



# Half Year Report 2015

JPMorgan Chinese  
Investment Trust plc

Half Year Report & Accounts for the six months ended 31st March 2015

**J.P.Morgan**  
Asset Management

# Features

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## 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).

## 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 31st March 2015, 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').

## FCA regulation of non-mainstream pooled investments

The Company currently conducts its affairs so that the shares issued by JPMorgan Chinese Investment Trust plc can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules 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.

# Half Year Performance

Total returns (includes dividends reinvested)

**+22.2%**

Return to ordinary  
shareholders<sup>1</sup>

**+23.0%**

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

**+21.6%**

Benchmark total return<sup>3</sup>

<sup>1</sup>Source: Morningstar.

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

<sup>3</sup>Source: MSCI. The Company's benchmark is the MSCI Golden Dragon Index, with net dividends reinvested, in sterling terms.

## Financial Data

	31st March 2015	30th September 2014	% change
Total net assets (£'000)	<b>168,037</b>	137,802	+22.0
Number of ordinary shares in issue	<b>75,531,426</b>	75,531,426	0.0
Net asset value per ordinary share	<b>222.5p</b>	182.4p	+22.0
Ordinary share price	<b>198.0p</b>	163.5p	+21.1
Ordinary share price discount to net asset value	<b>11.0%</b>	10.4%	
Ongoing charges (excluding performance fee)	<b>1.39%</b>	1.40%	
Ongoing charges (including performance fee)	<b>1.63%</b>	1.78%	
Gearing	<b>7.4%</b>	8.8%	

Glossary of terms and definitions is provided on page 17.

# Chairman's Statement



## Performance

I am pleased to report that for the six months to 31st March 2015 the Company's total return on net assets (with net dividends reinvested) increased by 23.0%. This compares favourably to the return of the Company's benchmark, the MSCI Golden Dragon Index (in sterling terms) which increased by 21.6%. Over the same period, the total return to shareholders was +22.2%. A detailed review of the Company's performance, portfolio and market developments is provided in the Investment Managers' Report.

## Loan Facility and Gearing

On 22nd January 2015 the Company renewed its £20 million credit facility with Scotiabank for a further 364 days at a reduced margin, and £16.8 million was drawn down on this facility as at 31st March 2015. The Board has given the Investment Managers the flexibility to manage the gearing tactically within a range set by the Board of 10% net cash to 15% geared. During the period the Company's month end gearing ranged from 7.4% to 9.4% geared, ending the half year at 7.4% geared. On 5th May 2015 the Board agreed to further extend the credit facility to £30 million to keep up with the increased value of assets.

## Share Repurchases and Issues in the Period

At the time of writing, the Company's issued share capital consists of 75,531,426 Ordinary shares, excluding shares held in Treasury. During the six month reporting period the Company did not repurchase or issue any Ordinary shares.

## Board of Directors

As part of the Board's succession plan, Irving Koo retired from the Board at the conclusion of the 2015 Annual General Meeting ('AGM') and shareholders approved the appointment of Oscar Wong. The Board has also agreed that another one of the longer serving Directors will retire at the next AGM in January 2016 and the Board is currently in the process of interviewing candidates with the intention to recruit a new Director this summer.

## Outlook

China is focusing on improving the quality of its growth with a concerted effort to enhance consumerism across the country. Improving the property sector outlook and ensuring that there is no let-up in essential infrastructure development are the key priorities linked to job creation that will prevail. These policies are underpinned by monetary and fiscal easing with additional rate cuts and liquidity support to minimise any downside risks.

In our view, 2015 will be a critical year for the implementation of these anticipated structural forms planned for initially in 2014. Fiscal reforms and those for state-owned industries are underway and it is noticeable that many changes of personnel are taking place at provincial and municipal levels as part of a wider shake up.

The economic fundamentals for the economy in our view remain strong despite the modest valuations in so many cases which leads us to believe that the recent rally in the shares of listed Chinese companies is sustainable. The market should continue therefore to re-rate. With the substantial increase in interest in share ownership by mainland investors as evidenced by the full utilisation the Hong Kong bound quota under the Shanghai-Hong Kong connect programme for the first time, we expect strong near-term momentum in Hong Kong equities. However, domestic Hong Kong is likely to lag this liquidity-driven rally due to the structural slowdown in retail spending and Macau gaming. In addition, the spectre of rising interest rates in the US remains a dampener, even if the pace of rate increases is very gradual. Meanwhile, Taiwan may have a chance to catch up with its peers in 2015, given an improved macroeconomic backdrop. Strong fundamentals and continuous positive earnings revisions should be supportive for re-ratings, with the technology sector remaining the key driver.

