



# JPMorgan Chinese Investment Trust plc

(Formerly JPMorgan Fleming Chinese Investment Trust plc)

INTERIM REPORT FOR THE SIX MONTHS ENDED 31ST MARCH 2006

# Six Month Performance

**+18.6%** Return to shareholders<sup>1</sup>

**+18.2%** Return on net assets<sup>2</sup>

**+13.6%** Benchmark return<sup>3,4</sup>

	31st MARCH 2006	30th SEPT 2005 (Restated) <sup>5</sup>	% CHANGE
<b>FINANCIAL DATA</b>			
Total net assets (£'000) <sup>6</sup>	<b>61,178</b>	49,407	+23.8%
Number of ordinary shares in issue	<b>72,647,001</b>	68,412,001	+6.2%
Net asset value per ordinary share <sup>6</sup>	<b>84.2p</b>	72.2p	+16.6%
Ordinary share price	<b>85.5p</b>	73.0p	+17.1%
Premium of share price to net asset value <sup>6</sup>	<b>1.5%</b>	1.1%	

<sup>1</sup>Change in share price with net dividends (if any) reinvested.  
(Source: Standard & Poor's – www.funds-sp.com).

<sup>2</sup>Change in net asset value ('NAV') per share with net dividends (if any) reinvested.  
(Source: Fundamental Data – www.funddata.com).

NAV total returns are now calculated on a bid to bid basis. Historic NAVs have been adjusted to a bid basis by using an average factor compiled from the previous 12 month end valuations. This adjustment may vary from that shown in the accounts.

<sup>3</sup>Change in value with net dividends (if any) reinvested.  
(Source: Datastream).

<sup>4</sup>The Company's benchmark is the MSCI Golden Dragon Index. Comparison of the Company's performance is made with this benchmark. 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 stated Index.

<sup>5</sup>The results for the year ended 30th September 2005 have been restated in accordance with Financial Reporting Standard 21. More details are given in the accounting policies note on page 9.

<sup>6</sup>The previously reported NAV as at 30th September 2005 was 72.4p per share. For the purpose of the accounts the net assets and the NAV per share have been restated to reflect the changes under FRS 21 (non accrual of final dividend) but no adjustment has been made in respect of the move to bid prices (FRS 26). This results in net assets of £50,155,000 and a NAV per share of 73.3p as shown on page 7. However, the net assets and the NAV per share in the table above have been adjusted to a bid basis in order to calculate performance returns consistently by using an average factor compiled from the previous 12 month end valuations. This has resulted in restated net assets of £49,407,000 and a NAV per share of 72.2p. Further details of the changes in respect of FRS 21 and FRS 26 can be found on page 9.

# Chairman's Statement

## Performance

I am pleased to report that the Company's total return to shareholders for the six months to 31st March 2006 was +18.6%. This return comprises the 17.1% rise in the Company's share price from 73.0p to 85.5p, and a net dividend of 0.9p per share that was paid to shareholders on 23rd December 2005.

Over the same period, the Company's total return on net assets, which comprises the percentage change in net asset value with this net dividend reinvested, was +18.2%. This compares favourably with a total return for the Company's benchmark, the MSCI Golden Dragon Index (in sterling terms), of +13.6%.

## Investment Management Arrangements

On 22nd February 2006, your Board announced that Howard Wang would continue as the Company's named Investment Manager following Ernest Liu's resignation from the Company's Investment Manager, JPMorgan Asset Management. Howard, based in Hong Kong, is Head of JPMorgan Asset Management's Greater China team, which is responsible for the day-to-day management of the Company's portfolio.

Howard has recently been joined by Emerson Yip, a highly experienced investor in the Greater China region. I would like to welcome Emerson and hope to be able to introduce him to shareholders at this year's Annual General Meeting.

## Share Issues and Share Buybacks

At the Annual General Meeting in December 2005, shareholders gave the Board the authority to issue up to 10% of the Company's shares as ordinary shares. Since then, approximately 4.6 million shares have been issued at an average premium to net asset value of 4.3%.

