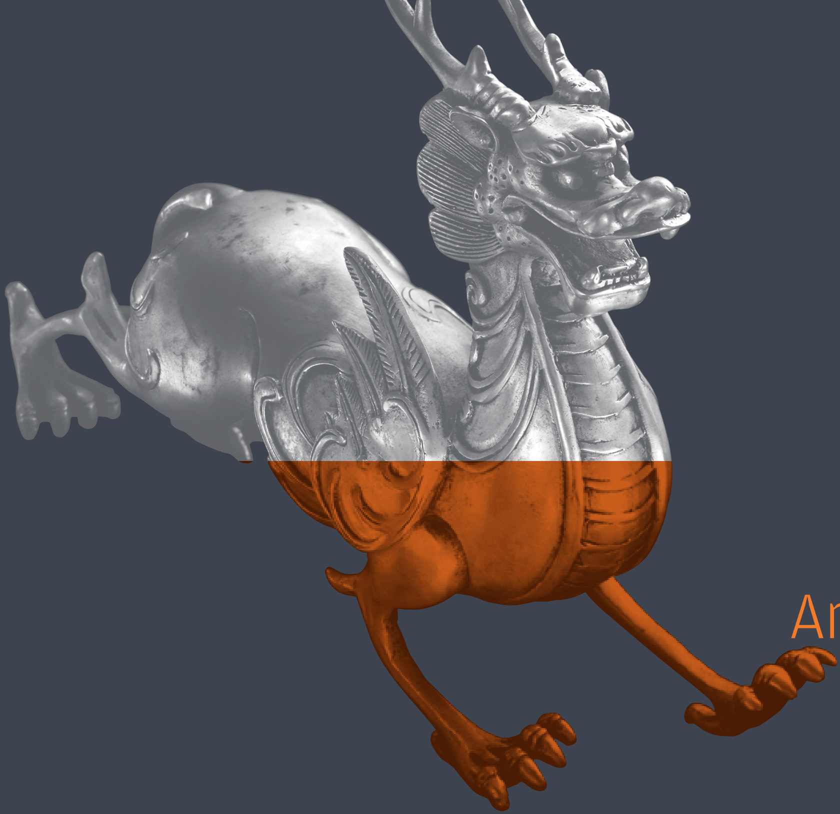


Annual Report 2014

JPMorgan Chinese Investment Trust plc

Annual Report & Accounts for the year ended 30th September 2014

J.P.Morgan Asset Management

Features

Contents

Objective

To provide long term capital growth by investment in 'Greater China' companies.

Investment Policies

- To invest in companies which are quoted on the stock exchanges of Hong Kong, China and Taiwan or which 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).

Further details on investment policies and risk management are given in the Strategic Report on page 19

Benchmark

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

Risk

Investors should note that there can be significant economic and political risks inherent in investing in emerging economies. As such, the Greater China 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 30th September 2014, the Company's issued share capital comprised 77,914,965 Ordinary shares of 25p each, including 2,383,539 shares held in Treasury.

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 2018 and every fifth year thereafter.

Management Company

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

Association of Investment Companies

The Company is a member of the Association of Investment Companies ('AIC').

Website

The Company's website, which can be found at www.jpmchinese.co.uk, includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ('FCA') in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Financial Results

Total returns (includes dividends reinvested)

+12.0%
Return to Ordinary shareholders[1]
(2013: 16.5%)

+7.8%
Return on net assets[2]
(2013: +17.8%)

+6.8%
Benchmark total return[3]
(2013: +10.7%)

1.6p
Dividend
(2013: 1.6p)

Cumulative Performance

for periods ended 30th September 2014

	Return to Ordinary shareholders[1]	Return on net assets[2]	Benchmark Total Return[3]
1 Year	+12.0%	+7.8%	+6.8%
3 Years	+40.8%	+44.7%	+35.7%
5 Years	+26.5%	+38.4%	+31.7%
10 Years	+229.5%	+236.8%	+171.0%

A glossary of terms and definitions is provided on pages 66 and 67.

[1]Source: Morningstar.

[2]Source: J.P. Morgan.

[3]Source: MSCI. The Company's benchmark is the MSCI Golden Dragon Index with net dividends reinvested, in sterling terms.

Strategic Report

Chairman's Statement

Performance

In the year to 30th September 2014, the Company achieved a return to Ordinary shareholders, which includes the final dividend of 1.6 pence paid in February 2014, of 12.0%. The Company's total return on net assets, which comprises the change in net asset value ('NAV') with the dividends received reinvested, amounted to 7.8%, outperforming the return of the Company's benchmark, the MSCI Golden Dragon Index, of 6.8% over the same period.

China Outlook

Your Company has continued to outperform its benchmark despite the 'new normal in China', which is how President Xi Jinping interpreted the slow-down in China's growth last May as the economy moves from investment to consumption and productivity for its main engines for growth. Maintaining a balance between continued economic growth and the need to rein in excessive local government debts and shadow banking activities while at the same time having to mediate between conflicting regional and sectoral interests will remain a challenge for policy makers. Nonetheless, that China is entering a new phase of its modernisation and development is becoming increasingly clear.

Widespread restructuring at regional government levels with sustained focus on anti-corruption measures, new policies to address issues related to unequal income distribution, plans to restructure state-owned enterprises ('SOEs') for improved operating efficiency, and environmental protection are current priorities. There is recognition that the excessive building development so prevalent in cities across China has to slow. Instead, attention will be diverted to life-quality matters like welfare, health and education as well as supporting services such as insurance. There is opportunity for venture capital to develop new businesses ranging from telephony to robotic engineering to life sciences, from entertainment to alternative energy, and from waste management to warehousing and logistics.

Nowhere are the signs of the generational change sweeping China clearer than in the e-commerce sector. Here your Company's portfolio includes Tencent and Alibaba, two leading e-commerce operators increasingly known world-wide. For investment managers, the opportunity to invest in innovative growth companies despite the macro economic slow-down will be enormous. Good corporate governance will remain a challenge, but as more Chinese companies aim to become world-class, this can be expected to become less of a problem over time. The recently established Shanghai-Hong Kong Stock Connect should give the Shanghai 'A' shares market a liquidity boost while encouraging more eligible local companies to seek a listing with international investors in mind. Your Company already invests in China 'A' shares through the JP Morgan managed 'A' share funds. Further opportunity to invest in this potentially high growth market are being kept under close review.

Taiwan Outlook

Approximately 25% of your Company's portfolio is invested in Taiwanese companies quoted on the Taipei stock exchange. Your investment managers have frequently been able to identify excellent growth stocks in this market based on their investment management strength on the ground. Taiwan has consistently produced companies at the forefront of technology with strong links both to Silicon Valley and the large market in mainland China. Despite the political turmoil earlier in the year which was triggered by an initiative to deepen economic cooperation with the mainland, cross-strait commercial relations in general remain buoyant. Tourist arrival from the mainland is already a major source of income for local companies, and good investment opportunities continue to be available. As an off-shore centre for Renminbi, Taiwan is second only to Hong Kong in volume in Asia.

Hong Kong Outlook

The Shanghai-Hong Kong Stock Connect is expected to increase liquidity on the Hong Kong Stock Exchange. Despite the international publicity surrounding the 'Occupy Central' movement, it does not appear to have had any profound effect on either the Hong Kong property market or share prices. However, the longer term consequences could be more worrisome if these protests are not peacefully resolved within a short time.

Revenue and Dividends

The revenue for the year, after taxation, was £1,281,000 (2013: £1,241,000). The revenue return per share, calculated on the average number of shares in issue, was 1.70 pence (2013: 1.63 pence).

The Board is recommending a dividend of 1.60 pence (2013: 1.60 pence) per share in respect of the financial year ended 30th September 2014 given the Company's return on its Revenue Account. Subject to shareholders' approval at the Annual General Meeting, this dividend will be paid on 3rd February 2015 to shareholders on the register at the close of business on 12th December 2014.

As previously stated, shareholders should note that the Company's objective remains that of long term capital growth and dividends will vary from year to year accordingly.

Gearing

In January 2014 the Company renewed its £20 million facility with Scotiabank for a further 364 day period on the same terms and pricing. The facility matures on 22nd January 2015 at which point the Board will consider another gearing facility.

During the year the Company's gearing ranged from 6% to 11% geared and, at the time of writing, was 6%. The current facility allows the Investment Managers the flexibility to manage the gearing tactically within a range set by the Board of 10% net cash to 15% geared.

Share Issues and Repurchases

The Directors have authority to issue new Ordinary shares for cash and to repurchase shares in the market for cancellation or to hold in Treasury. The Company will re-issue shares held in Treasury only at a premium to NAV.

Strategic Report continued

Chairman's Statement continued

During the year, the Company did not repurchase or issue any new Ordinary shares. However, the Board believes that its policy of share issuance and repurchases has helped to reduce discount volatility in the past and therefore recommends that the authorities be kept in place. Accordingly, it is seeking approval from shareholders to renew the share issue and repurchase authorities at the forthcoming Annual General Meeting.

Review of services provided by the Manager

During the year the Board carried out a thorough review of the investment management, secretarial and marketing services provided to the Company by the Manager. Following this review, the Board has concluded that the continued appointment of the Manager on the terms agreed is in the interests of the shareholders as a whole.

The fees payable to the Manager comprise a fixed basic annual management fee of 1% of total assets per annum and a performance related fee of 15% of any outperformance of the NAV total return over the benchmark. The amount of the latter fee actually payable to the Manager is capped at 1% of the net asset value in any one year, with any excess being carried forward and either paid out (subject to the 1% cap) or absorbed by any underperformance in subsequent years.

The Company outperformed its benchmark in the financial year ended 30th September 2014 which gave rise to a positive performance fee of £254,000 earned by the Manager.

The Company's Ongoing Charges for the financial year, as a percentage of the average of the daily net assets during the year, were 1.40% before accounting for the performance fee payable and 1.78% after doing so.

Board of Directors

In July 2014, the Board through its Nomination and Remuneration Committee carried out the annual evaluation of the Directors, the Chairman, the Board itself and its committees. The evaluation was comprehensive and covered a range of topics including size and composition of the Board, Board information and processes, shareholder engagement and training and accountability, as well as the effectiveness of the Audit Committee, the Nomination and Remuneration Committee, the Chairman and the Directors. The report confirmed the efficacy of the Board.

As part of the evaluation process, the Board has considered succession planning and has agreed a planned phased exit for the longest-serving Directors, ahead of the Company's next continuation vote in 2018. Irving Koo will retire from the Board at the conclusion of the 2015 AGM. He joined the Board in 2005. On behalf of the Board, I would like to thank Irving for his valuable contribution to the Company over the years. Ahead of Irving's retirement, your Board appointed Oscar Wong as a non-executive Director on 1st August 2014. Also based in Hong Kong, Oscar brings his senior level corporate experience and his in-depth knowledge of China to the

Board. In addition, we will commence the search for a new Director and will seek to make an appointment later in 2015.

Alternative Investment Fund Managers Directive ('AIFMD' or the 'Directive')

With effect from 1st July 2014, in accordance with the AIFMD, the Company appointed JPMorgan Funds Limited ('JPMF') as its Alternative Investment Fund Manager under a new investment management agreement. Portfolio management is delegated by JPMF to JPMorgan Asset Management (UK) Limited, thus retaining previous portfolio management arrangements. The management fee and notice period arrangements of the contract remain unchanged. In addition, as required under the AIFMD, the Company appointed BNY Mellon Trust & Depositary (UK) Limited to act as the Company's Depositary. JPMorgan Chase Bank, NA remains the Company's Custodian, but as a delegate of the Depositary.

JPMorgan Funds Limited was also appointed as Company Secretary to the Company on 1st July 2014.

Annual General Meeting

This year's Annual General Meeting will be held at 60 Victoria Embankment, London EC4Y 0JP on Monday, 26th January 2015 at 11.30 a.m. In addition to the formal proceedings, there will be a presentation by a representative of the investment management team, who will also be available to respond to questions on the Company's portfolio and investment strategy. I look forward to seeing as many of you as possible at the meeting. If you have any detailed questions, you may wish to raise these in advance with the Company Secretary or via the Company's website by following the 'Ask the Chairman' link at www.jpmchinese.co.uk. Shareholders who are unable to attend the Annual General Meeting in person are encouraged to use their proxy votes. Shareholders who hold their shares through CREST are able to lodge their proxy votes electronically.

William Knight
Chairman — 4th December 2014

Strategic Report continued

Investment Managers' Report

Howard Wang

Emerson Yip

Shumin Huang

William Tong

Over the 12 months ended 30th September 2014, the Company achieved a return of +7.8% (in GBP terms) against a benchmark return of +6.8%. Over the year, stock selection in China and in Taiwan contributed positively while stock selection in Hong Kong was a marginal detractor. However, in terms of country allocation, our overweight in China (A-shares and others) detracted from performance given that China lagged the other markets in the region. Our average 8% gearing level helped performance over the year given the market rise.

Over the reporting period, the Company's portfolio was helped by stock selection in China. Our holdings in internet stocks were amongst the top contributors to performance as the stocks were boosted by optimism over their scalable business models and strong earnings growth. This included names such as Tencent, JD.Com and YY Inc which all performed strongly over the year. In addition, our overweight in property stocks such as Sunac China helped performance given expectations over monetary loosening later in the year. Our basket of healthcare names such as Luye Pharma and iKang Healthcare also helped performance as the stocks were deemed beneficiaries of structural reform in China. Our technology holdings in Taiwan such as Largan and Advanced Semiconductor were also contributors to performance as they rose over the period under review due to strong order books as Apple placed component orders ahead of the i-Phone 6 launch.

On the negative side, we were hurt by our allocation to the JPMorgan China New Generation Fund, which invests in A-shares. We felt that valuations of the market were attractive and had a position in the Fund in order to gain exposure to mid-cap consumer names in the domestic A-share market. Unfortunately, the market fell throughout the period under review and only started moving upwards towards the end of the review period. We were also hurt by an underweight in Hong Kong Exchanges and Clearing. We felt the stock was richly priced given its growth prospects but the stock received a boost around the middle of the year due to an announcement of the Shanghai-Hong Kong Stock Connect programme, which would in theory allow 2-way trading between the two markets. Our overweight in China Cinda Asset Management was another detractor as the stock fell due to concerns over the property value of its collateral.