**William Knight**  
Chairman

22nd May 2015

# Investment Managers' Report



Howard Wang

Over the six month period ended 31st March 2015, the Company achieved a total return on net assets of +23.0% (in sterling terms), outperforming the Company's benchmark return of +21.6% by +1.4%.

Country allocation, more specifically the overweight in China, contributed most to the outperformance during the six month period, with Chinese equities rallying in both offshore-listed and domestic A-shares markets. Positive stock selection in Taiwan also helped returns, though somewhat offset by weaker stock picks in China. Overweight positions in Taiwan technology stocks geared towards the Apple supply chain such as Catcher Technology, Largan Precision and Taiwan Semiconductor added to performance on the back of strong iPhone-related sales. Meanwhile, overweight positions in Chinese financials, which retreated this year from some profit-taking, and the underweight position in the solar power name Hanergy Thin Film, which rose sharply in the first quarter albeit without much fundamental catalysts, detracted from performance. Additionally, an average of 8.4% leveraged position added to returns over this period.

## China Review

Chinese equities rallied in the fourth quarter of 2014, with offshore-listed equities up 7% and domestic A-shares (CSI 300) rising sharply, up 44%, accounting for the bulk of the full-year gains for both markets. The key catalysts were the rate cut in late November – the first cut since 2012 – coupled with a steady recovery in property transactions and further progress on structural reforms (such as local government financing vehicle ('LGFV') debt). The rise was led almost solely by financial sectors, which benefited from the avoidance of a hard landing, rate sensitivity and attractive valuations.

The Chinese market continued to advance in the first quarter of 2015, with offshore-listed equities up 8% and domestic A-shares (CSI 300) up 15%, continuing the rally of the final quarter of 2014. The key catalysts were accommodative policy in terms of both cyclical stimulus (easing monetary/fiscal policies) and structural reforms (relating to LGFV debt swaps and deposit insurance, for example), despite the macroeconomic backdrop remaining weak. The gains have been led by both cyclical names (beneficiaries of policy easing) as well as growth sectors. Earnings revisions remained negative, led by energy (due to the global oil price declines), materials, and staples, as a result of to demand headwinds. Sectors seeing positive earnings revisions included non-bank financials (benefiting from underlying equity market strength) and transportation (also a beneficiary of oil price weakness).

## China Outlook

We expect the macroeconomic environment in China to gradually recover from the post-financial crisis lows, underpinned by an improving property sector outlook and continued government support on infrastructure projects. We believe there should be further interest rate and reserve ratio requirement ('RRR') cuts as real interest rates are still too high to ensure a smooth deleveraging process. We do not expect any major stimulus policy as the government continues its structural reforms. The market's valuation at 9.2x forward one-year price to earnings, versus mid-cycle 12x, with earnings growth in the high single digits, is undemanding. We believe the market will continue to re-rate as the macroeconomic environment stabilises and as there is further evidence of structural reform being carried out.



Emerson Yip



William Tong



Shumin Huang

### **Hong Kong Review**

Despite a massive rally in the domestic Chinese equity market, Hong Kong equities managed only a modest gain in the last quarter of 2014, held back by substantial weakness in the Macau gaming sector. The highly-anticipated Shanghai-Hong Kong stock connect scheme commenced with disappointing volumes, especially on the southbound route. Institutional investors were likely not ready to participate in the scheme, while retail investors were more interested in their own domestic market. Meanwhile, the student-led pro-democracy protests were cleared up without much further incident due to waning public support. However, the aftermath of these protests may result in further political gridlock, affecting the ability of the government to move forward with its economic policy initiatives.