In addition, the authority to repurchase up to 14.99% of the Company's issued share capital was renewed at the Annual General Meeting. As previously stated, repurchases will only be made in the market at prices below the prevailing net asset value per share. At the time of writing, no shares have been repurchased under this authority, but the Board is prepared to repurchase shares for cancellation if the discount increases significantly and any repurchases would result in an increase to the net asset value per share. Since the end of the period, the Company's shares have in the main continued to trade at a premium to their net asset value.

## Change of Name

Following shareholder approval at the 2005 Annual General Meeting, the Company changed its name from JPMorgan Fleming Chinese Investment Trust plc to JPMorgan Chinese Investment Trust plc.

## Outlook

Despite recent turbulence in the market, your Board remains confident that the Greater China region will continue to offer good growth prospects in the longer-term. The Managers believe that ongoing Chinese domestic consumption, combined with careful selection of stocks, should contribute to further good performance of the Company.

## Nigel Melville

Chairman

2nd June 2006

# Investment Managers’ Review

## **Market Performance**

The Greater China region had a very strong run over the past six months – China was up 23.4%, Hong Kong up 6.0% and Taiwan up 13.8% (in sterling terms). Both China and Hong Kong’s markets improved after their lacklustre performance in the last quarter of 2005. Gains had been limited at the end of 2005 by concerns regarding higher interest rates and the lack of demand for Hong Kong properties. In addition, a number of initial public offerings (IPOs) from large Chinese companies reduced demand in the broader stockmarkets.

The strong first quarter performance was the result of continued strength in China’s domestic growth, expectations that the currency would appreciate and demand from institutional investors. The Hong Kong stockmarket also benefited from the revival of the property market after Chinese New Year, improving employment data and the fact that the market was reaching a consensus on the end of the rising interest rate cycle.

In contrast, Taiwan had a very solid end to 2005 (up 12.0% in sterling terms over the fourth quarter) but the strong rally came to an end in the first quarter of 2006, due to the seasonal weakness in technology stocks.

## **Performance of the Company**

The Company performed well over the six months, in both absolute returns and relative to its benchmark. Over the period, the net asset value of the Company rose by 18.2% versus a benchmark return of +13.6%. The Company performed better

than its benchmark mainly due to strong stock selection in Chinese consumption and commodity counters, and also Taiwanese technology stocks. In terms of country allocation, an overweight position in China and an underweight position in Taiwan also contributed to the outperformance of the Company.

## **Outlook**

Looking ahead, we believe that Chinese domestic consumption is on a growth path and will remain strong for a number of years. However, we will be increasingly selective and will continue to buy on weakness and sell into strength.

For commodities, there have been mixed views in the industry, which we believe will provide good investment opportunities. We will continue to monitor the strength of supply but, in general, accelerating global economic growth and ongoing Chinese domestic growth could prove positive for copper, coal, aluminium and steel.

Our view on Hong Kong remains unchanged – we still favour retail landlords but have added some stocks that should benefit from a rising market. As for Taiwan, we will continue to buy quality technology stocks on weakness to maximise our return in the second half of this year. We remain very cautious on our exposure to non-technology sectors.

**Howard Wang**

**Emerson Yip**

Investment Managers

2nd June 2006

# Analysis of the Portfolio

## Ten Largest Investments

as at 31st March 2006

Company	Country	Valuation £'000	%
Taiwan Semiconductor	Taiwan	4,400	7.2
Cheung Kong	Hong Kong	2,399	3.9
China Mobile	China	2,150	3.5
Hon Hai Precision	Taiwan	2,077	3.4
Petrochina	China	1,732	2.8
Bank of Communications	China	1,703	2.8
Media Tek	Taiwan	1,490	2.4
China Petroleum & Chemical	China	1,455	2.4
Novatek Microelectronics	Taiwan	1,278	2.1
Sun Hung Kai Properties	Hong Kong	1,258	2.1
<b>Total</b>		<b>19,942</b>	<b>32.6</b>

Based on total assets less current liabilities of £61.2m (2005: £50.2m).

