
Called up share capital	19,590	19,151	19,455
Share premium	13,100	10,772	12,281
Exercised warrant reserve	3	3	3
Capital redemption reserve	581	581	581
Other reserve	37,392	37,392	37,392
Capital reserves	60,894	49,187	52,454
Revenue reserve	(531)	(240)	1,603
<b>Shareholders' funds</b>	<b>131,029</b>	116,846	123,769
<b>Net asset value per Ordinary share – undiluted</b> (note 5)	<b>168.3p</b>	153.7p	160.1p
<b>Net asset value per Ordinary share – diluted</b> (note 5)	<b>168.3p</b>	152.0p	160.1p

# Cash Flow Statement

for the six months ended 31st March 2011

	(Unaudited) Six months ended 31st March 2011 £'000	(Unaudited) Six months ended 31st March 2010 £'000	(Audited) Year ended 30th September 2010 £'000
<b>Net cash (outflow)/inflow from operating activities</b> (note 6)	<b>(2,095)</b>	(1,489)	290
Net cash outflow from returns on investments and servicing of finance	<b>(145)</b>	(65)	(127)
Net cash inflow/(outflow) from capital expenditure and financial investment	<b>1,836</b>	(4,776)	(10,480)
Dividend paid	<b>(1,166)</b>	(1,120)	(1,120)
Net cash inflow from financing	<b>280</b>	7,487	11,805
<b>(Decrease)/increase in cash for the period</b>	<b>(1,290)</b>	37	368
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net cash movement	<b>(1,290)</b>	37	368
Loans repaid/(drawn down) in the period	<b>674</b>	(2,550)	(5,055)
Exchange rate movements	<b>187</b>	(414)	(317)
Movement in net debt in the period	<b>(429)</b>	(2,927)	(5,004)
Net debt at the beginning of the period	<b>(5,620)</b>	(616)	(616)
<b>Net debt at the end of the period</b>	<b>(6,049)</b>	(3,543)	(5,620)
Represented by:			
Cash and short term deposits	<b>189</b>	940	1,360
Debt falling due within one year	<b>(6,238)</b>	(4,483)	(6,980)
Net debt at the end of the period	<b>(6,049)</b>	(3,543)	(5,620)

# Notes to the Accounts

for the six months ended 31st March 2011

## 1. Financial statements

The information contained within the Financial Statements in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 30th September 2010 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these half year accounts are consistent with those applied in the accounts for the year ended 30th September 2010.

## 3. Dividends

	(Unaudited) Six months ended 31st March 2011 £'000	(Unaudited) Six months ended 31st March 2010 £'000	(Audited) Year ended 30th September 2010 £'000
Final dividend paid in respect of the year ended 30th September 2010 of 1.5p (2009: 1.5p)	1,166	1,120	1,120

No interim dividend has been declared in respect of the six months ended 31st March 2011 (2010: nil).

#### 4. (Loss)/return per Ordinary share

	(Unaudited) Six months ended 31st March 2011 £'000	(Unaudited) Six months ended 31st March 2010 £'000	(Audited) Year ended 30th September 2010 £'000
(Loss)/return per Ordinary share is based on the following:			
Revenue (loss)/return	(968)	(662)	1,181
Capital return	8,440	13,317	16,584
<b>Total return</b>	<b>7,472</b>	12,655	17,765
Weighted average number of Ordinary shares in issue during the period	<b>77,688,909</b>	75,001,307	75,958,289
Revenue (loss)/return per Ordinary share	<b>(1.25)p</b>	(0.88)p	1.55p
Capital return per Ordinary share	<b>10.86p</b>	17.76p	21.83p
<b>Total return per Ordinary share</b>	<b>9.61p</b>	16.88p	23.38p

The Subscription shares in issue have no dilutive effect on the above losses/returns per Ordinary share, as calculated in accordance with the requirements of Financial Reporting Standard 22: 'Earnings per share'.

#### 5. Net asset value per Ordinary share

	(Unaudited) Six months ended 31st March 2011	(Unaudited) Six months ended 31st March 2010	(Audited) Year ended 30th September 2010
<b>Undiluted</b>			
Ordinary shareholders funds (£'000)	<b>131,029</b>	116,846	123,769
Number of Ordinary shares in issue	<b>77,848,498</b>	76,041,461	77,307,881
Net asset value per Ordinary share (pence)	<b>168.3</b>	153.7	160.1
<b>Diluted</b>			
Ordinary shareholders funds assuming exercise of Subscription shares (£'000)	<b>152,450</b>	136,948	145,189
Number of potential Ordinary shares in issue	<b>90,598,408</b>	90,098,408	90,098,408
Net asset value per Ordinary share (pence)	<b>168.3</b>	152.0	160.1

The diluted net asset value per Ordinary share assumes that all outstanding Subscription shares were converted into Ordinary shares at the period end. There was no dilution to the net asset value per Ordinary share at 31st March 2011 or 30th September 2010.