During the first quarter of 2015, most of the equity gains in Hong Kong happened during January, driven by proposed corporate restructuring. The market witnessed explosive growth in turnover towards the end of the quarter, spurred by the clarification of rules designed to make things easier for mainland-based mutual funds in the Stock Connect programme. However, it mainly benefitted China-related counters, rather than Hong Kong equities. In addition, despite the announcement from the Hong Kong Monetary Authority on further tightening measures, subsequent new property launches were positively received. Meanwhile, retail sales appear to be in structural decline and Hong Kong seems to be losing its share of mainland tourists to Japan, Korea, and Taiwan, owing in part to relative currency strength. Gaming revenues also continued their recent downward spiral.

### **Hong Kong Outlook**

With the pro-democracy protests having wound down peacefully and interest rate rise expectations being dampened, the prospects for equities have turned more positive for the medium term. Moreover, as the Shanghai-Hong Kong stock connect programme matures, with potential scope for expansion, this could spur further buying interest in Hong Kong equities. On the property front, we prefer the residential market, which looks stable in the near term, since the supply situation remains attractive relative to growing demand. While the risk of further government policy tightening remains present, this is likely only if price growth becomes excessive, which is not currently expected. Office property is also benefiting from an attractive demand-supply balance, while retail property is facing more challenging conditions given slowing retail sales growth.

### **Taiwan Review**

The TWSE Index ended the fourth quarter of 2014 with an almost 4% quarter-on-quarter gain, with a late year-end rally. The quarter was initially hampered by weak sentiment ahead of the 9-in-1 election. There were a number of negative factors, such as technology seasonality, unhappiness over the government's plan to implement a tax on large retail investors, concerns over Ebola, and the Kuomintang's potential weak showing in the November election. Another overriding influence for the period was the decline in the oil price, which led to airlines and shipping names outperforming massively. Concurrently, the currency weakened, following the continued quantitative easing attempts in Japan and Europe and the general US dollar strength versus Asian currencies.

# Investment Managers' Report continued

The TWSE Index advanced 3% in the first quarter of 2015. The market saw profit taking in the technology sector at the start of 2015, particularly in stocks that are part of the Apple supply chain, following a very strong iPhone 6 launch late in the third quarter of last year, as well as concerns that the consumer technology product cycle will be much more moderate in 2015. However, the selling reversed quickly, with qualified foreign institutional investors ('QFII's) becoming strong net buyers of Taiwanese stocks again. However, there was a shift in technology sentiment again in the final two weeks of the quarter after softer guidance from Taiwan Semiconductor Manufacturing Company as well as concerns about Mediatek's margins. Foreign investors led the selling in upstream technology stocks in late March.

## **Taiwan Outlook**

With Taiwan's municipal elections out of the way and the presidential election not due until 2016, President Ma Ying-Jeou could use this window wisely to win back confidence for the Kuomintang party. Several factors should support a decent first half to 2015, as the positive impact from the success of iPhone 6 carries over and the cheaper oil price bolsters disposable incomes, lending a boost to retailers. Tourism will also be a bright spot, further supporting domestic consumption. The three-year delay to the big player tax should help retail sentiment and participation. However, macroeconomic uncertainty, especially from Europe, and a weak New Taiwan dollar could weigh on the market. Overall, the market's risk/reward prospects continue to look favourable given sustained growth into 2015. Fundamentals remain strong and valuations still modest.

## **Summary**

Overall, our top-down assumptions remain unchanged and we remain broadly optimistic on our principal portfolio themes, given China's policy easing, reasonable equity valuations and ample global liquidity. The surging mainland domestic markets – a product of these conditions – along with a multi-year bear market and excessive household savings, will help to equitise balance sheets in a heavily leveraged economy. As the monetary easing cycle is now in full swing, with several cuts in interest rate and in the Required Reserve Ratio, we expect liquidity conditions to be very supportive into both A and H-shares. Although H-shares continue to be better valued, we do own very stock specific A-share holdings and can access such through P-notes, but do so only where we have comfort in the fundamentals, business model, corporate governance, growth prospects and valuations. As the A-share market corrects, we would look to opportunistically enter. Overall, we continue to find opportunities in Greater China's environmental, healthcare and technology spaces, as well as in nascent consumer sectors and Chinese financials that are benefiting from policy easing.