China Review

Chinese equities started off the period under review (fourth quarter of the Calendar Year 2013) on a strong note. Overseas investors were positively surprised by the bold reform blueprint outlined in the Chinese Communist Party's Third Plenum. Despite concern about the potential negative impact from rising interbank interest rates as banks deleverage, reform beneficiaries, such as insurance and environmental protection, led the rally, while potential targets of reform, such as oil majors and telcoms, lagged. The reform proposals exceeded market expectations in both depth and scope, including key areas such as breaking up the state-owned enterprise ('SOE') monopoly and rural land reform, potentially changing its growth model from fixed asset investment ('FAI')-led to productivity-led.

However, Chinese equities fell in the first quarter of 2014, with the relevant index down by 5.8%. The gradual decline in interbank rates from their fourth-quarter high did not alleviate market concerns over slowing growth, cases of trust/bond defaults and lack of evidence for solid structural reforms. On the macro front, growth was negatively affected by a crackdown on the country's shadow banking system. New total social financing in the first two months was down 3% year on year ('YoY'), but off-balance sheet credit was down 19% YoY, affecting property developers and Local Government Funding Vehicles ('LGFVs') who rely heavily on shadow banking for their financing needs.

The second half of the year under review witnessed a rebound, with Chinese equities rising in the CY2Q14 by 3.4%. Markets were volatile, with initial weakness in April due to weak macro data, followed by a recovery, helped by a series of mini stimulus policy measures. Economic-sensitive sectors such as banks, brokerage and autos outperformed, while defensives such as staples and healthcare lagged. After the price correction in March/April, internet stocks rebounded due to strong earnings.

China Outlook

We expect the macroeconomic environment to recover from August's extreme low base, due to the continued fall in interest rates, as well as the People's Bank of China's liquidity injection. The government is likely to continue its mini stimulus policy, avoiding a hard landing and providing enough cushion to carry out further structural reforms. Property, the key factor for the weak macroeconomic environment, should also see improvements from lower interest rates as well as the removal of Household Purchase Restrictions in most cities. We do not expect major stimulus policy on the cyclical side as the government puts more emphasis on reform.

On the structural reform front, we have seen good progress, such the 'hukou' (residents' registration) reform which potentially may enable 200 million migrant workers to settle in urban areas, the start of farm land reform to address income inequality and boost consumption, pilot programmes for local asset management companies to address high local government leverage, and pilot state-owned enterprise reforms. We expect 2015-16 will be a critical period to see the implementation of reforms already announced, as well as the launch of further and more complex reforms, such as those related to income distribution.

The market's valuation at 8.9x forward one-year price to earnings, with earnings growth in the high single-digits, is undemanding (vs. mid-cycle 12x). We believe the market could remain volatile as investors weigh up the impact of the reform-induced slowdown and the resulting better quality of growth.

Hong Kong Review

Hong Kong equities started off the period under review strongly, largely driven by strength in the Macau gaming sector. Property developers continued their recent strategy of launching new projects at attractive prices, sometimes on a par with neighbouring secondary units, in order to generate interest. However, despite this successful selling strategy, property stocks fell due to concern over tapering demand and fear of further pricing pressures. Macau gaming stocks were the top performers, as sector growth continued to surprise on the upside.

Hong Kong equities retreated in the beginning of CY2014 due to concerns over slowing economic growth in China. Macau gaming share prices sold off despite strong operating performance. The Chief Executive's policy address was largely a non-event,

Strategic Report continued

Investment Managers' Report continued

Performance attribution for the year ended 30th September 2014

	%	%
Contributions to total returns		
Benchmark return		6.8
Asset allocation	-1.7	
Stock selection	4.4	
Currency effect	0.1	
Gearing/cash	0.1	
Investment Manager contribution		2.9
Portfolio return		9.7
Management fee/ other expenses	-1.5	
Performance fee	-0.4	
Total fees and other expenses		-1.9
Return on net assets		7.8
Return to Ordinary shareholders		12.0

Source: Xamin, JPMAM and Morningstar. All figures are on a total return basis.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.

A glossary of terms and definitions is provided on pages 66 and 67.

while the budget speech reaffirmed a strong fiscal position with only modest scaling back of one-time fiscal stimulus. A comment from the Chief Executive regarding the cancellation of a land sale programme for local residential buyers only triggered speculation of a roll-back of tightening measures. However, this turned out to be a false hope as the government has not altered its stance on its property policy.

Hong Kong equities rebounded in the second half of the period under review due to a confluence of positive factors, including economic stabilisation in China, the announcement of the mutual market access agreement with the Shanghai stock exchange, and a surprising drop in long-term US Treasury yields. However, in late September, market sentiments suffered a major hit as pro-democracy student protests rolled into an earlier-than-expected start to the 'Occupy Central' movement. The ill-timed use of tear gas by the police then galvanised the pro-democracy segment of the population resulting in more participants joining the demonstrations. Initially the retail sector was the hardest hit as the street protests led to store closures and serious traffic disruption.

Hong Kong Outlook

While there has been moderation in the confrontations between the protesters and police, there remains the risk of a negative turn, especially since there are no obvious paths to resolving the differences between what Beijing authorities have prescribed and what the protesters are demanding regarding electoral reform.

Should the protests wind down in an expeditious and orderly manner, we believe the economic impact would be limited. However, the longer-term consequences could be more worrisome if these protests are not contained. For example, group tour suspension from mainland China could significantly impact retail sales in Hong Kong, given group tours constituted almost 10% of Hong Kong's tourist arrivals in 2013. While the property market has proved resilient in the first wave of the 'Occupy Central' movement, it remains vulnerable to the prospect of rising interest rates in the US.

The fundamentals of the Macau gaming industry remain intact, particularly the mass gaming segment. However, the short-term headwinds have become stronger due to the slowdown of the Chinese economy as well as the government's anti-corruption policy stance. Another negative factor is the full smoking ban in casinos, starting in early October. Political turbulence and the prospect of rising rates would suggest caution for Hong Kong equities. The upcoming Shanghai-Hong Kong Stock Connect programme could provide a short-term boost to select stocks. We target high quality stocks that benefit from high barriers to entry in their market segment, as well as those that stand to benefit from the economic stabilisation and reform progress in China.

Taiwan Review

Taiwan performed well in the first half of the period under review. China and Taiwan held government-to-government talks for the first time since 1949. Taiwan's economic monitoring indicator hit a 32-month high of 25 for February. A surge of liquidity into Taiwan pushed the Taiwan index to its highest level since 2007, as enthusiasm grew over local technology companies and a recovering economy boosted corporate earnings. Several global electronics brands such as Apple will unveil new models later this year, which will boost local suppliers' shipments. However, the index sold off all through September, with low trading volumes on weak sentiment and net foreign institutional selling.

Taiwan Outlook

Growth in export orders continued to be boosted by the new i-Phones, where demand remains very strong. The momentum of electronics from the launch of new Apple products will continue through the remaining months of 2014. However, expectations for the iPhone6 are already very high. With a lack of other near-term catalysts and along with muted turnover, the Taiex may continue to trade in a tight range. The Taiwanese government is planning to introduce new measures to boost the stock market, which may improve trading volume.

In the near term, there should be some volatility in share prices, with companies reporting September sales and third-quarter results in the coming weeks. Share prices should react well to positive earnings and a positive outlook given the recent correction. However, international fund flows could be a drag if the outflows continue into October, though government-related funds are reported to be bargain hunting.

Overall, fundamentals remain strong and valuations are still modest. We remain overweight in technology, industrial and consumption, and underweight in telecommunications and petrochemicals. We have also raised our weighting in financials to a slight overweight.

Greater China Outlook

Locally, China's property policy has inflected towards selective easing measures, which historically has been a strong positive indicator for the domestic economy. The Shanghai-Hong Kong Stock Connect is an important event given its implications for China's financial liberalisation. Despite the collapse in the price of oil, there has been no broad-based upgrade to exporter earnings to reflect the implicit tax cut for global consumers. The confluence of these factors keep us optimistic on Greater China and we expect markets to be supported into the year-end. Valuations are generally undemanding, and we believe the Chinese government's determination to maintain stable growth will pave the way for further structural reforms over the medium to long-term which should support a relatively healthy outlook.

Howard Wang
Emerson Yip
Shumin Huang
William Tong

Investment Managers 4th December 2014

Strategic Report continued

Summary of Results

	2014	2013	
Total returns for the year ended 30th September			
Return to Ordinary shareholders[1]	**+12.0%**	+16.5%	
Return on net assets[2]	**+7.8%**	+17.8%	
Benchmark[3]	**+6.8%**	+10.7%	
Net asset value, share price and discount at 30th September			% change
Shareholders' funds (£'000)	**137,802**	128,918	+6.9
Net asset value per share	**182.4p**	170.7p	+6.9
Ordinary share price	**163.5p**	147.5p	+10.8
Ordinary share price discount to net asset value per share	**10.4%**	13.6%	
Ordinary shares in issue	**75,531,426**	75,531,426	
Revenue for the year ended 30th September			
Gross revenue attributable to Ordinary shareholders (£'000)	**3,585**	3,620	-1.0
Net revenue attributable to Ordinary shareholders (£'000)	**1,281**	1,241	+3.2
Revenue return per Ordinary share	**1.70p**	1.63p	+4.3
Dividend per Ordinary share	**1.60p**	1.60p	–
Gearing at 30th September[4]	**8.8%**	11.1%	
Ongoing charges[5]	**1.40%**	1.46%	

A glossary of terms and definitions is provided on pages 66 and 67.

[1]Source: Morningstar.

[2]Source: J.P. Morgan.

[3]Source: MSCI. The benchmark is the MSCI Golden Dragon Index total return with net dividends reinvested, in sterling terms.

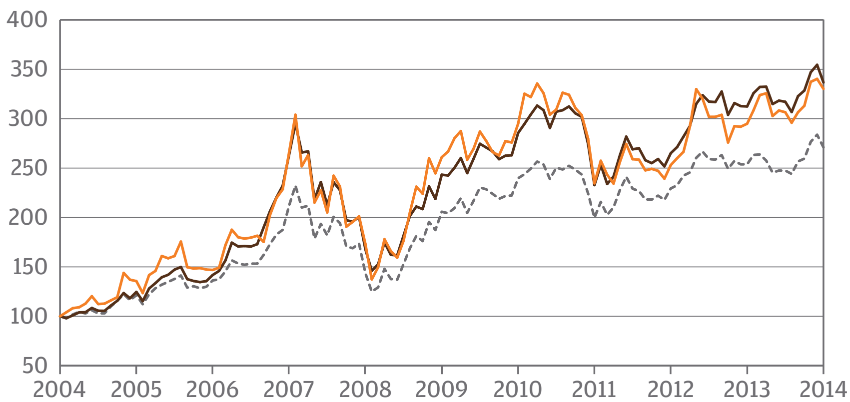
[4]Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

[5]Management fee and all other operating expenses, excluding finance costs and performance fee payable, expressed as a percentage of the average of the daily net assets during the year. The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012. The Ongoing Charges including any performance fee payable are 1.78% (2013: 2.42%).

Performance

Ten Year Performance

Figures have been rebased to 100 at 30th September 2004



Source: Morningstar/MSCI.

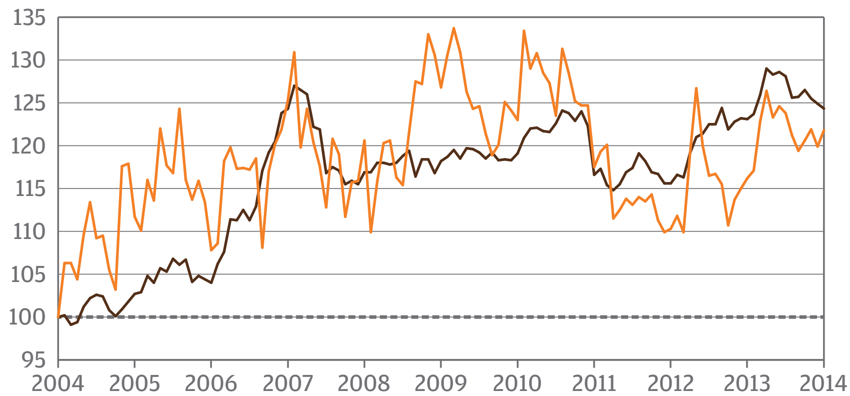
JPMorgan Chinese – Ordinary share price total return.

JPMorgan Chinese – net asset value total return.

Benchmark.

Performance Relative to Benchmark

Figures have been rebased to 100 at 30th September 2004



Source: Morningstar.

JPMorgan Chinese – Ordinary share price total return.

JPMorgan Chinese – net asset value total return.

Benchmark (represented by the horizontal line).

Strategic Report continued

Ten Year Financial Record

At 30th September	2004	2005[1]	2006	2007	2008	2009	2010	2011	2012	2013	2014
Shareholders' funds (£'m)	39.0	50.2	60.5	107.0	67.4	100.4	123.8	101.1	112.2	128.9	**137.8**
Net asset value per Ordinary share (p)	59.0	73.3	81.8	149.9	95.4	138.2	160.1	129.8	146.4	170.7	**182.4**
Ordinary share price (p)	54.8	73.0	78.0	139.8	90.8	136.0	152.0	119.9	128.0	147.5	**163.5**
Discount of Ordinary shares to net asset value per share (%)	7.1	0.4	4.6	6.7	4.8	1.6	5.1	7.6	12.6	13.6	**10.4**
Subscription share price (p)[2]	–	–	–	–	7.5	21.8	18.0	7.3	3.0	–	**–**
Gearing/(net cash) (%)	(6.4)	(1.8)	2.7	6.6	(0.4)	3.8	5.7	3.3	9.9	11.1	**8.8**
Year ended 30th September											
Net revenue attributable to shareholders (£'000)	664	641	535	386	364	1,094	1,181	1,073	1,313	1,241	**1,281**
Revenue per share (p)	1.03	0.96	0.74	0.52	0.51	1.53	1.55	1.38	1.69	1.63	**1.70**
Dividend per Ordinary share (p)	1.00	0.90	0.70	0.50	0.50	1.50	1.50	1.30	1.60	1.60	**1.60**
Ongoing Charges (%) (excluding performance fee)[3]	1.80	1.60	1.55	1.34	1.59	1.50	1.41	1.40	1.41	1.46	**1.40**
Ongoing Charges (%) (including performance fee payable)[4]	1.80	2.07	1.66	2.39	2.74	2.59	2.46	1.51	1.41	2.42	**1.78**
Rebased to 100 at 30th September 2004											
Ordinary share price total return[5]	100.0	135.6	146.9	265.6	173.1	261.0	294.8	234.6	252.5	294.1	**329.5**
Net asset value total return[5]	100.0	124.7	141.8	263.3	167.8	243.3	285.5	232.8	265.1	312.4	**336.8**
Benchmark[6]	100.0	121.4	136.3	211.9	143.5	205.8	239.7	199.7	229.4	253.8	**271.0**

A glossary of terms and definitions is provided on pages 66 and 67.