# Notes to the Accounts continued

## 6. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash (outflow)/inflow from operating activities

	(Unaudited) Six months ended 31st March 2011 £'000	(Unaudited) Six months ended 31st March 2010 £'000	(Audited) Year ended 30th September 2010 £'000
Net return on ordinary activities before finance costs and taxation	7,625	12,719	18,248
Less capital return before finance costs and taxation	(8,440)	(13,317)	(16,584)
Scrip dividends received as income	–	(12)	(259)
Decrease/(increase) in accrued income	51	3	(14)
Increase in other debtors	(7)	(12)	(3)
(Decrease)/increase in accrued expenses	(136)	(28)	78
Overseas taxation	(30)	–	(334)
Performance fee paid	(1,158)	(842)	(842)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(2,095)</b>	<b>(1,489)</b>	<b>290</b>

# List of Investments

at 31st March 2011

Company	Sector	Valuation £'000	%
JF China Pioneer 'A' Share Fund	China A-Shares (indirect)	7,818	5.7
CNOOC	Hong Kong Red Chips	6,373	4.6
China Construction Bank	Hong Kong H-Shares	5,684	4.1
Taiwan Semiconductor Manufacturing	Taiwan	4,724	3.4
Cheung Kong	Hong Kong	4,227	3.1
Bank of China	Hong Kong H-Shares	3,978	2.9
Tencent	China Others	3,174	2.3
Formosa Chemical & Fibre	Taiwan	2,984	2.2
Hang Lung Properties	Hong Kong	2,914	2.1
Wharf	Hong Kong	2,643	1.9
Hon Hai Precision Industry	Taiwan	2,585	1.9
Industrial & Commercial Bank of China	Hong Kong H-Shares	2,519	1.8
Ping An Insurance	Hong Kong H-Shares	2,506	1.8
China Mobile	Hong Kong Red Chip Shares	2,461	1.8
Agricultural Bank of China	Hong Kong H-Shares	2,455	1.8
China National Building Material	Hong Kong H-Shares	2,373	1.7
China Oilfield Services	Hong Kong H-Shares	2,201	1.6
Advanced Semiconductor Engineering	Taiwan	2,192	1.6
Yanzhou Coal Mining	Hong Kong H-Shares	2,095	1.5
BOC Hong Kong	Hong Kong	2,020	1.5
Formosa Plastic	Taiwan	1,980	1.4
China Vanke	China B-Shares	1,837	1.3
China Citic Bank	Hong Kong H-Shares	1,736	1.3
China Petroleum & Chemical	Hong Kong H-Shares	1,729	1.3
Jardine Matheson	Hong Kong	1,717	1.3
Fubon Financial	Taiwan	1,683	1.2
Agile Property	China Others	1,633	1.2
Taishin Financial	Taiwan	1,613	1.2
China Yurun Food	China Others	1,549	1.1
Aia	Hong Kong	1,549	1.1
Sands China	Hong Kong	1,516	1.1
China Communications Construction	Hong Kong H-Shares	1,493	1.1
Orient Overseas	Hong Kong	1,466	1.1
China Resources Land	Hong Kong Red Chip Shares	1,425	1.0
Hong Kong Electric	Hong Kong	1,409	1.0
Intime Department Store	China Others	1,392	1.0
Taiwan Cement	Taiwan	1,369	1.0
Kerry Properties	Hong Kong	1,307	1.0
China Taiping Insurance	Hong Kong Red Chip Shares	1,305	1.0
China Merchants Bank	Hong Kong H-Shares	1,300	0.9
International Mining Machinery	China Others	1,286	0.9
Zijin Mining	Hong Kong H-Shares	1,236	0.9
China Petrochemical	Taiwan	1,224	0.9
President Chain Store	Taiwan	1,219	0.9
China Life Insurance	Taiwan	1,213	0.9
Hutchison Whampoa	Hong Kong	1,181	0.9
Unimicron Technology	Taiwan	1,171	0.9
Wing Hang Bank	Hong Kong	1,138	0.8