**Howard Wang**  
**Emerson Yip**  
**William Tong**  
**Shumin Huang**  
Investment Managers

22nd May 2015



# List of Investments

at 31st March 2015

Company	Country of Listing/ Classification	Valuation £'000	%
Tencent	China HK listed	13,442	7.4
Taiwan Semiconductor Manufacturing	Taiwan	13,121	7.2
AIA	Hong Kong	8,678	4.8
China Construction Bank	China HK listed	7,359	4.0
CK Hutchison	Hong Kong	7,165	3.9
Ping An Insurance	China HK listed	6,618	3.6
China Pacific Insurance	China HK listed	5,075	2.8
China Merchants Bank	China HK listed	4,308	2.4
Agricultural Bank of China	China HK listed	4,171	2.3
Fubon Financial	Taiwan	3,808	2.1
China Petroleum & Chemical	China HK listed	3,746	2.0
China Telecom	China HK listed	3,709	2.0
China Vanke	China HK listed	3,692	2.0
BOC Hong Kong	Hong Kong	3,405	1.9
China Unicom (Hong Kong)	China HK listed	3,392	1.9
China Mobile	China HK listed	3,054	1.7
Advanced Semiconductor Engineering	Taiwan	3,051	1.7
Catcher Technology	Taiwan	2,987	1.6
China Minsheng Banking	China HK listed	2,872	1.6
Delta Electronics	Taiwan	2,795	1.5
Hong Kong Land	Hong Kong	2,570	1.4
China Everbright International	China HK listed	2,567	1.4
Largan Precision	Taiwan	2,553	1.4
E Sun Financial	Taiwan	2,355	1.3
China Mengniu	China HK listed	2,280	1.2
Orient Overseas International	Hong Kong	2,208	1.2
Sino Biopharmaceutical	China HK listed	2,185	1.2
Car	China HK listed	2,163	1.2
Chailease	Taiwan	2,125	1.2
MGM China	Hong Kong	2,065	1.1
China Longyuan Power	China HK listed	2,050	1.1
China Citic Bank	China HK listed	1,968	1.1
President Chain Store	Taiwan	1,963	1.1
China Conch Venture	China HK listed	1,886	1.0
Beijing Enterprises Water	China HK listed	1,868	1.0
China Resources Gas	China HK listed	1,855	1.0
AAC Technologies	China HK listed	1,832	1.0
Chongqing Changan Automobile	China B-Shares	1,815	1.0
MediaTek <sup>1</sup>	Taiwan	1,785	1.0
Zhengzhou Yutong Bus <sup>1</sup>	China A-Shares (Indirect)	1,688	0.9
Sunac China	China HK listed	1,608	0.9
China Cinda Asset Management	China HK listed	1,606	0.9
Phoenix Healthcare	China HK listed	1,583	0.9

# List of Investments continued

Company	Country of Listing/ Classification	Valuation £'000	%
Hong Kong Exchanges & Clearing	Hong Kong	1,536	0.8
Chipbond Technology	Taiwan	1,532	0.8
Wheelock & Company	Hong Kong	1,482	0.8
CSPC Pharmaceutical	China HK listed	1,449	0.8
CNOOC	China HK listed	1,412	0.8
Vipshop	China US listed	1,411	0.8
Angang Steel	China HK listed	1,237	0.7
Lifestyle International	Hong Kong	1,211	0.7
Ruentex Development	Taiwan	1,205	0.7
SAIC Motor Corporation <sup>1</sup>	China A-Shares (Indirect)	1,200	0.7
Luye Pharma	China HK listed	1,191	0.7
China Steel Chemical	Taiwan	1,160	0.6
Nanya Technology	Taiwan	1,128	0.6
Hangzhou Hikvision Digital <sup>1</sup>	China A-Shares (Indirect)	1,122	0.6
Hua Hong Semiconductor	China HK listed	1,107	0.6
Jiangxi Copper	China HK listed	1,101	0.6
HKBN	Hong Kong	1,057	0.6
Silicon Motion Technology	Taiwan	1,011	0.5
Intai Technology <sup>2</sup>	Taiwan	987	0.5
Ikang Healthcare	China US listed	894	0.5
Alibaba	China US listed	893	0.5
Fuyao Glass Industry	China HK listed	850	0.5
Tasly <sup>1</sup>	China A-Shares (Indirect)	759	0.4
GF Securities	China HK listed	732	0.4
Chow Tai Fook Jewellery	Hong Kong	648	0.4
JP Morgan US Dollar Liquidity Fund	Liquidity fund	1,010	0.5
<b>Total Investments</b>		<b>182,351</b>	<b>100.0</b>

A glossary of terms and definitions is provided on page 17.