[1]Figures have been restated to reflect changes in the accounting policy regarding dividends payable. Such dividends are now included in the accounts in the year in which they are approved by shareholders.

[2]On 29th May 2013, the Subscription share rights lapsed.

[3]Management fee and all other operating expenses, excluding finance costs and any performance fee payable, expressed as a percentage of the average of the daily net assets during the year (2009 to 2011: the average of the month end net assets; 2008 and prior years: the average of the opening and closing net assets).

[4]Management fee, all other operating expenses and any performance fee payable, but excluding finance costs, expressed as a percentage of the average of the daily net assets during the year (2009 to 2011: the average of the month end net assets; 2008 and prior years: the average of the opening and closing net assets).

[5]Source: Morningstar.

[6]Source: MSCI. The benchmark is the MSCI Golden Dragon Index total return with net dividends reinvested, in sterling terms.

Ten Largest Investments
at 30th September

Company	Country of Listing/ Classification*	2014 Valuation £'000	2014 %[1]	2013 Valuation £'000	2013 %[1]
Taiwan Semiconductor Manufacturing Taiwan Semiconductor Manufacturing manufactures and markets integrated circuits. The company also provides the following services: wafer manufacturing, wafer probing, assembly and testing, mask production and design services. The company's integrated circuits are used in computers, communications, consumer electronics, automotive and industrial equipment industries.	Taiwan	**9,973**	**7.2**	9,077	7.0
Tencent Tencent provides internet, mobile, and telecommunication value-added services in China. The company has an instant messaging community in China. Tencent also provides online advertising services.	China HK listed	**9,193**	**6.7**	8,068	6.3
AIA AIA provides insurance and financial services. The company writes life insurance for individuals and business, accident and health insurance, retirement planning, and wealth management services.	Hong Kong	**6,630**	**4.8**	6,451	5.0
China Construction Bank China Construction Bank provides a complete range of banking services and other financial services to individual and corporate customers. The bank's services include retail banking, international settlement, project finance and credit card services.	China HK listed	**6,550**	**4.8**	7,419	5.7
Agricultural Bank of China[2] Agricultural Bank of China provides a full range of commercial banking services. The bank's services includes renmibi and foreign currency deposit, loan, international and domestic settlement, bill discount, currency trading, bank guarantee, and treasury bill underwriting.	China HK listed	**4,401**	**3.2**	2,129	1.6
Cheung Kong[2] Cheung Kong, through its subsidiaries, develops and invests in real estate. The company also provides real estate agency and management services, operates hotels, and invests in securities.	Hong Kong	**3,852**	**2.8**	3,051	2.4
China Telecom[2] China Telecom, through its subsidiaries, provides wireline telephone, data, and internet, as well as leased line services in China.	China HK listed	**3,753**	**2.7**	1,220	0.9
Alibaba[3] Alibaba operates as a online commerce company. The company provides internet infrastructure, e-commerce, online financial, and internet content services through its subsidiaries. Alibaba offers its products and services worldwide.	China US listed	**3,358**	**2.4**	–	–
Fubon Financial[2] Fubon Financial, is a financial holding company, which has built a strong line up of financial service companies. Its major subsidiaries include Fubon Bank (China, Hong Kong and Taipei), Fubon Insurance and Securities.	Taiwan	**3,168**	**2.3**	1,751	1.4
CNOOC CNOOC explores, develops, produces and sells crude oil and natural gas.	China HK listed	**3,071**	**2.2**	4,865	3.8
Total[4]		**53,949**	**39.1**		

*A glossary of terms and definitions is provided on pages 66 and 67.

[1]Based on total assets less current liabilities of £137.8m (2013: £129.2m).

[2]Not held in the ten largest investments at 30th September 2013.

[3]Not held in the portfolio at 30th September 2013.

[4]At 30th September 2013, the value of the ten largest investments amounted to £54.9m representing 42.5% of total assets less current liabilities.

Strategic Report continued

Portfolio Analyses

Geographical

	30th September 2014 Portfolio[2] %	30th September 2014 Benchmark %	30th September 2013 Portfolio[2] %	30th September 2013 Benchmark %
China HK listed	**48.6**	**47.0**	50.8	47.0
China US listed	**10.2**	**–**	0.1	–
China A-shares (Indirect)	**2.0**	**–**	7.4	–
China B-shares	**1.1**	**0.2**	2.2	0.3
China Total	**61.9**	**47.2**	60.5	47.3
Taiwan[1]	**29.1**	**29.4**	26.0	28.1
Hong Kong	**18.7**	**23.4**	25.2	24.6
Net current liabilities	**(9.7)**	**–**	(11.7)	–
Total	**100.0**	**100.0**	100.0	100.0

[1]Includes investments in a Convertible Bond and JPMorgan Taiwan Best Selection Fund.

[2]Based on total assets less current liabilities of £137.8m (2013: £129.2m).

Sector

	30th September 2014 Portfolio[1] %	30th September 2014 Benchmark %	30th September 2013 Portfolio[1] %	30th September 2013 Benchmark %
Financials (including property)	**35.9**	**36.7**	39.8	38.2
Information Technology	**27.5**	**23.1**	24.6	19.5
Consumer Discretionary	**10.4**	**7.0**	15.5	7.7
Industrials[2]	**8.9**	**6.1**	5.7	6.4
Health Care	**5.6**	**1.1**	0.2	0.6
Energy	**5.2**	**6.7**	6.8	7.2
Telecommunication Services	**4.4**	**7.2**	3.4	7.2
Utilities	**4.2**	**4.7**	3.3	4.5
Consumer Staples	**3.4**	**3.1**	5.0	3.7
Investment Funds[3]	**2.2**	**–**	4.8	–
Materials	**2.0**	**4.3**	2.6	5.0
Net current liabilities	**(9.7)**	**–**	(11.7)	–
Total	**100.0**	**100.0**	100.0	100.0

[1]Based on total assets less current liabilities of £137.8m (2013: £129.2m).

[2]Includes a Convertible Bond.

[3]Includes JPMorgan Taiwan Best Selection Fund (2013: includes JPMorgan China Pioneer A-Share Fund and JPMorgan China New Generation Fund).

Investment Activity
during the year ended 30th September

	Value at 30th September 2013 £'000	% of portfolio	Purchases £'000	Sales £'000	Changes in value £'000	Value at 30th September 2014 £'000	% of portfolio
China HK listed[1]	65,549	45.5	48,855	(54,976)	7,515	**66,943**	**44.3**
China US listed	175	0.1	18,442	(7,781)	3,202	**14,038**	**9.3**
China A-shares (Indirect)[2]	9,566	6.6	8,767	(14,054)	(1,558)	**2,721**	**1.8**
China B-shares	2,889	2.0	1,441	(352)	(2,492)	**1,486**	**1.0**
China Total	78,179	54.2	77,505	(77,163)	6,667	**85,188**	**56.4**
Taiwan[3]	33,583	23.3	31,402	(29,408)	4,562	**40,139**	**26.5**
Hong Kong	32,518	22.5	10,898	(15,641)	(1,918)	**25,857**	**17.1**
Liquidity Fund	–	–	8,422	(8,336)	(86)	**–**	**–**
Total Portfolio	144,280	100.0	128,227	(130,548)	9,225	**151,184**	**100.0**

[1]Historically consisted of Hong Kong Red Chip, Hong Kong P Chip and Hong Kong H-Shares.

[2]Includes investments in participatory notes.

[3]Includes investments in a Convertible Bond and JPMorgan Taiwan Best Selection Fund.

Strategic Report continued

List of Investments

at 30th September 2014

Company	Valuation £'000
China HK listed	
Tencent	9,193
China Construction Bank	6,550
Agricultural Bank of China	4,401
China Telecom	3,753
CNOOC	3,071
China Minsheng Banking	3,069
China Petroleum & Chemical	2,767
China Pacific Insurance	2,605
Ping An Insurance	2,438
AAC Technologies	2,301
China Unicom (Hong Kong)	2,274
China Vanke	2,239
China Everbright International	2,019
Beijing Enterprises Water	1,636
Tingyi	1,608
Want Want China	1,544
Sunac China	1,429
Sino Biopharmaceutical	1,374
China Oilfield Services	1,319
CSPC Pharmaceutical	1,291
Huadian Power International	1,288
GCL-Poly Energy	1,287
Phoenix Healthcare	1,275
China Cinda Asset Management	1,136
China Resources Gas	1,131
China Longyuan Power	1,116
Haitong Securities	1,105
China Eastern Airlines	954
Sinopec Yizheng Chemical Fibre	770
	66,943

Company	Valuation £'000
China A-Shares (Indirect)	
Goertek[2]	1,226
Daqin[2]	776
Zhengzhou[2]	719
	2,721
China B-Shares	
Chongqing Changan Automobile	1,486
	1,486
China US listed	
Alibaba	3,358
China Conch Venture	1,640
Luye Pharma	1,632
Ikang Healthcare	1,347
Car	1,198
YY	1,034
Tianhe Chemicals	912
JD.com	794
Goodbaby International	788
E-House China	750
Vipshop	585
	14,038
Total China	**85,188**

Company	Valuation £'000
Taiwan	
Taiwan Semiconductor Manufacturing	9,973
Fubon Financial	3,168
JPMorgan Taiwan Best Selection Fund[1]	3,009
MediaTek[2]	2,919
Delta Electronics	2,854
Advanced Semiconductor Engineering	2,671
Largan Precision	2,431
E Sun Financial	2,017
President Chain Store	1,534
Asustek Computer	1,374
Chailease	1,313
China Steel Chemical	1,123
Merida Industry	1,092
Ruentex Development	1,031
Powertech Technology	941
Intai Technology[3]	922
St Shine Optical	894
Chipbond Technology	873
Total Taiwan	**40,139**

Company	Valuation £'000
Hong Kong	
AIA	6,630
Cheung Kong	3,852
Hutchison Whampoa	2,887
BOC Hong Kong	2,746
Galaxy Entertainment	2,109
MGM China	1,737
Orient Overseas International	1,602
Hong Kong Land	1,420
Hong Kong Exchanges & Clearing	1,156
Lifestyle International	1,124
CGN Meiya Power	594
Total Hong Kong	**25,857**
Total Portfolio	**151,184**

[1]Represents holdings in open-ended investment funds.
[2]Includes investments in participatory notes.
[3]Represents holdings in a Convertible Bond.

Portfolio holdings include investments in equities and participatory notes.

A glossary of terms and definitions is provided on pages 66 and 67.

Strategic Report continued

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the structure and objective of the Company, its investment policies and risk management, investment limits and restrictions, performance and key performance indicators, share capital, principal risks and how the Company seeks to manage those risks, the Company's environmental, social and ethical policy and finally its future developments.

Business Review

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 plc in December 2001 and adopted its present name on 14th December 2005.

Business of the Company

JPMorgan Chinese Investment Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. In seeking to achieve its objectives, the Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') which, in turn, delegates portfolio management to JPMorgan Asset Management (UK) Limited to actively manage the Company's assets. The Board has determined investment policies and related guidelines and limits. These objectives, investment policies and related guidelines and limits are detailed below.

Objective and Strategy of the Company

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.

The Greater China region remains a structural growth story as the Chinese economy continues to drive growth throughout the region. The Company seeks to generate long term capital growth by investing in the wide range of opportunities that this economic growth presents the investment managers.

J.P. Morgan Asset Management ('JPMAM') has a long established presence in Greater China and the Asia Pacific region. JPMAM began managing their first Asia Pacific equity portfolio mandate in 1971 and have been managing money in Greater China since the 1990's. The Greater China Team is differentiated by its size and the experience and diversity of the backgrounds of the key investment managers, with their nationalities ranging from mainland China to Hong Kong, Taiwan and Singapore. The team has on average six years' experience within the firm, and 14 years' experience within the industry. Apart from the research conducted by the portfolio managers in Hong Kong, the research team based in Shanghai, trading in China A-Shares, are part of JPMAM's China joint venture, CIFM, and form part of the Greater China Team. They support the portfolio managers of the Greater China Team in Hong Kong in the management of China equities and have been working with them now for almost nine years. The Greater China Team also interacts on a daily basis with other members of the broader Pacific Regional Group of which it is part, and in addition, has frequent interaction with members of Emerging Markets and Global Teams based in London.

The investment managers place particular emphasis on tailoring their investment process to China equities and focus on fundamental research rather than generic financial analysis. Company visits form the cornerstone of the proprietary research process which allows the managers to take controlled, considered positions designed to enhance performance. Stock selection provides the greatest added value to the funds. Underpinning stock selection is the rigorous research conducted by the Greater China Team. The team conducts an average of 50-100 company visits and meetings per fund manager per year and as a result, portfolio judgments are made using extensive qualitative judgment in addition to financial analysis.

Structure of the Company

The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the UKLA Listing, Prospectus, Disclosure and Transparency Rules, taxation law, the Company's own Articles of Association and the Alternative Investment Fund Managers Directive. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010) for the year ended 30th September 2013. The Directors are of the opinion that the Company has conducted its affairs for the year ended 30th September 2014 so as to be able to continue to obtain approval as investment trust under Section 1158 of the Corporation Tax Act 2010 for that year. Approval in previous years is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 to 5, and in the Investment Managers' Report on pages 6 to 9.

Investment Policies and Risk Management

In order to achieve the investment objective, the Company's business model is to invest in a diversified portfolio and to employ a Manager with a strong focus on research and company visits that enables it to identify what it believes to be the most attractive stocks in the region.

Investment risks are managed by diversifying investment over a number of 'Greater China' companies. The number of investments in the Company will normally range between 40 and 90. The Company seeks to manage its risk relative to its benchmark index by limiting the active portfolio exposure to the various countries, sectors and stocks covered by the benchmark index and, in some cases, to specific stocks. The maximum permitted active exposure to each of the countries is 25% above or below the benchmark index weighting.

Liquidity and borrowings are managed with the aim of increasing returns to shareholders.