# List of Investments continued

at 31st March 2011

Company	Sector	Valuation £'000	%
Lianhua Supermarket	Hong Kong H-Shares	1,124	0.8
Want Want China	China Others	1,122	0.8
Maoye	China Others	1,109	0.8
Mega Financial	Taiwan	1,045	0.8
Asustek Computer	Taiwan	1,036	0.8
China Resources Gas	Hong Kong Red Chip Shares	1,005	0.7
Delta Electronics	Taiwan	1,001	0.7
Coretronic	Taiwan	981	0.7
BBMG	Hong Kong H-Shares	951	0.7
E Sun Financial	Taiwan	921	0.7
Cosco Pacific	Hong Kong Red Chip Shares	909	0.7
Largan Precision	Taiwan	897	0.7
TPK	Taiwan	889	0.6
Greatview Aseptic Packaging	China Others	848	0.6
Hengdeli	China Others	841	0.6
Springland International	China Others	839	0.6
China Shineway Pharmaceutical	China Others	821	0.6
Polaris Securities	Taiwan	818	0.6
Poly (Hong Kong) Investments	Hong Kong Red Chip Shares	814	0.6
Hidili Industry	China Others	808	0.6
Huaku Development	Taiwan	801	0.6
Yuanta Financial	Taiwan	792	0.6
Powertech Technology	Taiwan	791	0.6
China Merchants Property Developmnt	China B-Shares	723	0.5
Sany Heavy Equipment	China Others	710	0.5
China Suntien Green Energy	Hong Kong H-Shares	702	0.5
China Vanadium Titano-Magnetite	China Others	697	0.5
China Telecom	Hong Kong H-Shares	684	0.5
Kinsus Interconne	Taiwan	680	0.5
Aluminium Corporation Of China	Hong Kong H-Shares	642	0.5
Anta Sports Products	China Others	640	0.5
Sihuan Pharmaceutical	China Others	623	0.5
Parkson Retail	Hong Kong	606	0.4
Evergreen Marine	Taiwan	494	0.4
Beijing Jingkelong	Hong Kong H-Shares	479	0.4
Chipboard Technology	Taiwan	430	0.3
<b>Total Portfolio</b>		<b>137,875</b>	<b>100.00</b>

# Subscription Shares

On 16th April 2008 the Company issued Subscription shares as a bonus issue to the Ordinary shareholders on the basis of one Subscription share for every five Ordinary shares held.

Following a Class Meeting of Subscription shareholders and a General Meeting of Ordinary shareholders on 28th June 2010, at which shareholders approved a variation of Subscription Share Rights, Subscription shareholders can choose to exercise their Subscription shares at a price of 168 pence per share at any time up to and including 15th May 2013, whereupon the rights under the Subscription shares will lapse.

For the purposes of UK taxation, the issue of Subscription shares is treated as a reorganisation of the Company's share capital. Whereas such reorganisations do not trigger a chargeable disposal for the purposes of the taxation of capital gains, they do require shareholders to reallocate the base costs

of their Ordinary shares between Ordinary shares and Subscription shares received.

At the close of business on 16th April 2008 the middle market prices of the Company's Ordinary shares and Subscription shares were as follows:

Ordinary shares:	116p
Subscription shares:	22p

Accordingly an individual investor who on 15th April 2009 held five Ordinary shares (or a multiple thereof) would have received a bonus issue of one Subscription share (or the relevant multiple thereof) and would apportion the base cost of such holding 96.35% to the five Ordinary shares and 3.65% to the Subscription shares.

# Interim Management Report

The Company is required to make the following disclosures in its Half Year Report.

## Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into nine broad categories: investment underperformance; loss of investment team; discount; market; accounting, legal and regulatory; corporate governance and shareholder relations; operational and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 30th September 2010.

## Related Party Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company during the period.

## Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate

resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

## Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

For and on behalf of the Board

**Nigel Melville**  
Chairman

25th May 2011

# Glossary of Terms and Definitions

## **'Unit' return to shareholders**

Total return to the 'Unit' holder, on a mid-market price to mid-market price basis, assuming that all dividends received by shareholders were reinvested, without transaction cost, in Units at the time the Ordinary shares were quoted ex-dividend.

A Unit comprises 5 Ordinary shares and 1 Subscription share.

## **Return on net assets**

Return on the net asset value ('NAV') per Ordinary share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested in the Ordinary shares of the Company at the NAV per Ordinary share at the time the shares were quoted ex dividend.

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV when calculating the return on net assets.