<sup>1</sup>Includes investments in warrants and participatory notes.

<sup>2</sup>Represents holdings in a Convertible Bond.

# Portfolio Analyses

## Geographical Analysis

	31st March 2015		30th September 2014	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
China HK listed <sup>2</sup>	57.2	49.6	48.6	47.0
China A-Shares (Indirect)	2.8	—	2.0	—
China US listed <sup>2</sup>	1.8	—	10.2	—
China B-Shares	1.0	0.2	1.1	0.2
China Total	62.8	49.8	61.9	47.2
Taiwan <sup>3,4</sup>	26.1	27.6	29.1	29.4
Hong Kong	19.0	22.6	18.7	23.4
Liquidity Fund	0.6	—	—	—
Net current liabilities	(8.5)	—	(9.7)	—
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup>Based on total assets less current liabilities of £168.0m (2014: £137.8m).

<sup>2</sup>China Conch Venture, Luye Pharma and Car has been classified under China HK listed as at 31st March 2015 from China US listed.

<sup>3</sup>As at 30th September 2014 this includes JPMorgan Taiwan Best Selection Fund.

<sup>4</sup>Includes investment in a Convertible Bond.

## Sector Analysis

	31st March 2015		30th September 2014	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Financials (including property) <sup>2</sup>	44.3	39.1	35.9	36.7
Information Technology <sup>3</sup>	28.9	23.5	27.5	23.1
Telecommunication Services	6.6	7.2	4.4	7.2
Industrials <sup>2,4</sup>	6.2	6.7	8.9	6.1
Consumer Discretionary <sup>3</sup>	5.4	6.0	10.4	7.0
Health Care	5.4	1.1	5.6	1.1
Utilities	3.4	4.7	4.2	4.7
Energy	3.0	5.1	5.2	6.7
Consumer Staples	2.6	2.8	3.4	3.1
Materials	2.1	3.8	2.0	4.3
Liquidity Fund	0.6	—	—	—
Investment Fund <sup>5</sup>	—	—	2.2	—
Net current liabilities	(8.5)	—	(9.7)	—
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup>Based on total assets less current liabilities of £168.0m (2014: £137.8m).

<sup>2</sup>Car has been classified as Industrials as at 31st March 2015 from Financials.

<sup>3</sup>Alibaba has been classified as Information Technology as at 31st March 2015 from Consumer Discretionary.

<sup>4</sup>Includes investment in a Convertible Bond.

<sup>5</sup>As at 30th September 2014 this includes JPMorgan Taiwan Best Selection Fund.

# Income Statement

for the six months ended 31st March 2015

	(Unaudited) Six months ended 31st March 2015			(Unaudited) Six months ended 31st March 2014			(Audited) Year ended 30th September 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains on investments held at fair value through profit or loss</b>	–	33,906	33,906	–	900	900	–	9,138	9,138
Net foreign currency (losses)/gains	–	(1,295)	(1,295)	–	346	346	–	(72)	(72)
Income from investments	365	–	365	215	–	215	3,585	–	3,585
<b>Gross return</b>	365	32,611	32,976	215	1,246	1,461	3,585	9,066	12,651
Management fee	(828)	–	(828)	(717)	–	(717)	(1,417)	–	(1,417)
Performance fee	–	(378)	(378)	–	(536)	(536)	–	(254)	(254)
Other administrative expenses	(226)	–	(226)	(204)	–	(204)	(454)	–	(454)
<b>Net (loss)/return on ordinary activities before finance costs and taxation</b>	(689)	32,233	31,544	(706)	710	4	1,714	8,812	10,526
Finance costs	(92)	–	(92)	(116)	–	(116)	(178)	–	(178)
<b>Net (loss)/return on ordinary activities before taxation</b>	(781)	32,233	31,452	(822)	710	(112)	1,536	8,812	10,348
Taxation	(8)	–	(8)	(7)	–	(7)	(255)	–	(255)
<b>Net (loss)/return on ordinary activities after taxation</b>	(789)	32,233	31,444	(829)	710	(119)	1,281	8,812	10,093
<b>(Loss)/return per ordinary share</b> (note 4)	(1.04)p	42.67p	41.63p	(1.10)p	0.94p	(0.16)p	1.70p	11.66p	13.36p