The Company does not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts), nor does it invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

Investment Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions:

- At the time of purchase, the maximum permitted exposure to each individual company is 10.0% of the Company's total assets, and 12.5% for China Mobile and JPMorgan China Pioneer 'A' Share Fund.
- As a result of market growth, the maximum permitted exposure to each individual company is 12.5% of the Company's total assets, with the exception of China Mobile and JPMorgan China Pioneer 'A' Share Fund which is 15.0%.
- The maximum permitted exposure to group or related companies is 15% of the Company's total assets.
- The maximum permitted exposure to mid-cap stocks (a stock with a market capitalisation of below US$500 million) is 45% (including market movement) without Board permission.
- No more than 20% of the portfolio's value may be held in or exposed to China A-Shares.
- The Company may use derivative instruments for the purpose of efficient portfolio management up to a value of 10%. The Company does not have a policy of hedging or otherwise seeking to mitigate foreign exchange risk but reserves the right to do so from time to time as part of the Company's efficient portfolio management.
- The Company does not normally invest in unquoted investments and no more than 10% of the Company's total assets can be invested in unquoted investments.
- The Company's actual gearing is not to exceed 15% without Board permission.

These limits and restrictions may be varied by the Board at any time at its discretion.

Monitoring of Compliance

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

Performance

In the year to 30th September 2014, the Company produced a total return to Ordinary shareholders of 12.0% and a total return on net assets of 7.8%. This compares with the return on the Company's benchmark index of 6.8%. As at 30th September 2014, the value of the Company's investment portfolio was £151.2 million. The Investment Managers' Report on pages 6 to 9 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

The gross total return for the year amounted to £12,651,000 (2013: £23,382,000) and the net total return after deducting the management fee, other administrative expenses, finance costs and taxation, amounted to £10,093,000 (2013: £19,536,000).

The Directors recommend a final dividend of 1.6 pence (2013: 1.6 pence) per share payable on 3rd February 2015 to holders on the register at the close of business on 12th December 2014. This distribution will amount to £1,209,000 (2013: £1,209,000). No other dividends were paid in respect of the year. The revenue reserve after transfer of the dividend will amount to £690,000 (2013: £618,000).

Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

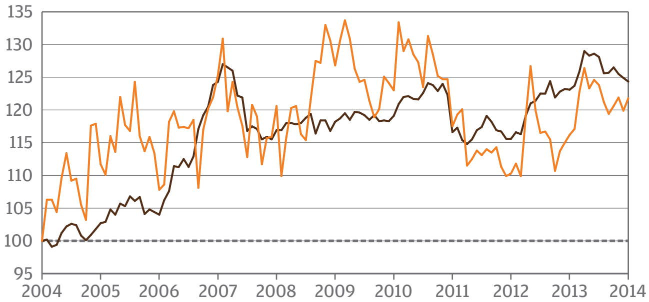
- **Performance against the benchmark**
  This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Managers' Report.

Strategic Report continued

Business Review continued

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 30th September 2004



Source: Morningstar.

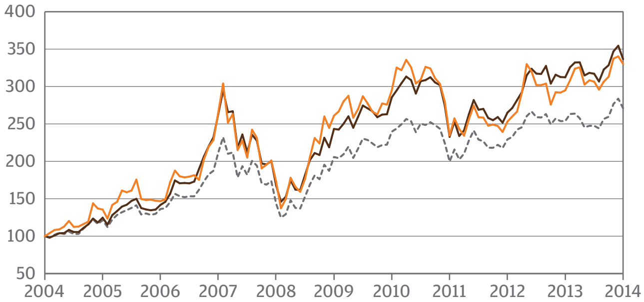
JPMorgan Chinese – Ordinary share price.

JPMorgan Chinese – net asset value.

Benchmark (represented by the horizontal line).

Ten Year Performance

Figures have been rebased to 100 at 30th September 2004



Source: Morningstar/MSCI.

JPMorgan Chinese – Ordinary share price.

JPMorgan Chinese – net asset value.

Benchmark.

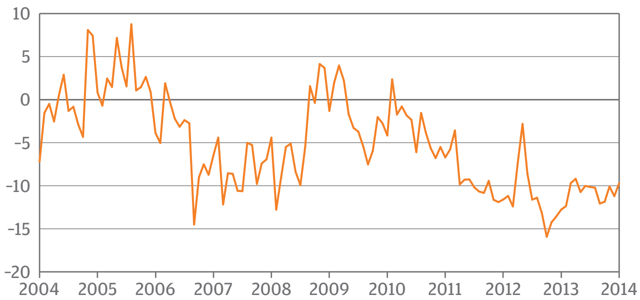
- **Performance against the Company's peers**
  The Company's principal objective is to achieve capital growth and outperformance relative to its benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

- **Performance attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 30th September 2014 are given in the Investment Managers' Report on page 8.

- **Share price (discount)/premium to net asset value ('NAV') per share**
  The Board operates a share issuance and share repurchase programme which seeks to address imbalances in the supply of and demand for the Company's shares within the market and thereby reduce the volatility and absolute level of the discount/premium to NAV per share at which the Company's Ordinary shares trade. In the year to 30th September 2014, the Company's Ordinary shares traded between a discount of 9.2% and 12.4%.

  The Board also has the ability to purchase Ordinary shares into Treasury and to re-issue them at a later date at a premium to NAV per share. Further details of the Company's share capital can be found below in this Strategic Report.

Discount Performance



Source: Datastream (month end data).

JPMorgan Chinese – discount.

- **Ongoing Charges**
  The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs and performance fee payable, expressed as a percentage of the average of the daily net assets during the year. The ongoing charges for the year ended 30th September 2014 were 1.40% (2013: 1.46%). The Board reviews each year an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers. The ongoing charges including the performance fee payable for 2014 were 1.78% (2013: 2.42%).

Share Capital

The Directors have, on behalf of the Company, the authority to issue new Ordinary shares for cash and to repurchase shares in the market for cancellation. In addition, the Directors have authority to repurchase shares into Treasury. The Directors will re-issue shares held in Treasury only at a premium to net asset value per share.

During the year the Company did not repurchase any ordinary shares into Treasury (2013: 1,158,201) and the Company did not repurchase any Ordinary shares for cancellation. In addition, no new Ordinary shares were issued. No shares have been repurchased into Treasury or for cancellation since the year end.

Resolutions to renew the authorities to issue new shares and to repurchase shares for cancellation or to be held in Treasury will be put to shareholders for approval at the Annual General Meeting.

The full text of these Resolutions is set out in the Notice of Meeting on pages 63 and 64.

Principal Risks

Investors should note that there can be significant economic and political risks inherent in investing in emerging economies. As such, the Greater China 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.

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

- Investment Underperformance: An inappropriate investment decision may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, transaction reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the investment manager, who attends all Board meetings, and review data which show statistical measures of the Company's risk profile. The investment managers employ the Company's gearing within a strategic range set by the Board. The Board holds an annual strategy meeting in addition to at least four Board meetings.
- Loss of Investment Team: A sudden departure of several members of the investment management team could result in a deterioration in investment performance. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team-based approach, as well as special efforts to retain key personnel.
- Discount: A disproportionate widening of the discount relative to the Company's peers could result in a loss of value for Shareholders. In order to manage the Company's discount, which can be volatile, the Company operates a share repurchase programme and the Board regularly discusses discount policy and has set parameters for the Manager and the Company's broker to follow.
- Market: Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager.
- Political, Economic and Governance: Changes in financial, regulatory or tax legislation, including in the European Union, may adversely affect the Company. The Manager makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate. In addition, the Company is subject to administrative risks, such as the imposition of restrictions on the free movement of capital. These risks are discussed by the Board on a regular basis.
- Change of Corporate Control of the Manager: The Board holds regular meetings with senior representatives of JPMF in order to obtain assurance that the Manager continues to demonstrate a high degree of commitment to its investment trusts business through the provision
- Accounting, Legal and Regulatory: In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under "Structure of the Company" on page 18. Were the Company to breach Section 1158, it may lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by the Manager and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure and Transparency Rules ('DTRs'). A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being

Strategic Report continued

Business Review continued

suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, the Manager, and its professional advisers to ensure compliance with the Companies Act 2006, the UKLA Listing Rules and DTRs.

- Corporate Governance and Shareholder Relations: Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance statement on pages 28 to 33.
- Operational: Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included with the Risk Management and Internal Control section of the Corporate Governance report on pages 31 and 32.
- Going concern: Pursuant to the Sharman Report, Boards are now advised to consider going concern as a potential risk, whether or not there is an apparent issue arising in relation thereto. Going concern is considered rigorously on an ongoing basis and the Board's statement on going concern is detailed on page 26.
- Financial: The financial risks faced by the Company include market risk, liquidity risk and credit risk. Further details are disclosed in note 22 on pages 56 to 61.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board.

At 30th September 2014, there were five male Directors and one female Director on the Board. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company.

The Company's policy on gender is detailed under the Nomination and Remuneration Committee section on page 29.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees.

The Board notes the policy statements of JPMAM in respect of Social, Community, Environmental and Human Rights issues, as highlighted in italics.

Social, Environmental and Human Rights

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request.

Greenhouse Gas Emissions

The Company is managed by JPMF, with portfolio management delegated to JPMAM. It has no employees and all of its Directors are non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. *JPMAM is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.*

Future Developments

The future development of the Company is dependent upon the success of the Company's investment strategy in the light of economic and equity market developments and the continued support of shareholders. The Chairman and Investment Managers discuss the outlook in their reports on pages 2 to 9.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited
Secretary

4th December 2014

Governance

Board of Directors

William Knight (Chairman of the Board and Nomination and Remuneration Committee)

A Director since April 2004.

Last reappointed to the Board: 2013.

Remuneration: £27,000.

Co-founder and partner of Emerisque Brands, a private equity management buy-in company where he chairs two Chinese joint venture operations the company has entered into (MCS Apprel HK Ltd and Henry Cottons' Greater China Ltd). He is also chairman of China Chaintek United Ltd, a Chinese domestic logistics company listed on AIM and Myanmar Investments International Ltd, a similarly listed AIM company, and Chairman of Homestrings Ltd. His board directorships include Fidelity Asian Values Plc, Guardian Ceylon Investment Trust and Smith Tan Asia Phoenix Fund. He has been involved with the greater China region for over 40 years initially at Lazard Brothers and later in various capacities for the Lloyds bank group with responsibility for its merchant banking activities throughout Asia based out of Hong Kong, and later as Managing Director of Lloyds Bank Fund Management. He first visited China in 1978.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 4,400 Ordinary shares.

John Misselbrook (Chairman of the Audit Committee)

A Director since July 2012.

Last reappointed to the Board: 2013.

Remuneration: £23,500.

Formerly Chief Operating Officer and on the board of Baring Asset Management Ltd and its predecessor from 2001 to 2011, the board of Baring Asset Management Japan Ltd from 2006 to 2011 and the boards of Baring Fund Managers Ltd and Baring International Fund Managers (Ireland) Ltd from 2009 to 2011. He had also held senior positions in finance and operations, including Director and Chief Financial Officer at LGT Asset Management Asia, Operations Director at Invesco Asia and Managing Director of Investment Administration at the WM Company Limited, part of the Deutsche Bak Group. He is Chairman of Aviva Investors Holdings Ltd, and a Non- Executive Director of Brown Shipley & Co Ltd, Northern Trust Global Services Ltd and Aerion Investments Ltd.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 4,000 Ordinary shares.

Sir Andrew Burns, KCMG (Senior Independent Director)

A Director since December 2003.

Last reappointed to the Board: 2013.

Remuneration: £20,000.

British Consul-General to Hong Kong and Macau from 1997 to 2000. A career British diplomat since 1965, he had extensive experience of Asia, including the Indian sub-continent and South-East Asia as well as Greater China, and was Assistant Under Secretary of State (Asia), FCO from 1990 to 1992 and Deputy Under Secretary of State (non-Europe, trade and investment) from 1995 to 1997. He was British Ambassador to Israel from 1992 to 1995 and British High Commissioner to Canada from 2000 to 2003. He is currently UK Envoy for Post-Holocaust Issues and a Director of Aberdeen Japan Investment Trust plc. He will take up the Chairmanship of the Bar Standards Board in January 2015.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 4,946 Ordinary shares

Governance continued

Board of Directors continued

Irving Koo, OBE

A Director since February 2005.

Last reappointed to the Board: 2013.

Remuneration: £20,000.

Formerly a Director of Jardine Pacific Limited and more recently Group Marketing and Corporate Relations Director of CLP Holdings Ltd. He was also Chairman of the British Chamber of Commerce in Hong Kong from 1998 to 2000. Other experience included a broad range of senior level public service appointments. He is currently an Executive Committee member of the Hong Kong Management Association.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: Nil.

Kathryn Matthews

A Director since July 2010.

Last reappointed to the Board: 2013.

Remuneration: £20,000.

Formerly Chief Investment Officer, Asia Pacific (ex Japan), for Fidelity International. Prior to that, she held senior appointments with William M Mercer, AXA Investment Managers, Santander Global Advisers and Baring Asset Management. She is a Non-Executive Director of a number of Boards including Rathbone Brothers Public Limited Company, Royal London Group, and Aperam and Chairman of Montanaro UK Smaller Companies Investment Trust plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 3,000 Ordinary shares.

Oscar Wong

A Director August 2014.

Remuneration: £20,000.

Currently a non-executive Director of two Growth Enterprise Market listed companies in Hong Kong, and is serving as an independent non-executive Director of Hong Kong Exchanges and Clearing Limited and Ping An Insurance Group. In addition, he is Chairman and NED of China Bio-Med Regeneration Technology Limited and NED of Credit China Holdings. Prior to this he held senior appointments at LGT Asset Management, Deputy Chief Executive of INVESCO Asia Limited, Regional Managing Director at Prudential Portfolio Managers Asia, and Chief Executive of BOCI-Prudential Asset Management Limited and ICBC (Asia) Investment Management Company Limited.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: Nil.

All Directors are members of the Audit and Nomination and Remuneration Committees and are considered independent of the Manager.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 30th September 2014.

A number of disclosures previously incorporated in the Directors' Report are now included in the Strategic Report. These include: *Business of the Company; Objective and Strategy of the Company; Structure of the Company; Investment Policies and Risk Management; Investment Restrictions and Guidelines; Performance; Total Return. Revenue and Dividends; KPIs; Share Capital; Principal Risks; Employee, Social, Community and Human Rights Issues and Future Developments.*

Management of the Company

The Manager and Company Secretary to the Company, JPMorgan Funds Limited, is employed under a contract which can be terminated on one year's notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

The Manager is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

Portfolio management is delegated to JPMorgan Asset Management (UK) Limited ('JPMAM'). The current Management Agreement was entered into with effect from 1st July 2014 following the implementation of a number of changes required by the Alternative Investment Fund Managers Directive, as detailed in the Chairman's Statement on page 5.

The Board conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. The Board has evaluated the performance of the Manager this year and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board has considered the investment strategy and process of the Manager, noting performance against the portfolios' respective benchmarks and peers over the long term and the quality of the support that the Company receives from the Manager, including the marketing support provided.