## **Benchmark total return**

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested in the shares of the underlying companies at time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

## **Return to Ordinary shareholders**

Total return to the Ordinary shareholder on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested, without transaction costs, in the Ordinary shares of the Company at the time the shares were quoted ex-dividend.

## **Diluted net asset value per Ordinary share**

The diluted NAV per Ordinary share, assuming that all outstanding Subscription shares were converted into Ordinary shares at the period end.

## **Ordinary share price discount to net asset value ('NAV') per Ordinary share**

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium.

## **(Loss)/return per Ordinary share**

The (loss)/return per Ordinary share represents the (loss)/return on ordinary activities after taxation divided by the weighted average number of Ordinary shares in issue during the period.

## **Active Position**

The active position shows the difference between the Company's holding of an individual stock, sector or country compared with that stock, sector or country's weighting in the Company's benchmark index. A positive number indicates an active decision by the Manager to own more of (i.e. be overweight) a particular stock, sector or country versus the benchmark and a negative number indicates a decision to hold less of (i.e. be underweight) a particular stock, sector or country versus the benchmark.

## **Hong Kong H-Shares**

Companies incorporated in mainland China and listed in Hong Kong and other foreign stock exchanges.

## **Hong Kong Red Chip Shares**

Companies incorporated outside mainland China and listed in Hong Kong, but with controlling shareholders (at least 30% ownership) from mainland Chinese entities.

## **China Others**

Companies incorporated in Mainland China and listed in Hong Kong and included in the Hang Seng Composite Index.

## **China A-Shares (indirect)**

China A-Shares are companies incorporated in mainland China and traded on the mainland A-Share markets. The prices of A-Shares are quoted in renminbi, and currently only mainlanders and selected foreign institutional investors are allowed to trade A-Shares.

The Company does not invest directly in China A-Shares but instead gains access to the A-Share market by investing into China A-Share access products.

## **China B-Shares**

Companies incorporated in mainland China and traded on the mainland B-Share markets. The prices of B-Shares are quoted in US dollars and are available to both mainlanders and foreign investors.

# Notes

# Information about the Company

## Financial Calendar

Financial year end	30th September
Final results announced	November
Half year end	31st March
Half year results announced	May
Interim Management Statements announced	January/July
Dividend on ordinary shares paid (if any)	December
Subscription shares exercise dates	15th May 2011/2012/2013
Annual General Meeting	December

### History

JPMorgan Chinese Investment Trust plc was launched in October 1993, as The Fleming Chinese Investment Trust plc, by a public offer of shares which raised £60 million before expenses. The Company changed its name to JPMorgan Fleming Chinese Investment Trust in December 2001 and adopted its present name on 14th December 2005.

### Directors

Nigel Melville (Chairman)  
Sir Andrew Burns KCMG  
William Knight  
Irving Koo OBE  
Kathryn Matthews  
Madam Yujiang Zhao

### Company Numbers

Company registration number: 02853893

### Ordinary Shares

London Stock Exchange Sedol number: 0343501  
ISIN: GBOO03435012  
Bloomberg ticker: JMC LN

### Subscription Shares

London Stock Exchange Sedol number: B2PNJ66  
ISIN: GBOOB2PNJ662  
Bloomberg ticker: JMCS

### Market Information

The Company's Ordinary and Subscription shares are listed on the London Stock Exchange. The market price of the Ordinary shares is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and The Independent. The market price of the Subscription shares is listed in the Financial Times. The share price of both the Ordinary and Subscription shares are on the J.P. Morgan internet site at [www.jpchinse.co.uk](http://www.jpchinse.co.uk) where the prices are updated every fifteen minutes during trading hours.

### Website

[www.jpchinse.co.uk](http://www.jpchinse.co.uk)

### Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at [www.jpchinsewealthmanagerplus.co.uk](http://www.jpchinsewealthmanagerplus.co.uk)

### Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

### Company's Registered Office

Finsbury Dials  
20 Finsbury Street  
London EC2Y 9AQ  
Telephone number: 0207 742 6000

For company secretarial and administrative matters, please contact Christopher Cordrey.

### Registrars

Equiniti  
Reference 1078  
Aspect House  
Spencer Road  
West Sussex BN99 6DA  
Telephone number: 0871 384 2317

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1078.

Registered shareholders can obtain further details on their holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk)

### Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London SE1 2RT

### Brokers

Winterflood Securities  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA

### Savings Product Administrators

For queries on the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP, see contact details on the back cover of this report.

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A member of the AIC

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