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

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

# Reconciliation of Movements in Shareholders' Funds

Six months ended 31st March 2015 (Unaudited)	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 30th September 2014</b>	19,481	13,321	3	581	37,392	65,125	1,899	<b>137,802</b>
Net return/(loss) on ordinary activities	—	—	—	—	—	32,233	(789)	<b>31,444</b>
Dividends appropriated in the period	—	—	—	—	—	—	(1,209)	<b>(1,209)</b>
<b>At 31st March 2015</b>	19,481	13,321	3	581	37,392	97,358	(99)	<b>168,037</b>

Six months ended 31st March 2014 (Unaudited)	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 30th September 2013</b>	19,481	13,321	3	581	37,392	56,313	1,827	<b>128,918</b>
Net return/(loss) on ordinary activities	—	—	—	—	—	710	(829)	<b>(119)</b>
Dividends appropriated in the period	—	—	—	—	—	—	(1,209)	<b>(1,209)</b>
<b>At 31st March 2014</b>	19,481	13,321	3	581	37,392	57,023	(211)	<b>127,590</b>

Year ended 30th September 2014 (Audited)	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 30th September 2013</b>	19,481	13,321	3	581	37,392	56,313	1,827	<b>128,918</b>
Net return on ordinary activities	—	—	—	—	—	8,812	1,281	<b>10,093</b>
Dividends appropriated in the year	—	—	—	—	—	—	(1,209)	<b>(1,209)</b>
<b>At 30th September 2014</b>	19,481	13,321	3	581	37,392	65,125	1,899	<b>137,802</b>

# Balance Sheet

at 31st March 2015

	(Unaudited) 31st March 2015 £'000	(Unaudited) 31st March 2014 £'000	(Audited) 30th September 2014 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss:			
China	105,750	74,115	85,188
Taiwan	43,566	38,191	40,139
Hong Kong	32,025	23,047	25,857
Investments in liquidity fund held at fair value through profit or loss	1,010	—	—
<b>Total investments</b>	<b>182,351</b>	<b>135,353</b>	<b>151,184</b>
<b>Current assets</b>			
Debtors	3,478	2,192	301
Cash and short term deposits	3,472	3,770	1,071
	6,950	5,962	1,372
<b>Creditors:</b> amounts falling due within one year	<b>(21,264)</b>	<b>(13,725)</b>	<b>(14,754)</b>
<b>Net current liabilities</b>	<b>(14,314)</b>	<b>(7,763)</b>	<b>(13,382)</b>
<b>Total assets less current liabilities</b>	<b>168,037</b>	<b>127,590</b>	<b>137,802</b>
<b>Net assets</b>	<b>168,037</b>	<b>127,590</b>	<b>137,802</b>
<b>Capital and reserves</b>			
Called up share capital	19,481	19,481	19,481
Share premium	13,321	13,321	13,321
Exercised warrant reserve	3	3	3
Capital redemption reserve	581	581	581
Other reserve	37,392	37,392	37,392
Capital reserves	97,358	57,023	65,125
Revenue reserve	(99)	(211)	1,899
<b>Total equity shareholders' funds</b>	<b>168,037</b>	<b>127,590</b>	<b>137,802</b>
<b>Net asset value per ordinary share</b> (note 5)	<b>222.5p</b>	<b>168.9p</b>	<b>182.4p</b>