No separate Management Engagement Committee has been established because all Directors are considered to be independent of the Manager and, given the nature of the Company's business, it is felt that all Directors should take part in the review process.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF, an affiliate of JPMAM, has been appointed as the Company's alternative investment fund manager ('AIFM'). JPMF has been approved as an AIFM by the Financial Conduct Authority ('FCA'). For the purposes of the AIFMD the Company is an alternative investment fund ('AIF').

The Company entered into a new investment management agreement with JPMF on 1st July 2014. JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM. JPMF is required to ensure that a depositary is appointed to the Company. The Company therefore has appointed BNY Mellon Trust and Depositary (UK) Limited ('BNY') as its depositary. BNY has delegated its safekeeping function to the custodian, JPMorgan Chase Bank, N.A. However, BNY remains responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. Investor Disclosure Documents, which set out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information are available on the Company's website at www.jpmchinese.co.uk

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider. As an authorised AIFM, JPMF will make the requisite disclosures on remuneration levels and polices to the FCA at the appropriate time.

Management and Performance Fees

The basic annual management fee is fixed at 1% per annum of the Company's total assets less current liabilities, after adding back any loans. Investments in J.P. Morgan managed funds are excluded from the assets used for the purpose of this calculation. However, J.P. Morgan earns a management fee of 1.75% per annum from the JPMorgan China New Generation Fund, JPMorgan China Pioneer A-Share Fund and JPMorgan Taiwan Best Selection Fund.

In addition to the basic annual management fee, there is a performance related fee calculated at 15% of outperformance of the Company's net asset value total return over the benchmark. The maximum total fee payable in any one year in respect of the fixed management fee and any performance fee is capped at 2% of the Company's average total assets less current liabilities. In effect, this caps the

Directors' Report continued

potential performance fee paid in any one year to 1%. Any performance fee earned in any one year in excess of the 1% cap will be carried forward until paid in full or absorbed by any underperformance in a subsequent year. The performance fee is calculated annually on 30th September, based on average total assets less current liabilities, and paid within three months of that date. An estimate is accrued monthly and reflected in the Company's published net asset value per share.

The Company outperformed its benchmark in the year ended 30th September 2014 and this gave rise to a positive performance fee of £254,000. This amount, when added onto the positive outperformance from the previous year of £255,000, resulting in a cumulative performance fee of £509,000, which is payable at the end of current year.

The Board is currently reviewing the fees paid to the Manager.

Going Concern

The Directors believe that, having considered the Company's investment objective (see page 18), risk management policies (see page 19), capital management policies and procedures (see note 23 on pages 61 and 62), the nature of the portfolio and expenditure projections, 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 that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Directors

The Directors who held office during the year under review and the Directors of the Company who held office at the end of the year are detailed on pages 23 and 24.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 36. No changes have been reported to the Directors' shareholdings since the year end.

In accordance with corporate governance best practice, William Knight, John Misselbrook, Andrew Burns and Kathryn Matthews will retire at the forthcoming Annual General Meeting ('AGM') and, being eligible, will offer themselves for reappointment by shareholders. The Nomination and Remuneration Committee, having considered their qualifications, performance and contribution to the Board and its Committees, confirms that each Director continues to be effective and demonstrates commitment to the role, and the Board recommends to shareholders that those standing for reappointment be reappointed.

Irving Koo will retire from the Board at the conclusion of the 2015 AGM.

Oscar Wong, following his recent appointment as non executive Director of the Company, will offer himself for appointment at the forthcoming AGM.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Disclosure of information to Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

(a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditors are unaware, and

(b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 418(2) of the Companies Act 2006.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as Auditors and a resolution proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be put to shareholders at the Annual General Meeting.

Section 992 Companies Act 2006

The following disclosures are made in accordance with Section 992 Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 65.

Notifiable Interests in the Company's Voting Rights

At the year end, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
Investec	2,168,040	2.87

No changes to these holdings had been notified as at the date of this report.

The Company is also aware that as at 30th September 2014, approximately 29.9% of the Company's total voting rights are held by individuals through the savings products managed by JPMAM and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances, JPMAM has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant General Meeting.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or repurchase the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its directors concerning compensation for loss of office.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial advisor authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting ('AGM'):

(i) Authority to allot new Ordinary shares and to disapply statutory pre-emption rights (resolutions 11 and 12)

The Directors will seek renewal of the authority at the AGM to issue up to 7,791,496 new Ordinary shares for cash up to an aggregate nominal amount of £1,947,874 such amount being equivalent to 10% of the present issued Ordinary share capital as at the last practicable date before the publication of this document. This authority will expire at the conclusion of the Company's AGM in 2016 unless renewed at a prior general meeting.

It is advantageous for the Company to be able to issue new shares (or to re-issue Treasury shares) to participants purchasing shares through the J.P. Morgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the net asset value (the 'NAV'), they increase the NAV per share and spread the Company's administrative expenses, other than the management fee (and any performance fee) which is charged on the value of the Company's assets, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

The full text of the resolutions is set out in the Notice of Annual General Meeting on page 63.

(ii) Authority to repurchase the Company's shares (resolution 13)

The authority to repurchase up to 14.99% of the Company's issued Ordinary shares granted by shareholders at the 2014 AGM, will expire at the forthcoming AGM unless renewed at this meeting. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining Ordinary shares.

Resolution 13 gives the Company authority to repurchase its own issued Ordinary shares in the market as permitted by the

Governance continued

Directors' Report continued

Companies Act 2006 (the 'Act'). The authority limits the number of shares that could be purchased to a maximum of approximately 14.99% of the Company's issued Ordinary shares as at 3rd December 2014 (being the latest practicable date prior to the publication of this document). The authority also sets minimum and maximum prices and will expire on 25th July 2016 unless the authority is renewed at the Company's AGM in 2016 or any other prior general meeting.

If resolution 13 is passed at the AGM, the Board may repurchase the shares for cancellation or hold then in Treasury. The Company will only reissue shares held in Treasury at a premium to NAV.

The full text of the resolution is set out in the Notice of Annual General Meeting on pages 63 and 64. Repurchases of Ordinary shares will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares as and when market conditions are appropriate.

Recommendation

The Board considers that resolutions 11 to 13 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which amount in aggregate to 16,346 Ordinary shares representing approximately 0.02% of the voting rights of the Company.

Corporate Governance Statement

Compliance

The Company is committed to high standards of Corporate Governance. This statement, together with the Statement of Directors' Responsibilities on page 37, indicates how the Company has applied the principles of good governance of the Financial Reporting Council UK Corporate Governance Code (the 'UK Corporate Governance Code') and the Association of Investment Companies' ('AIC') Code of Corporate Governance, (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of Corporate Governance and considers that the Company has complied with the best practice provisions of the UK Corporate Governance Code and of the AIC Code, insofar as they are relevant to the Company's business, throughout the year under review.

Role of the Board

The management agreement between the Company and JPMF sets out the matters which have been delegated to the Manager. This includes management of the Company's assets and the provision of accounting, company secretarial, administration and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's Corporate Governance and risk control arrangements.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company which arose during the year.

The Board has procedures in place to deal with potential conflicts of interest and, following the introduction of the Bribery Act 2010, has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

The Board meets at least quarterly during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

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 that every Director has to the advice and services of the Company Secretary, JPMF, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board, chaired by William Knight, consists of six Non-Executive Directors, all of whom are regarded by the Board as independent of the Company's Manager.
The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on pages 23 and 24. Oscar Wong was appointed non-executive director of the Company by the Board on 1st August 2014 and will stand for appointment by

shareholders at the forthcoming AGM. Irving Koo will retire following the 2015 AGM.

There have been no changes to the Chairman's other significant commitments during the year under review.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Senior Independent Director, Sir Andrew Burns, leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be appointed by shareholders. Thereafter, a Director's appointment will run for a term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. A rigorous review was carried out prior to reappointment of all Directors who have served a period greater than six years. Although the Company's Articles of Association stipulate that Directors should retire and be eligible for reappointment every three years, the Board has adopted corporate governance best practice and hence all Directors must stand for annual reappointment.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting.

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. All Directors are members of the Committees.

The table below details the number of Board and Committee meetings attended by each Director. During the year there were four Board meetings, two Audit Committee meetings and one Nomination and Remuneration Committee meeting. The Board holds four full Board meetings each year and any additional ad hoc meetings as and when required to deal with various corporate initiatives, procedural matters and formal approvals.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination and Remuneration Committee Meetings Attended
Sir Andrew Burns	4	2	1
William Knight	4	2	1
Irving Koo	4	2	1
Kathryn Matthews	4	2	1
John Misselbrook	4	2	1
Oscar Wong[1]	–	–	–

[1]Appointed 1st August 2014.

Board Committees

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, chaired by William Knight, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender.

The Board's policy on diversity, including gender, is to take account of the benefits of these during the appointment process.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together. Questionnaires, drawn up by the Board, with the assistance of

Directors' Report continued

JPMF and a firm of independent consultants, are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chairman. The Senior Independent Director, Sir Andrew Burns, leads the evaluation of the Chairman's performance.

The Committee also reviews Directors' fees and makes recommendations to the Board as and when appropriate in relation to remuneration policy. This takes into account the level of fees paid to the directors of the Company's peers and within the investment trust industry generally to ensure that high quality people are attracted and retained.

Audit Committee

The Audit Committee, chaired by John Misselbrook, consists of all the Directors and meets at least twice each year.
The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee (as detailed on pages 23 and 24) and are satisfied that at least one member (John Misselbrook) of the Audit Committee has recent and relevant financial experience.

The Committee reviews the actions and judgements of the Manager in relation to the Half Year and Annual Report & Accounts and the Company's compliance with the UK Corporate Governance Code. At the request of the Board, the Audit Committee provides confirmation to the Board as to how it has discharged its responsibilities so that the Board ensures that information presented is fair, balanced and understandable, together with details of how it has done so.

During its review of the Company's financial statements for the year ended 30th September 2014, the Audit Committee considered the following significant issues, including those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Going concern	The Directors have considered the Company's investment objective. risk management policies. capital management policies and procedures. the nature of the portfolio and expenditure and cash flow projections. As a result, they have determined 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.
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1 to the accounts on page 46. Controls are in place to ensure that valuations are appropriate and existence is verified through custodian reconciliations.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on page 46. The Board regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st October 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

Having taken all available information into consideration and having discussed the content of the annual report and accounts with the Alternative Investment Fund Manager, investment managers, Company Secretary and other third party service providers, the Audit Committee has concluded that the Annual Report and Accounts for the year ended 30th September 2014, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 37.

The Audit Committee also reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and reviews the scope and results of the external audit, its effectiveness and cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external Auditors.
In the Directors' opinion the Auditors are considered independent. In order to safeguard the Auditors' objectivity and independence, any significant non-audit services are carried out through a partner other than the audit engagement partner. The Audit Committee also receives confirmations from the Auditors, as part of their reporting, in regard to their objectivity and independence. Representatives of the Company's Auditors attend the Audit Committee meeting at which the draft annual report and accounts are considered.

The Audit Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external auditors. PwC was appointed at the Company's launch in 1993. The audit engagement partner rotates every five years in accordance with ethical guidelines and 2014 is the fifth year for the current partner. Having reviewed the performance of the external auditors and assessed their effectiveness, including assessing the quality of work, timing of communications and work with JPMF, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Board reviews and approves the Auditors' fees and any non-audit services provided by the independent auditors and assesses the impact of any non-audit work on the ability of the auditor to remain independent. No such work was undertaken by the Auditors during the year under review. Details of the Auditors' fees are disclosed in note 5 on page 49.

The Directors' statement on the Company's system of Risk Management and Internal Control is set out on pages 31 and 32.

Terms of Reference

The Nomination and Remuneration Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available on the Company's website and for inspection, on request at the Company's registered office and at the Company's Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders quarterly each year by way of the Annual Report & Accounts, the Half Year Report and two Interim Management Statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's Ordinary shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is given by the investment managers who review the Company's performance.

The Company's brokers, the investment managers and JPMF hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 69.

The Company's Annual Report & Accounts are published in time to give shareholders at least 20 working days notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 69.

Details of the proxy voting position on each resolution will be published on the Company's website shortly after the Annual General Meeting.

Risk Management and Internal Control

The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by the Manager and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on pages 21 and 22). This process has been in place for the year under review and up to the date of the approval of the Annual Report & Accounts, and it accords with the Turnbull guidance. The Company does not have an internal audit function of its own, but relies on the Internal Audit department of JPMAM which reports any material failings or weaknesses. This arrangement is kept under review.

Directors' Report continued

The key elements designed to provide effective risk management and internal control are as follows:

Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

Management Agreement – Appointment of a manager, depositary and custodian regulated by the FCA whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by the Manager's Compliance department which regularly monitors compliance with FCA rules.

Investment Strategy – Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of risk management and internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- reviews the terms of the management agreement and receives regular reports from the Manager's Compliance department;
- reviews reports on the risk management and internal controls and the operations of its Depositary, BNY Mellon Trust & Depositary (UK) Limited, and its custodian, JPMorgan Chase Bank, which are themselves independently reviewed; and
- reviews every six months an independent report on the risk management and internal controls and the operations of the Manager.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 30th September 2014 and to the date of approval of this Annual Report & Accounts.

During the course of its review of the system of risk management and internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 22.

Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

Proxy Voting

JPMAM manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable, we will vote at all of the meetings called by companies in which we are invested.

Stewardship/Engagement

JPMAM recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- *publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;*
- *disclose their policy on managing conflicts of interest;*
- *monitor their investee companies;*
- *establish clear guidelines on how they escalate engagement;*
- *be willing to act collectively with other investors where appropriate;*

- *have a clear policy on proxy voting and disclose their voting record; and*
- *report to clients.*

JPMAM endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: www.jpmorganassetmanagement.co.uk/institutional/CommentaryAndAnalysis/CorporateGovernance, which also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Secretary

4th December 2014

Governance continued

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 30th September 2014, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in its report on pages 38 to 41.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination and Remuneration Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate.

Directors' Remuneration Policy

The Directors' Remuneration Policy Report is subject to a triennial binding vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. The policy subject to the vote, is set out in full below and is currently in force.

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than other Directors, reflecting the greater time commitment involved in fulfilling those roles.

The Nomination and Remuneration Committee, comprising all Directors, reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, and includes research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

During the year under review, Directors' fees were paid at a fixed rate of £27,000 per annum for the Chairman, £23,500 per annum for the Chairman of the Audit Committee and £20,000 per annum for each other Director. Fees will be increased from the date of the AGM in 2015 to £30,000 for the Chairman, £25,500 for the Audit Committee Chairman and £21,500 for each other Director.