As at 30th September 2005, the value of the ten largest investments amounted to £18,378,000 representing 36.6% of total assets less current liabilities.

## Analysis of Portfolio

	Portfolio 31st March 2006	Benchmark 31st March 2006	Portfolio 30th Sept 2005 (Restated)	Benchmark 30th Sept 2005
Geographic	%	%	%	%
Taiwan	35.2	42.4	26.2	43.0
China	31.7	15.8	43.4	23.3
Hong Kong	28.7	41.8	28.2	33.7
Singapore	3.4	—	0.4	—
Net current assets	1.0	—	1.8	—

Based on total assets less current liabilities of £61.2m (2005: £50.2m).

	Portfolio 31st March 2006	Benchmark 31st March 2006	Portfolio 30th Sept 2005 (Restated)	Benchmark 30th Sept 2005
Sector	% <sup>1</sup>	%	% <sup>1</sup>	%
Information Technology	32.2	26.4	20.6	25.6
Financials	25.0	29.8	21.7	28.0
Consumer Discretionary	9.2	6.0	11.9	6.5
Energy	8.9	7.0	10.5	6.7
Industrials	8.4	9.7	15.4	11.2
Materials	8.4	6.6	4.1	6.3
Telecommunication Services	5.5	7.7	13.3	8.4
Consumer Staples	1.4	1.1	—	0.9
Net current assets	1.0	—	1.8	—
Utilities	—	5.7	0.7	6.4

<sup>1</sup>Non-benchmark stocks have been classified by best fit based on the stock industry.

Based on total assets less current liabilities of £61.2m (2005: £50.2m).

# Income Statement

(Unaudited)

for the six months ended 31st March 2006

	Six months to 31st March 2006			Six months to 31st March 2005			Year to 30th September 2005 (Restated) <sup>1</sup>		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	return	return	return	return	return	return	return	return	return
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Realised gains on investments	—	4,122	4,122	—	646	646	—	2,919	2,919
Unrealised gains on investments	—	4,713	4,713	—	1,253	1,253	—	6,126	6,126
Currency gains/(losses) on cash and short-term deposits held during the period	—	17	17	—	10	10	—	(6)	(6)
Other capital charges	—	(12)	(12)	—	(24)	(24)	—	(42)	(42)
Overseas dividends	239	—	239	94	—	94	1,410	—	1,410
Scrip dividends	34	—	34	10	—	10	105	—	105
Deposit interest	14	—	14	34	—	34	49	—	49
Stocklending fees	—	—	—	6	—	6	6	—	6
<b>Gross return</b>	<b>287</b>	<b>8,840</b>	<b>9,127</b>	144	1,885	2,029	1,570	8,997	10,567
Management fee	(264)	—	(264)	(200)	—	(200)	(423)	—	(423)
Other administrative expenses	(142)	—	(142)	(143)	—	(143)	(284)	—	(284)
Performance fee	—	(406)	(406)	—	(175)	(175)	—	(211)	(211)
<b>(Loss)/return before finance costs and taxation</b>	<b>(119)</b>	<b>8,434</b>	<b>8,315</b>	(199)	1,710	1,511	863	8,786	9,649
Finance costs	(1)	—	(1)	—	—	—	—	—	—
<b>(Loss)/return before taxation</b>	<b>(120)</b>	<b>8,434</b>	<b>8,314</b>	(199)	1,710	1,511	863	8,786	9,649
Taxation	(134)	132	(2)	(7)	—	(7)	(222)	69	(153)
<b>(Loss)/return attributable to shareholders</b>	<b>(254)</b>	<b>8,566</b>	<b>8,312</b>	(206)	1,710	1,504	641	8,855	9,496
<b>(Loss)/return per ordinary share</b>	<b>(0.36)p</b>	<b>12.20p</b>	<b>11.84p</b>	(0.31)p	2.58p	2.27p	0.96p	13.23p	14.19p
<b>Dividend per ordinary share</b>	<b>Nil</b>			Nil			0.90p		

<sup>1</sup>The results for the year ended 30th September 2005 have been restated in accordance with Financial Reporting Standard 21. More details are given in the accounting policies notes on page 9.