Company registration number: 02853893

# Cash Flow Statement

for the six months ended 31st March 2015

	(Unaudited) Six months ended 31st March 2015 £'000	(Unaudited) Six months ended 31st March 2014 <sup>1</sup> £'000	(Audited) Year ended 30th September 2014 £'000
<b>Net cash (outflow)/inflow from operating activities</b> (note 6)	<b>(1,325)</b>	(1,896)	106
Net cash outflow from returns on investments and servicing of finance	<b>(96)</b>	(107)	(172)
Net cash inflow from capital expenditure and financial investment	<b>2,750</b>	9,299	3,226
Dividend paid	<b>(1,209)</b>	(1,209)	(1,209)
Net cash inflow/(outflow) from financing	<b>2,144</b>	(4,811)	(3,300)
<b>Increase/(decrease) in cash for the period</b>	<b>2,264</b>	1,276	(1,349)
<b>Reconciliation of net cash flow to movement in net debt</b>			
Net cash movement	<b>2,264</b>	1,276	(1,349)
Loans (drawn down)/repaid in the period	<b>(2,144)</b>	4,811	3,300
Exchange rate movements	<b>(1,298)</b>	356	(72)
Movement in net debt in the period	<b>(1,178)</b>	6,443	1,879
Net debt at the beginning of the period	<b>(12,191)</b>	(14,070)	(14,070)
<b>Net debt at the end of the period</b>	<b>(13,369)</b>	(7,627)	(12,191)
Represented by:			
Cash and short term deposits	<b>3,472</b>	3,770	1,071
Debt falling due within one year	<b>(16,841)</b>	(11,397)	(13,262)
<b>Net debt at the end of the period</b>	<b>(13,369)</b>	(7,627)	(12,191)

<sup>1</sup>The loans (drawn down)/repaid in the period has been restated for the six months ended 31st March 2014 as it was incorrectly included as loans drawn down rather than repaid, in the 2014 interim accounts.

# Notes to the Financial Statements

for the six months ended 31st March 2015

## 1. Financial statements

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

The figures and financial information for the year ended 30th September 2014 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

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

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

The accounting policies applied to these half year financial statements are consistent with those applied in the financial statements for the year ended 30th September 2014.

## 3. Dividend

	(Unaudited) Six months ended 31st March 2015 £'000	(Unaudited) Six months ended 31st March 2014 £'000	(Audited) Year ended 30th September 2014 £'000
Final dividend paid in respect of the year ended 30th September 2014 of 1.6p (2014: 1.6p)	1,209	1,209	1,209

No interim dividend has been declared in respect of the six months ended 31st March 2015 (2014: nil).

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

	(Unaudited) Six months ended 31st March 2015 £'000	(Unaudited) Six months ended 31st March 2014 £'000	(Audited) Year ended 30th September 2014 £'000
(Loss)/return per ordinary share is based on the following:			
Revenue (loss)/return	(789)	(829)	1,281
Capital return	32,233	710	8,812
<b>Total return/(loss)</b>	<b>31,444</b>	<b>(119)</b>	<b>10,093</b>
Weighted average number of ordinary shares in issue during the period	75,531,426	75,531,426	75,531,426
Revenue (loss)/return per ordinary share	(1.04)p	(1.10)p	1.70p
Capital return per ordinary share	42.67p	0.94p	11.66p
<b>Total return/(loss) per ordinary share</b>	<b>41.63p</b>	<b>(0.16)p</b>	<b>13.36p</b>



5. Net asset value per ordinary share

	(Unaudited) Six months ended 31st March 2015	(Unaudited) Six months ended 31st March 2014	(Audited) Year ended 30th September 2014
Ordinary shareholders funds (£'000)	168,037	127,590	137,802
Number of ordinary shares in issue	75,531,426	75,531,426	75,531,426
Net asset value per ordinary share (pence)	222.5	168.9	182.4

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

	(Unaudited) Six months ended 31st March 2015 £'000	(Unaudited) Six months ended 31st March 2014 £'000	(Audited) Year ended 30th September 2014 £'000
Net return on ordinary activities before finance costs and taxation	31,544	4	10,526
Less capital return before finance costs and taxation	(32,233)	(710)	(8,812)
Scrip dividends received as income	—	—	(117)
(Increase)/decrease in accrued income	(25)	105	(37)
(Increase)/decrease in other debtors	(19)	4	8
(Decrease)/increase in accrued expenses	(74)	(81)	5
Performance fee paid	(509)	(1,212)	(1,212)
Overseas taxation	(9)	(6)	(255)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,325)</b>	<b>(1,896)</b>	<b>106</b>

# Interim Management Report

The Company is required to make the following disclosures in its half year report:

## Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company have not changed and fall into the following broad categories: investment underperformance; loss of investment team; discount; market; political and economic; accounting, legal and regulatory; corporate governance and shareholder relations; operational; going concern and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 30th September 2014.