The Company's Articles of Association stipulate that aggregate fees must not exceed £150,000 per annum. Any increase in this the maximum aggregate amount requires both Board and shareholder approval.

The Company has no Chief Executive Officer and no employees and therefore there was no consultation of employees, and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

The Company has not sought shareholder views on its remuneration policy. The Nomination and Remuneration Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and will take account of these views if appropriate.

The Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 29.

Director	Salary/ Fees	Other taxable benefits	Performance related benefit receivable in respect of one financial year	Performance related benefit in respect of periods of more than one year	Pensions related benefits
Chairman	Fee only	n/a	n/a	n/a	n/a
Audit Committee Chairman	Fee only	n/a	n/a	n/a	n/a
All other Directors	Fee only	n/a	n/a	n/a	n/a

The Company's Remuneration policy also applies to new Directors.

Directors' Remuneration Policy Implementation Report

The Directors' Remuneration Policy Implementation Report which includes details of the Directors' Remuneration Policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 30th September 2013 and no changes are proposed for the year ending 30th September 2015.

At the Annual General Meeting held on 27th January 2014, of votes cast in respect of the Remuneration Policy, 98.0% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration policy and 1.5% voted against. Abstentions were received from less than 0.5% of the votes cast. In respect of the Remuneration Report, 98.0% of votes were cast in favour and 1.6% against. Abstentions were received from less than 0.4%.

Details of voting on both the Remuneration Policy and Remuneration Policy Implementation Reports from the 2014 Annual General Meeting will be given in the annual report for the year ending 30th September 2015. Thereafter, the reporting will be annually for the advisory vote on the Remuneration Policy Implementation Report and triennially for the Remuneration Policy Report.

Details of the implementation of the Company's remuneration policy are given below. No advice from remuneration consultants was received during the year under review.

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 30th September 2014 was £114,168. The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

There are no performance targets in place for the Directors of the Company and there are no benefits for any of the Directors which will vest in the future. There are no benefits, pension, bonus, long term incentive plans, exit payments or arrangements in place on which to report.

Single total figure table[1]

	Total amount of[2] salary and fees		Total	
	2014	2013	2014	2013
William Knight	**27,000**	£27,000	**27,000**	£27,000
John Misselbrook[3]	**23,500**	£22,407	**23,500**	£22,407
Sir Andrew Burns	**20,000**	£20,000	**20,000**	£20,000
Irving Koo	**20,000**	£20,000	**20,000**	£20,000
Kathryn Matthews[4]	**20,335**	£21,093	**20,335**	£21,093
Oscar Wong[5]	**3,333**	–	**3,333**	–
Total	**114,168**	£110,500	**114,168**	£110,500

[1]Audited information.

[2]Other columns have been omitted as no payments of any other type were made.

[3]Chairman of the Audit Committee since 22nd January 2013.

[4]Chairman of Audit Committee until 22nd January 2013.

[5]Appointed 1st August 2014.

A table showing the total remuneration for the Chairman over the five years ended 30th September 2014 is below:

Remuneration for the Chairman over the five years ended 30th September 2014

Year ended 30th September	Fees	Performance related benefits received as a percentage of maximum payable[1]
2014	£27,000	n/a
2013	£27,000	n/a
2012[2]	£26,000	n/a
2011	£24,000	n/a
2010	£24,000	n/a

[1]In respect of one year period and periods of more than one year.

[2]Appointed Chairman during financial year.

Governance continued

Directors' Remuneration Report continued

Directors' Shareholdings[1]

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors' beneficial shareholdings, including any shares held by connected persons, are detailed below.

Directors' Name	2014 Number of shares held	2013 Number of shares held
William Knight	**4,400**	4,400
Sir Andrew Burns	**4,946**	4,946
Irving Koo	**–**	–
Kathryn Matthews	**3,000**	3,000
John Misselbrook	**4,000**	–
Oscar Wong[2]	**–**	–
Total	**16,346**	12,346

[1]Audited information.
[2]Appointed 1st August 2014.

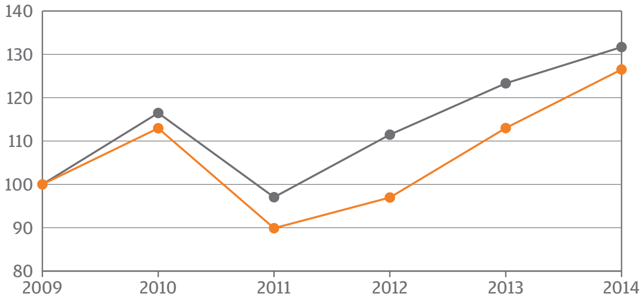
As at the latest practicable date before the publication of this document, there have been no changes to the Directors' shareholdings.

The Directors have no other share interests or share options in the Company and no share schemes are available.

No amounts (2013: nil) were paid to third parties for making available the services of Directors.

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, the MSCI Golden Dragon Index with dividends reinvested, in sterling terms, over the last five years is shown below. The Board believes this Index is the most representative comparator for the Company, as it includes China securities and non-domestic China securities listed in Hong Kong and Taiwan.

Five Year Share Price and Benchmark Total Return Performance to 30th September 2014



Source: Morningstar/Datastream.
Share price total return.
Benchmark.

A table showing actual expenditure by the Company on remuneration and distributions to shareholders for the year and the prior year is below:

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 30th September 2014	2013
Remuneration paid to all Directors	**114,168**	£110,500
Distribution to shareholders		
– by way of dividend	**1,209,000**	£1,209,000
– by way of share repurchases	**nil**	£1,691,000
Total distribution to shareholders	**1,209,000**	£2,900,000

For and on behalf of the Board
William Knight
Chairman

4th December 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, the annual report and accounts are fair, balanced and understandable, provide the information necessary for shareholders to assess the Company's performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

and the Directors confirm that they have done so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.jpmchinese.co.uk website, which is maintained by the Company's Manager. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, Strategic Report, Statement of Corporate Governance and Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed on pages 23 and 24, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law, give a true and fair view of the assets, liabilities, financial position and return or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Board confirms that it is satisfied that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the strategy and business model of the Company.

The Board also confirms that it is satisfied that the Strategic Report and Directors' Report include a fair review of the development and performance of the business, and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For and on behalf of the Board
William Knight,
Chairman

4th December 2014

Independent Auditors' Report

to the Members of JPMorgan Chinese Investment Trust plc

Report on the financial statements

In our opinion

In our opinion, JPMorgan Chinese Investment Trust plc's financial statements (the 'financial statements'):

- give a true and fair view of the state of the Company's affairs as at 30th September 2014 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

JPMorgan Chinese Investment Trust plc's financial statements comprise:

- the Balance Sheet as at 30th September 2014;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Reconciliation of Movements in Shareholders' Funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview

Overall materiality: £1.4 million which represents approximately 1% of net assets. The Company is a standalone Investment Trust Company and engages JPMorgan Funds Limited (the 'Manager') to manage its assets.

We conducted our audit of the financial statements at JPMorgan Chase & Co., Investor Services (the 'Administrator') to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.

We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below together with an explanation of how we tailored our audit to address these specific areas. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Revenue Recognition We focussed on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate revenue could have a material impact on the Company's net asset value.	We assessed the accounting policy for revenue recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy as set out in note 1c on page 46 of the financial statements. We understood and assessed the design and implementation of key controls surrounding revenue recognition. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by a sample of investment holdings in the portfolio. We tested the allocation and presentation of dividend income between the income and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the validity of income and capital special dividends to independent third party sources.

Area of focus	How our audit addressed the area of focus
Valuation and existence of investments The investment portfolio at the year-end of £151.2 million principally comprised of listed equity investments and holdings in bonds, funds and equity-linked securities. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.	We tested the valuation of the investment portfolio as follows : • for listed equity investments and for bonds, we agreed the prices used in the valuation to independent third party sources; • for holdings in funds we agreed the valuation to fund manager published prices and third party sources; • for equity-linked securities we agreed the underlying value of the listed equity investments to independent third party sources as these securities give the holder the right to purchase, and therefore to indirectly hold, the underlying asset on predefined terms. We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from JPMorgan Chase Bank N.A.
Performance fees The performance fee charge for the year is £254,000. We focussed on this area because the performance fee is calculated using a complex methodology as set out in the Investment Management Agreement between the company and the Manager.	We independently recalculated the performance fee of £254,000 using the methodology set out in the Investment Management Agreement and agreed the inputs to the calculation, including the benchmark data, to independent third party sources, where applicable. We tested the allocation of the performance fee between the income and capital return columns of the Income Statement with reference to the accounting policy as set out on page 46.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the Company, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the Company operates.

The Company's accounting is delegated to the Administrator who maintains their own accounting records and controls and report to the Manager and the Directors.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit of the Company. This assessment of the operating and accounting structure in place at both organisations involved obtaining and reading the relevant control reports issued by the independent auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. We then identified those key controls at the Administrator on which we could place reliance to provide audit evidence. We also assessed the gap period of six months between the period covered by the controls report and the year-end of the Company. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements, including whether we needed to perform additional testing in respect of those key controls to support our substantive work. For the purposes of our audit, we determined that additional testing of controls in place at the Administrator was not required because additional substantive testing was performed.

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Independent Auditors' Report continued

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1.4 million (2013: £1.2 million)
How we determined it	1% of net assets
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £70,000 (2013: £56,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 26, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or – is otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the Directors on page 37, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on page 30, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors,
London

4th December 2014

Financial Statements

Income Statement

for the year ended 30th September 2014

	Notes	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Gains on investments held at fair value through profit or loss	2	**–**	**9,138**	**9,138**	–	19,697	19,697
Net foreign currency (losses)/gains		**–**	**(72)**	**(72)**	–	65	65
Income from investments	3	**3,585**	**–**	**3,585**	3,620	–	3,620
Gross return		**3,585**	**9,066**	**12,651**	3,620	19,762	23,382
Management fee	4	**(1,417)**	**–**	**(1,417)**	(1,334)	–	(1,334)
Performance fee	4	**–**	**(254)**	**(254)**	–	(1,467)	(1,467)
Other administrative expenses	5	**(454)**	**–**	**(454)**	(516)	–	(516)
Net return on ordinary activities before finance costs and taxation		**1,714**	**8,812**	**10,526**	1,770	18,295	20,065
Finance costs	6	**(178)**	**–**	**(178)**	(223)	–	(223)
Net return on ordinary activities before taxation		**1,536**	**8,812**	**10,348**	1,547	18,295	19,842
Taxation	7	**(255)**	**–**	**(255)**	(306)	–	(306)
Net return on ordinary activities after taxation		**1,281**	**8,812**	**10,093**	1,241	18,295	19,536
Return per Ordinary share	9	**1.70p**	**11.66p**	**13.36p**	1.63p	23.99p	25.62p

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information. 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.

The notes on pages 46 to 62 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	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
At 30th September 2012	19,595	13,129	3	581	37,392	39,709	1,811	**112,220**
Issue of Ordinary shares on exercise of Subscription shares	12	66	–	–	–	–	–	**78**
Repurchase of Ordinary shares into Treasury	–	–	–	–	–	(1,691)	–	**(1,691)**
Cancellation of Subscription shares	(126)	126	–	–	–	–	–	**–**
Net return from ordinary activities	–	–	–	–	–	18,295	1,241	**19,536**
Dividends appropriated in the year	–	–	–	–	–	–	(1,225)	**(1,225)**
At 30th September 2013	19,481	13,321	3	581	37,392	56,313	1,827	**128,918**
Net return from ordinary activities	–	–	–	–	–	8,812	1,281	**10,093**
Dividends appropriated in the year	–	–	–	–	–	–	(1,209)	**(1,209)**
At 30th September 2014	19,481	13,321	3	581	37,392	65,125	1,899	**137,802**

The notes on pages 46 to 62 form an integral part of these accounts.

Financial Statements continued

Balance Sheet

at 30th September 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**151,184**	144,280
Current assets	11		
Debtors		**301**	1,086
Cash and short term deposits		**1,071**	2,603
		1,372	3,689
Creditors: amounts falling due within one year	12	**(14,754)**	(18,796)
Net current liabilities		**(13,382)**	(15,107)
Total assets less current liabilities		**137,802**	129,173
Provision for liabilities and charges			
Performance fee	13	**–**	(255)
Net assets		**137,802**	128,918
Capital and reserves			
Called up share capital	14	**19,481**	19,481
Share premium	15	**13,321**	13,321
Exercised warrant reserve	15	**3**	3
Capital redemption reserve	15	**581**	581
Other reserve	15	**37,392**	37,392
Capital reserves	15	**65,125**	56,313
Revenue reserve	15	**1,899**	1,827
Total equity shareholders' funds		**137,802**	128,918
Net asset value per Ordinary share	16	**182.4p**	170.7p

The accounts on pages 42 to 62 were approved and authorised for issue by the Directors on 4th December 2014 and were signed on their behalf by:

William Knight
Chairman

The notes on pages 46 to 62 form an integral part of these accounts.

Company registration number: 02853893.

Cash Flow Statement
for the year ended 30th September 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	17	**106**	1,100
Returns on investments and servicing of finance			
Interest paid		**(172)**	(219)
Net cash outflow from returns on investments and servicing of finance		**(172)**	(219)
Taxation			
Taxation recovered		**–**	67
Capital expenditure and financial investment			
Purchases of investments		**(128,064)**	(109,126)
Sales of investments		**131,362**	109,532
Other capital charges		**(72)**	(59)
Net cash inflow from capital expenditure and financial investment		**3,226**	347
Dividend paid		**(1,209)**	(1,225)
Net cash inflow before financing		**1,951**	70
Financing			
Net (repayment)/drawdown of short term loan		**(3,300)**	4,916
Repurchase of Ordinary shares into Treasury		**–**	(3,146)
Issue of Ordinary shares on exercise of Subscription shares		**–**	78
Net cash (outflow)/inflow from financing		**(3,300)**	1,848
Net (decrease)/increase in cash for the year	18	**(1,349)**	1,918

The notes on pages 46 to 62 form an integral part of these accounts.

Financial Statements continued

Notes to the Accounts
for the year ended 30th September 2014

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, 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' (the 'SORP') issued by the AIC in January 2009.

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

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments at fair value through profit or loss.

The policies applied in these accounts are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from the total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis in accordance with a documented investment strategy and information about the portfolio is provided internally on that basis to the Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to their acquisition, which are written off to capital at the time of acquisition. Subsequently the investments are valued at 'fair value', which are quoted bid prices for investments traded in active markets.