All reserve 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 results for the year ended 30th September 2005 are a non-statutory version of the full report and accounts for that year, which have been filed with the Registrar of Companies on which the auditors reported under Section 235 of the Companies Act 1985. The report contained no qualifications or any statement under Section 237 (2) or (3) of the said Act.

# Reconciliation of Movements in Shareholders' Funds

(Unaudited)

	Called-up share capital £'000	Share premium account £'000	Exercised warrant reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Capital redemption reserve £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
<b>At 30th September 2004</b>									
<b>(as restated)<sup>1</sup></b>	<b>16,522</b>	<b>3,335</b>	<b>3</b>	<b>(20,531)</b>	<b>1,251</b>	<b>581</b>	<b>37,476</b>	<b>988</b>	<b>39,625</b>
Shares issued	581	1,069	–	–	–	–	–	–	1,650
Net capital return from ordinary activities	–	–	–	3,595	5,260	–	–	–	8,855
Net revenue return from ordinary activities	–	–	–	–	–	–	–	641	641
Dividends appropriated in the year	–	–	–	–	–	–	–	(616)	(616)
<b>At 30th September 2005</b>									
<b>(as restated)<sup>1</sup></b>	<b>17,103</b>	<b>4,404</b>	<b>3</b>	<b>(16,936)</b>	<b>6,511</b>	<b>581</b>	<b>37,476</b>	<b>1,013</b>	<b>50,155</b>
Adjustment to opening shareholders' funds at 1st October 2005 due to adoption of FRS 26	–	–	–	–	(116)	–	–	–	(116)
Shares issued	1,059	2,388	–	–	–	–	–	–	3,447
Net capital return from ordinary activities	–	–	–	7,040	1,526	–	–	–	8,566
Net revenue return from ordinary activities	–	–	–	–	–	–	–	(254)	(254)
Dividends appropriated in the year	–	–	–	–	–	–	–	(620)	(620)
<b>At 31st March 2006</b>	<b>18,162</b>	<b>6,792</b>	<b>3</b>	<b>(9,896)</b>	<b>7,921</b>	<b>581</b>	<b>37,476</b>	<b>139</b>	<b>61,178</b>

<sup>1</sup>The results for the year ended 30th September 2005 have been restated in accordance with Financial Reporting Standard 21. More details are given in the accounting policies notes on page 9.

# Balance Sheet

(Unaudited)

	31st March 2006	31st March 2005	30th September 2005 (Restated) <sup>1</sup>
	£'000	£'000	£'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss:			
Taiwan	21,569	8,086	13,128
China	19,382	17,663	21,779
Hong Kong	17,570	12,238	14,180
Singapore	2,107	199	182
<b>Total investments at fair value</b>	<b>60,628</b>	38,186	49,269
<b>Net current assets</b>	<b>589</b>	2,876	924
<b>Total assets less current liabilities</b>	<b>61,217</b>	41,062	50,193
Deferred taxation	(39)	(35)	(38)
<b>Total net assets</b>	<b>61,178</b>	41,027	50,155
<b>Financed by:</b>			
Ordinary shareholders' funds	61,178	41,027	50,155
<b>Net asset value per ordinary share</b>	<b>84.2p</b>	61.3p	73.3p
<b>Ordinary share price</b>	<b>85.5p</b>	60.5p	73.0p
<b>Share price premium/(discount) to net asset value</b>	<b>1.5%</b>	(1.3)%	(0.4)%

<sup>1</sup>The results for the year ended 30th September 2005 have been restated in accordance with Financial Reporting Standard 21. More details are given in the Accounting Policies notes on page 9.