## Related Parties Transactions

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

## Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and, more specifically, that there are no material uncertainties pertaining to the Company that would prevent its ability to continue in such operational existence for at least twelve months from the date of the approval of this half yearly financial report. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

## Directors' Responsibilities

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

- (i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half Yearly Financial Reports' and gives a true and fair view of the state of affairs of the Company and of the assets, liabilities, financial position and net return of the Company, as at 31st March 2015, as required by the UK Listing Authority Disclosure and Transparency Rules 4.2.4R; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

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 accounting 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 the 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.

For and on behalf of the Board

**William Knight**  
Chairman

22nd May 2015

# 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.

## **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.

## **Ordinary Share Price Discount to Net Asset Value ('NAV') per Ordinary Share**

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV 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.

## **(Loss)/Return per Ordinary Share**

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

## **Gearing**

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.

## **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 daily net assets during the period. The figure as at 31st March 2015 is an estimated annualised figure, based on the six months to 31st March 2015.

## **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.

## **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.

# Where to buy J.P. Morgan Investment Trusts

## Savings Plan

The Company participates in the J.P. Morgan Investment Trusts Savings Plan, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Savings Plan should call J.P. Morgan Asset Management free on 0800 731 1111 or visit our website at <https://am.jpmorgan.co.uk/investor/guidance-and-planning/guides/regular-savings-made-simple-guide.aspx>

## Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within J.P. Morgan's Stocks & Shares ISA. For the 2015/16 tax year, from 6th April 2015 and ends 5th April 2016, the total ISA allowance is £15,240. Details are available from J.P. Morgan Asset Management free on 0800 731 1111 or via our website at <https://am.jpmorgan.co.uk/investor/isas/what-is-a-stocks-and-shares-isa.aspx>.

There are a number of ways that you can buy shares in investment trust companies; you can invest through J.P. Morgan WealthManager+ or on the following:

Fund supermarkets:

AJ Bell	Interactive Investor
Alliance Trust	James Brearley
Barclays Stockbrokers	James Hay
Bestinvest	Selftrade
Charles Stanley Direct	TD Direct
Halifax Share Dealing Service	The Share Centre
Hargreaves Lansdown	Transact

Alternatively you can invest through an Investment Professional (e.g. a Financial Adviser) on the following 3rd party platforms:

Ascentric	Nucleus
Avalon	Praemium
Axa Elevate	Transact
Novia	

Please note that these websites are third party websites and J.P. Morgan Asset Management does not endorse or recommend any of them. This list is not exhaustive and is subject to change. Please observe each site's privacy and cookie policies as well as their platform charges structure.

You can also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority ('FCA') adviser charging and commission rules, visit [www.fca.org.uk](http://www.fca.org.uk).

## Financial Conduct Authority

### Beware of share fraud



In association with:



**Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.**

#### How to avoid share fraud

- 1** Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- 2** Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- 3** Check the Financial Services Register from [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you is authorised by the FCA.
- 4** Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- 5** Use the firm's contact details listed on the Register if you want to call it back.
- 6** Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
- 7** Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams).
- 8** Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- 9** Think about getting independent financial and professional advice before you hand over any money.
- 10** **Remember:** if it sounds too good to be true, it probably is!

#### Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

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**5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000**

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# 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
Dividend on Ordinary shares paid (if any)	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 in December 2001 and adopted its present name on 14th December 2005.

### Directors

William Knight (Chairman)  
Sir Andrew Burns KCMG  
Kathryn Matthews  
John Misselbrook  
Oscar Wong

### Company Numbers

Company registration number: 02853893  
London Stock Exchange Sedol number: 0343501  
ISIN: GB0003435012  
Bloomberg ticker: JMC LN

### Market Information

The Company's net asset value ('NAV') per share is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the J.P. Morgan internet site at [www.jpmmchinese.co.uk](http://www.jpmmchinese.co.uk) where the prices are updated every fifteen minutes during trading hours.

### Website

[www.jpmmchinese.co.uk](http://www.jpmmchinese.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.jpmmorganwealthmanagerplus.co.uk](http://www.jpmmorganwealthmanagerplus.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.

### Depository

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

The Depository 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 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](http://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 3100 0000

### Savings Product Administrators

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

**aic**

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](http://www.jpmchinese.co.uk)