For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest available accounts.

Gains and losses on sales of investments including the related foreign exchange gains and losses of a capital nature, are dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end, are dealt with in capital reserves within 'Holding gains and losses on investments'.

All purchases and sales are accounted for on a trade date basis.

(c) Income

Dividends receivable from equity shares and investment funds are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

Overseas dividends are shown gross of any withholding tax.

Interest receivable is taken to revenue on an accruals basis.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the following exceptions:

- any performance fee is allocated 100% to capital;
- management fee is allocated 100% to revenue; and
- expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and include items such as stamp duty and brokerage commissions. Details of transaction costs are given in note 10 on page 51.

(e) Finance costs

Finance costs are accounted for on an accruals basis and in accordance with the provisions of FRS 25: 'Financial instruments: Presentation' and FRS 26: 'Financial instruments: Measurement'.

Finance costs are allocated wholly to revenue.

(f) Financial instruments

Cash and short term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(g) Foreign currency

In accordance with FRS 23: 'The effects of changes in Foreign Currency Exchange Rates' the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined the functional currency to be Sterling. Sterling is also the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising on monetary assets from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature. Gains and losses on investments arising from a change in exchange rates are included in the Income Statement within 'Gains or losses on investments held at fair value through profit or loss' and charged or credited to capital reserves.

(h) Taxation

Current tax is provided at the amounts expected to be paid or recovered.

Deferred taxation is accounted for in accordance with FRS 19: 'Deferred Tax'.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred taxation liabilities are recognised for all taxable timing differences but deferred taxation assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date and is measured on an undiscounted basis.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to capital.

(i) Dividends

In accordance with FRS 21: 'Events after the Balance Sheet Date', dividends payable are included in the accounts in the year in which they are approved by shareholders.

(j) Performance fee

Any performance fee falling due for payment immediately is included in 'Creditors: amounts falling due within one year'. Amounts which are carried forward for payment in future years but which are subject to reduction by any future underperformance are included in 'Provisions for liabilities and charges'.

(k) Value Added Tax (VAT)

Irrecoverable VAT is included in the expense on which it has been suffered. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

(l) Repurchases of ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to 'Capital reserves' and dealt with in the Reconciliation of Movement in Shareholders' Funds. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

Financial Statements continued

Notes to the Accounts continued

1. Accounting policies continued

(m) Repurchase of shares to hold in Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to capital reserves and dealt with in the Reconciliation of Movements in Shareholders' Funds. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of called up share capital and into capital redemption reserve.

Should shares held in Treasury be reissued, the sales proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

	2014 £'000	2013 £'000
2. Gains on investments held at fair value through profit or loss		
Gains on sales of investments held at fair value through profit or loss based on historical cost	**9,752**	6,596
Amounts recognised as investment holding gains and losses in the previous year in respect of investments sold during the year	**(11,052)**	(2,813)
(Losses)/gains on sales of investments based on the carrying value at previous balance sheet date	**(1,300)**	3,783
Net movement in investment holding gains and losses	**10,525**	15,976
Other capital charges	**(87)**	(62)
Total capital gains on investments held at fair value through profit or loss	**9,138**	19,697

	2014 £'000	2013 £'000
3. Income		
Income from investments		
Overseas dividends	**3,465**	3,414
Income from liquidity stocks	**3**	–
Scrip dividends	**117**	206
Total income	**3,585**	3,620

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
4. Management fee and performance fee[1]						
Management fee	**1,417**	**–**	**1,417**	1,334	–	1,334
Performance fee	**–**	**254**	**254**	–	1,467	1,467
	1,417	**254**	**1,671**	1,334	1,467	2,801

[1]Details of the management fee and performance fee are given in the Directors' Report on pages 25 and 26.

	2014 £'000	2013 £'000
5. Other administrative expenses		
Other administration expenses	**316**	382
Directors' fees[1]	**114**	110
Auditors' remuneration for audit services	**24**	24
	454	516

[1]Full disclosure is given in the Directors' Remuneration Report on page 35.

	2014 £'000	2013 £'000
6. Finance costs		
Interest on bank loans	**178**	223

7. Taxation

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
(a) Analysis of tax charge in the year						
UK corporation tax at 22.0% (2013: 23.5%)	**–**	**–**	**–**	–	–	–
Overseas withholding tax	**255**	**–**	**255**	306	–	306
Current tax charge for the year	**255**	**–**	**255**	306	–	306

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2013: lower) than the Company's applicable rate of corporation tax for the year of 22.0% (2013: 23.5%). The factors affecting the current tax charge for the year are as follows:

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Net return on ordinary activities before taxation	**1,536**	**8,812**	**10,348**	1,547	18,295	19,842
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 22.0% (2013: 23.5%)	**338**	**1,939**	**2,277**	364	4,299	4,663
Effects of:						
Non taxable capital gains	**–**	**(1,995)**	**(1,995)**	–	(4,644)	(4,644)
Non taxable overseas dividends	**(762)**	**–**	**(762)**	(802)	–	(802)
Non taxable scrip dividends	**(26)**	**–**	**(26)**	(49)	–	(49)
Overseas withholding tax	**255**	**–**	**255**	306	–	306
Unrelieved expenses and charges	**450**	**56**	**506**	487	345	832
Current tax charge for the year	**255**	**–**	**255**	306	–	306

Notes to the Accounts continued

7. Taxation continued

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £2,861,000 (2013: £2,502,000) based on a prospective corporation tax rate of 20% (2013: 21%). The reduction in the standard rate of corporation tax was substantively enacted on 3rd July 2013 and is effective from 1st April 2014. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's status as an Investment Trust Company and the intention to continue meeting the conditions required to obtain approval, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

(a) Dividends paid and proposed

	2014 £'000	2013 £'000
2013 Final dividend paid of 1.6p (2012: 1.6p)	**1,209**	1,225
2014 Final dividend proposed of 1.6p (2013: 1.6p)[1]	**1,209**	1,209

[1]Based on Ordinary shares in issue of 75,531,426 (2013: 75,531,426).

The final dividend proposed in respect of the year ended 30th September 2014 is subject to shareholder approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 30th September 2015.

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of the dividend proposed in respect of the financial year, as follows:

	2014 £'000	2013 £'000
Final dividend proposed of 1.6p (2013: 1.6p)	**1,209**	1,209

The revenue available for distribution by way of dividend for the year is £1,281,000 (2013: £1,241,000).

9. Return per Ordinary share

The revenue return per share is based on the revenue return attributable to the Ordinary shares of £1,281,000 (2013: £1,241,000) and on the weighted average number of shares in issue during the year of 75,531,426 (2013: 76,255,930) excluding shares held in Treasury.

The capital return per share is based on the capital return attributable to the Ordinary shares of £8,812,000 (2013: £18,295,000) and on the weighted average number of shares in issue during the year of 75,531,426 (2013: 76,255,930) excluding shares held in Treasury.

The total return per share is based on the total return attributable to the Ordinary shares of £10,093,000 (2013: £19,536,000) and on the weighted average number of shares in issue during the year of 75,531,426 (2013: 76,255,930) excluding shares held in Treasury.

	2014 £'000	2013 £'000
10. Investments held at fair value through profit or loss		
Investments listed on a recognised stock exchange[1]	**148,175**	138,070
Open-ended investment funds	**3,009**	6,210
	151,184	144,280

	2014 Listed overseas[1] £'000	2014 Investment fund £'000	2014 Total £'000
Opening book cost	112,183	5,746	**117,929**
Opening investment holding gains	25,887	464	**26,351**
Opening valuation	138,070	6,210	**144,280**
Movements in the year:			
Purchases at cost	121,560	6,667	**128,227**
Sales - proceeds	(121,830)	(8,718)	**(130,548)**
Losses on sales of investments based on the carrying value at the previous balance sheet date	(601)	(699)	**(1,300)**
Net movement in investment holding gains and losses	10,976	(451)	**10,525**
Closing valuation	148,175	3,009	**151,184**
Closing book cost	122,364	2,996	**125,360**
Closing investment holding gains	25,811	13	**25,824**
Total investments held at fair value	148,175	3,009	**151,184**

[1]Includes investments in a Convertible Bond and participatory notes in listed companies.

Transaction costs on purchases during the year amounted to £369,000 (2013: £311,000) and on sales during the year amounted to £308,000 (2013: £288,000). These costs comprise mainly brokerage commission.

During the year, prior year investment holding gains amounting to £11,052,000 have been transferred to gains and losses on sales of investments as disclosed in note 15 on page 53.

Notes to the Accounts continued

	2014 £'000	2013 £'000
11. Current assets		
Debtors		
Securities sold awaiting settlement	**118**	932
Overseas tax recoverable	**11**	11
Dividends and interest receivable	**155**	118
Other debtors	**17**	25
	301	1,086

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash and short term deposits

Cash and short term deposits comprises bank balances and short term deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

	2014 £'000	2013 £'000
12. Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	**809**	763
Bank loan[1]	**13,262**	16,673
Performance fee payable[2]	**509**	1,212
Other creditors and accruals	**174**	148
	14,754	18,796

[1]On 27th January 2012, the Company arranged a £20 million unsecured 364 day multicurrency revolving loan facility with Scotiabank Ireland Limited. This facility was renewed for a further 364 days in January 2013 and again in January 2014 with a maturity date of 22nd January 2015.

Under the terms of this agreement, the Company may draw down up to £20 million or its equivalent in other currency, at an interest rate of LIBOR as, offered in the market for the relevant currency and loan period, plus a margin of 1.00% plus 'Mandatory Costs', which are the lender's costs of complying with certain regulatory requirements of the Bank of England and the Financial Conduct Authority. The facility is unsecured and is subject to covenants which are customary for a credit agreement of this nature.

At 30th September 2014, the Company had drawn down US$21.5 million (2013: US$27.0 million) on the multicurrency revolving loan facility with Scotiabank at an interest rate of 1.00% (2013: 1.22%).

[2]Further details of the performance fee can be found in the Directors' Report on pages 25 and 26.

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

	2014 £'000	2013 £'000
13. Provisions for liabilities and charges		
Performance fee[1]		
Opening balance	**255**	–
Performance fee for the year	**254**	1,467
Amount realised during the year	**(509)**	(1,212)
Closing balance	**–**	255

[1]Further details of the performance fee can be found in the Directors' Report on pages 25 and 26.

	2014 £'000	2013 £'000
14. Called up share capital		
Issued and fully paid share capital		
Ordinary shares of 25p each		
Opening balance of 75,531,426 (2013: 76,643,520) Ordinary shares	**18,885**	19,163
Issue of nil (2013: 46,107) Ordinary shares on exercise of Subscription shares	**–**	12
Repurchase of nil (2013: 1,158,201) Ordinary shares into Treasury	**–**	(290)
Sub total of 75,531,426 (2013: 75,531,426)	**18,885**	18,885
2,383,539 (2013: 2,383,539) shares into Treasury	**596**	596
Closing balance of 77,914,965 (2013: 77,914,965) including 2,383,539 (2013: 2,383,539) shares held in Treasury	**19,481**	19,481

					Capital reserves		
	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve[1] £'000	Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	Revenue reserve £'000
15. Reserves							
Opening balance	13,321	3	581	37,392	29,982	26,331	1,827
Currency losses on cash and short term deposits	–	–	–	–	(183)	–	–
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(1,300)	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	10,525	–
Transfer on disposal of investments	–	–	–	–	11,052	(11,052)	–
Performance fee for the year	–	–	–	–	–	(254)	–
Performance fee now realised	–	–	–	–	(509)	509	–
Unrealised exchange loss on foreign currency loan	–	–	–	–	–	(78)	–
Unrealised exchange gain on foreign currency loan now realised	–	–	–	–	91	(91)	–
Realised exchange gains on repayment of foreign currency loan	–	–	–	–	189	–	–
Other capital charges	–	–	–	–	(87)	–	–
Dividends appropriated in the year	–	–	–	–	–	–	(1,209)
Net revenue for the year	–	–	–	–	–	–	1,281
Closing balance	**13,321**	**3**	**581**	**37,392**	**39,235**	**25,890**	**1,899**

[1]Created during the year ended 30th September 1999, following a cancellation of the share premium account.

Notes to the Accounts continued

16. Net asset value per Ordinary share

The net asset value per share is based on the net assets attributable to the Ordinary shareholders of £137,802,000 (2013: £128,918,000) and on the 75,531,426 (2013: 75,531,426) Ordinary shares in issue at the year end excluding 2,383,539 (2013: 2,383,539) shares held in Treasury.

	2014 £'000	2013 £'000
17. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Net return on ordinary activities before finance costs and taxation	**10,526**	20,065
Less capital return on ordinary activities before taxation	**(8,812)**	(18,295)
Scrip dividends received as income	**(117)**	(206)
(Increase)/decrease in accrued income	**(37)**	4
Decrease/(increase) in other debtors	**8**	(9)
Increase/(decrease) in accrued expenses	**5**	(75)
Performance fee paid	**(1,212)**	–
Overseas taxation	**(255)**	(384)
Net cash inflow from operating activities	**106**	1,100

	2013 £'000	Cash flow £'000	Exchange movements £'000	2014 £'000
18. Analysis of changes in net debt				
Cash and short term deposits	2,603	(1,349)	(183)	**1,071**
Bank loans falling due within one year	(16,673)	3,300	111	**(13,262)**
Net debt	(14,070)	1,951	(72)	**(12,191)**

19. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2013: £nil).

20. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on pages 25 and 26. The terms make allowance for the exclusion of management charges on investments held in funds managed by the Manager. The fee payable to the Manager for the year was £1,417,000 (2013: £1,334,000) of which £nil (2013: £nil) was outstanding at the year end.

Details of the performance fee are set out in the Directors' Report on pages 25 and 26. Performance fee amounting to £254,000 (2013: £1,212,000) is payable to the Manager for the year and £509,000 (2013: £1,212,000) was outstanding at the year end.

Included in other administration expenses in note 5 on page 49 are safe custody fees amounting to £66,000 (2013: £65,000) of which £23,000 (2013: £17,000) was outstanding at the year end. These fees were paid to third party custodians by the Manager on behalf of the Company.

The Manager carries out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities for the year was £9,000 (2013: £15,000) of which £nil (2013: £nil) was outstanding at the year end.

Handling charges, incurred on dealing transactions undertaken by overseas custodians during the year, amounting to £88,000 (2013: £62,000) were payable to JPMorgan Chase of which £31,000 (2013: £16,000) was outstanding at the year end.

The Company holds investments in a fund which is managed by the Manager. At 30th September 2014 this was valued at £3 million (2013: two funds amounting to £6.2 million) and represented 2.0% (2013: 4.3%) of the Company's investment portfolio. During the year the Company made purchases of these investment with a total value of £6.7 million (2013: £nil) and sales with a total value of £8.7 million (2013: £7.2 million). No income was received from these investment in the current or comparative year.

At the year end, a bank balance of £1,071,000 (2013: £2,603,000) was held with JPMorgan Chase. A net amount of interest of £nil (2013: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2013: £nil) was outstanding at the year end.

21. Disclosures regarding financial instruments measured at fair value

The disclosures required by the amendment to FRS 29: 'Improving Disclosures about Financial Instruments' are given below. The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio.

The investments are categorised into a hierarchy consisting of the following three levels:

Level 1 – valued using quoted prices in active markets
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. Details of the valuation techniques used by the Company are given in note 1(b) on page 46.

The following table sets out the fair value measurements using the FRS 29 hierarchy at 30th September:

	2014			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss				
Investment listed on a recognised stock exchange[1]	**144,816**	**–**	**–**	**144,816**
Investments in participatory notes and open-ended investment funds	**–**	**6,368**	**–**	**6,368**
Total	**144,816**	**6,368**	**–**	**151,184**

[1]Includes investments in a Convertible Bond and participatory notes in listed companies.

	2013			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss				
Equity investments	138,907	–	–	138,907
Investments in warrants and participatory notes	–	5,373	–	5,373
Total	138,907	5,373	–	144,280

There have been no transfers between Levels 1, 2 or 3 during the current or comparative year.

Notes to the Accounts continued

22. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities and other securities for the long term so as to secure its investment objective stated on the 'Features' page. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management strategy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's financial instruments may comprise:

- investments in equity shares, convertibles, warrants, participatory notes and open ended investment companies, with exposure to 'Greater China' companies and which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations; and
- a loan facility.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing the risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than Sterling (the Company's functional currency and the currency in which it reports). As a result, movements in exchange rates may affect the Sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Income denominated in foreign currencies is converted to Sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements. It is currently not the Company's policy to hedge against foreign currency risk.

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 30th September are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2014			
	US Dollar £'000	Hong Kong Dollar £'000	Taiwan Dollar £'000	Total £'000
Current assets	**491**	**848**	**512**	**1,851**
Creditors	**(13,838)**	**(703)**	**(35)**	**(14,576)**
Foreign currency exposure on net monetary items	**(13,347)**	**145**	**477**	**(12,725)**
Investments held at fair value through profit or loss	**12,646**	**99,037**	**39,501**	**151,184**
Total net foreign currency exposure	**(701)**	**99,182**	**39,978**	**138,459**

	2013			
	US Dollar £'000	Hong Kong Dollar £'000	Taiwan Dollar £'000	Total £'000
Current assets	755	2,158	568	3,481
Creditors	(16,809)	(500)	(127)	(17,436)
Foreign currency exposure on net monetary items	(16,054)	1,658	441	(13,955)
Investments held at fair value through profit or loss	11,583	101,131	31,566	144,280
Total net foreign currency exposure	(4,471)	102,789	32,007	130,325

The above year end amounts are broadly representative of the exposure to foreign currency risk during the year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2013: 10%) appreciation or depreciation in Sterling against the US dollar, Hong Kong dollar, Taiwan dollar and the other currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

If Sterling had weakened by 10% this would have had the following effect:

	2014 £'000	2013 £'000
Income statement return after taxation		
Revenue return	**358**	362
Capital return	**(1,272)**	(1,395)
Total return after taxation for the year	**(914)**	(1,033)
Net assets	**(914)**	(1,033)

Notes to the Accounts continued

22. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(i) Currency risk continued

Foreign currency sensitivity continued

Conversely if Sterling had strengthened by 10% this would have had the following effect:

	2014 £'000	2013 £'000
Income statement return after taxation		
Revenue return	**(358)**	(362)
Capital return	**1,272**	1,395
Total return after taxation for the year	**914**	1,033
Net assets	**914**	1,033

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole year.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the Company's variable rate cash borrowings.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board. The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the loan facility. However, amounts drawn down on this facility are for short term periods and therefore exposure to interest rate risk is not significant.

The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are reset, is shown below.

	2014 £'000	2013 £'000
Exposure to floating interest rates		
Cash and short term deposits	**1,071**	2,603
Creditors: amounts falling due within one year – borrowings on the loan facility	**(13,262)**	(16,673)
Total exposure	**(12,191)**	(14,070)

Interest receivable on cash balances is at a margin below LIBOR.

The exposure to floating interest rates has fluctuated during the year between net cash and loan balances as follows:

	2014 £'000	2013 £'000
Maximum debit interest rate exposure to floating rates – net loan balances	**(14,147)**	(18,763)
Minimum debit interest rate exposure to floating rates – net loan balances	**(8,321)**	(11,137)

Interest rate sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets to a 1% (2013: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2014		2013	
	1% Increase in rate £'000	1% Decrease in rate £'000	1% Increase in rate £'000	1% Decrease in rate £'000
Income statement – return after taxation				
Revenue return	**(122)**	**122**	(141)	141
Capital return	**–**	**–**	–	–
Total return after taxation for the year	**(122)**	**122**	(141)	141
Net assets	**(122)**	**122**	(141)	141

In the opinion of the Directors, the above sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to changes in balances drawn down on the loan facility.

(iii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of investments.

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Other price risk exposure

The Company's exposure to changes in market prices at 30th September comprises its holdings in investments as follows:

	2014 £'000	2013 £'000
Investments held at fair value through profit or loss	**151,184**	144,280

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 16 and 17. This shows that the investments' value is in the 'Greater China' area. Accordingly, there is a concentration of exposure to that region. However, it should be noted that an investment may not be wholly exposed to the economic conditions in its country of domicile or of listing.

Notes to the Accounts continued

22. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(iii) Other price risk continued

Other price risk sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets to an increase or decrease of 10% (2013: 10%) in the fair value of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and adjusting for change in the management fee, but with all other variables held constant.

	2014		2013	
	10% Increase in fair value £'000	10% Decrease in fair value £'000	10% Increase in fair value £'000	10% Decrease in fair value £'000
Income statement – return after taxation				
Revenue return	**(154)**	**154**	(149)	149
Capital return	**15,118**	**(15,118)**	14,428	(14,428)
Total return after taxation for the year and net assets	**14,964**	**(14,964)**	14,279	(14,279)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities, working capital requirements and to gear the Company as appropriate. Details of the current loan facility are given in part (a)(ii) to this note on page 52.

Liquidity risk exposure

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required by the lender are as follows:

	2014			2013		
	Three months or less £'000	More than three months but not more than one year £'000	Total £'000	Three months or less £'000	More than three months but not more than one year £'000	Total £'000
Creditors: amounts falling due within one year						
Securities purchased awaiting settlement	**809**	**–**	**809**	763	–	763
Bank loan – including interest	**33**	**13,271**	**13,304**	50	16,687	16,737
Performance fee payable	**509**	**–**	**509**	1,212	–	1,212
Other creditors and accruals	**174**	**–**	**174**	148	–	148
	1,525	**13,271**	**14,796**	2,173	16,687	18,860

(c) Credit risk

Credit risk is the risk that the counterparty to a transaction fails to discharge its obligations under that transaction which could result in a loss to the Company.

Management of credit risk

Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement. The process of DVP mitigates the risk of losing the principle of a trade during the settlement process. However, the Company's holdings in Participatory Notes and Warrants are subject to counterparty risk associated with each issuer. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum rating of A1/P1 from Standard & Poor's and Moody's respectively.

Exposure to JPMorgan Chase

JPMorgan Chase is the custodian of the Company's assets. The custody agreement grants a general lien over the securities credited to the securities account. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading. However, no absolute guarantee can be given to investors on the protection of all assets of the Company.

Credit risk exposure

The amounts shown in the balance sheet under debtors and cash and short term deposits represent the maximum exposure to credit risk at the current and comparative year end.

Cash and short term deposits comprises balances held at banks that have a minimum rating of A1/P1 (2013: A1/P1) from Standard & Poor's and Moody's respectively.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying amount in the balance sheet is a reasonable approximation of fair value.

23. Capital management policies and procedures

The Company's debt and equity structure comprises the following:

	2014 £'000	2013 £'000
Debt:		
Bank loan	**13,262**	16,673
	13,262	16,673
Equity:		
Share capital	**19,481**	19,481
Reserves	**118,321**	109,437
	137,802	128,918
Total debt and equity	**151,064**	145,591

Notes to the Accounts continued

23. Capital management policies and procedures continued

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing within the range 10% net cash to 15% geared. Gearing for this purpose is defined as Total Assets (including net current assets/liabilities) less cash/cash equivalents and excluding bank loans of less than one year, expressed as a percentage of net assets.

	2014 £'000	2013 £'000
Investments excluding liquidity holdings	**151,184**	144,280
Current assets excluding cash	**301**	1,086
Current liabilities excluding bank loans	**(1,492)**	(2,123)
Total assets	**149,993**	143,243
Net assets	**137,802**	128,918
Gearing	**8.8%**	11.1%

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium; and
- the need for issues of new shares, including issues from Treasury.

Shareholder Information

Notice of Annual General Meeting

Notice is hereby given that the twenty-first Annual General Meeting of JPMorgan Chinese Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Monday, 26th January 2015 at 11.30 a.m. for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th September 2014.
2. To approve the Company's Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30th September 2014.
4. To approve a final dividend of 1.6p per share.
5. To appoint Oscar Wong as a Director of the Company.
6. To reappoint William Knight as a Director of the Company.
7. To reappoint John Misselbrook as a Director of the Company.
8. To reappoint Sir Andrew Burns as a Director of the Company.
9. To reappoint Kathryn Matthews as a Director of the Company.
10. To reappoint PricewaterhouseCoopers LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new Ordinary shares – Ordinary Resolution

11. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot Ordinary shares in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary shares in the Company ('Rights') up to an aggregate nominal amount of £1,947,874 representing approximately 10% of the Company's issued Ordinary share capital (including shares held in Treasury, if any) as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2016 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require Ordinary shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot Ordinary shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of relevant securities – Special Resolution

12. THAT subject to the passing of Resolution 11 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 11 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £1,947,874 representing approximately 10% of the issued Ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 11 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

13. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of its issued Ordinary shares on such terms and in such manner as the Directors may from time to time determine.

    PROVIDED ALWAYS THAT

    (i) the maximum number of Ordinary shares hereby authorised to be purchased shall be 11,322,160, or if less, that number of Ordinary shares which is equal to 14.99% of the issued share capital (less shares held in Treasury, if any) as at the date of the passing of this Resolution;

Notice of Annual General Meeting continued

(ii) the minimum price which may be paid for an Ordinary share shall be 25 pence and 1 pence respectively;

(iii) the maximum price which may be paid for an Ordinary share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for an Ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

(iv) any purchase of Ordinary shares will be made in the market for cash at prices below the prevailing net asset value per Ordinary share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 25th July 2016 unless the authority is renewed at the Company's Annual General Meeting in 2016 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary shares pursuant to any such contract.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Secretary

4th December 2014

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form, no later than 11.30 a.m. two business days prior to the Meeting (ie. excluding weekends and bank holidays).
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

   Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmchinese.co.uk.
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hard copy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
16. As at 3rd December 2014 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 75,531,426 Ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 75,531,426.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the Form of Proxy.

Shareholder Information continued

Glossary of Terms and Definitions

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

Return on Net Assets
Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested into the shares of the Company at the NAV per 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 per share when calculating the total 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 into the shares of the underlying companies at the 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 track this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Share Price Discount/Premium to Net Asset Value ('NAV')
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 per share. 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.

Revenue Return per Ordinary share
Net revenue return on ordinary activities after taxation, divided by the weighted average number of Ordinary shares in issue during the year.

Gearing/Net Cash
Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position. The figure for 2012 has been restated to include net current assets.

Leverage
For the purposes of the Alternative Investment Fund Managers Directive ('AIFMD'), leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Ongoing Charges
The ongoing charges represents the Company's management fee and all other operating expenses excluding interest and performance fee payable, expressed as a percentage of the average of the daily net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

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

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

Hong Kong P Chips
Companies listed in Hong Kong which are incorporated in the Cayman Islands, Bermuda and the British Virgin Islands, with operations in mainland China. These companies are run by private sector Chinese businessmen.

Alternative Investment Fund Managers – Leverage

The Company's maximum and actual leverage levels at 30th September 2014 are shown below:

Leverage Exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	110.92%	110.93%

China A-Shares (Indirect)
Companies incorporated in mainland China and which are traded in 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.

Performance Attribution
Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

Asset Allocation
Measures the impact of allocating assets differently from those in the benchmark, via the portfolio's weighting in different countries, sectors or asset types.

Stock Selection
Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

Currency Effect
Measures the impact of currency exposure differences between the Company's portfolio and its benchmark.

Gearing/Cash
Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Management Fee/Other Expenses
The payment of fees and expenses reduces the level of total assets and therefore has a negative effect on relative performance.

Performance Fee Charge/Writeback
Measures the effect of a performance fee charge or writeback.

Information about the Company

Financial Calendar

Financial year end	30th September
Final results announced	December
Half year end	31st March
Half year results announced	May
Interim Management Statements announced	January/July
Dividend on Ordinary shares paid	January/February
Annual General Meeting	January

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 plc in December 2001 and adopted its present name on 14th December 2005.

Company Numbers

Company registration number: 02853893

Ordinary Shares

London Stock Exchange Sedol number: 0343501
ISIN: GB0003435012
Bloomberg ticker: JMC LN

Market Information

The Company's net asset value ('NAV') is published daily, via the London Stock Exchange. The Company's Ordinary shares are listed on the London Stock Exchange and are quoted daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the J.P. Morgan website at www.jpmchinese.co.uk, where the Ordinary share price is updated every fifteen minutes during trading hours.

Website

www.jpmchinese.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.jpmorganwealthmanagerplus.co.uk

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone number: 020 7742 4000

For company secretarial and administrative matters, please contact Lucy Dina.

Depositary

BNY Mellon Trust & Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

The Depositary employs JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrars

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

Calls to this number cost 8p per minute plus network charges. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday. The Equiniti overseas helpline number is +44 (0)121 415 0225.

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

Independent Auditors

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

Brokers

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA
Telephone number: 020 310 0000

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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The Association of Investment Companies

A member of the AIC

J.P. Morgan Helpline
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

www.jpmchinese.co.uk