The results for the year ended 30th September 2005 are a non-statutory version of the full report and accounts for that year, which have been filed with the Registrar of Companies on which the auditors reported under Section 235 of the Companies Act 1985. The report contained no qualifications or any statement under Section 237 (2) or (3) of the said Act.

# Cash Flow Statement

(Unaudited)

	<b>Six months to 31st March 2006 £'000</b>	Six months to 31st March 2005 £'000	Year to 30th September 2005 £'000
Net cash (outflow)/inflow from operating activities	<b>(299)</b>	(81)	615
Net cash outflow from returns on investments and servicing of finance	<b>(1)</b>	—	—
Net cash (outflow)/inflow from capital expenditure and financial investment	<b>(2,437)</b>	582	(3,154)
Total equity dividends paid	<b>(620)</b>	(661)	(661)
Net cash inflow from financing	<b>3,447</b>	514	1,650
<b>Increase/(decrease) in cash for the period</b>	<b>90</b>	354	(1,550)

# Accounting Policies

These interim financial statements have been prepared on the basis of the accounting policies set out in the Company's Annual Report and Accounts dated 30th September 2005, except as stated below.

The Company has adopted certain new accounting policies due to the issue of new financial reporting standards (FRSs) and the revised Statement of Recommended Practice 'Financial statements of investment trust companies' (SORP) by the AITC in December 2005. Further details on how these accounts have been affected are given below.

The new FRSs and the SORP have also given rise to some changes in the presentation. The Statement of Total Return is now called the Income Statement and the total return column, as opposed to the revenue column, is now the profit and loss account of the Company. There is also a new primary statement, the Reconciliation of Movement in Shareholders' Funds.

## **Valuation of Investments**

The Company's investments have been designated by the Board as held at 'fair value through profit and loss', which is a term defined in FRS 26: 'Financial Instruments: Measurement'. The consequences of this election are that investments are valued at bid market prices and that realised and unrealised gains or losses on investments are taken to the profit and loss account. This represents a change in accounting policy, but in accordance with paragraph 108D of FRS 26, comparatives have not been restated. In prior periods investments were valued at last traded price. The adoption of bid prices on 1st October 2005 reduced the published value of investments by £116,000.

## **Transaction Costs**

For the purpose of these accounts, transaction costs are defined as costs such as stamp duty and broker commissions incurred in the sale and purchase of investments. FRS 26 and the SORP require that where investments are designated as 'fair value through profit or loss', the transaction costs should be disclosed.

The transaction costs on purchases for the six months to 31st March 2006 are £153,000 (30th September 2005: £238,000; 31st March 2005: £134,000). The transaction costs on sales for the six months to 31st March 2006 are £160,000 (30th September 2005: £253,000; 31 March 2005: £134,000). These costs include stamp duty and broker commission and are included in purchases and netted off against sales.

## **Dividends**

FRS 21: 'Events after the Balance Sheet Date' states that final dividends which are not approved by shareholders until after the balance sheet date should not be recognised as a liability of the Company at the balance sheet date. Prior results have accordingly been restated and this has led to an increase in net assets attributable to shareholders of £616,000 at 30th September 2005.

# Information about the Company

## Financial Calendar

<b>Financial year end</b>	<b>30th September</b>
<b>Interim results announced</b>	<b>June</b>
<b>Final results announced</b>	<b>November</b>
<b>Dividend on ordinary shares paid</b>	<b>December, if any</b>
<b>Annual General Meeting</b>	<b>December</b>

### History

The Company was launched in October 1993 by a public offer of shares which raised £60 million before expenses.

The name of the Company was changed to JPMorgan Fleming Chinese Investment Trust plc on 13th December 2001 and to JPMorgan Chinese Investment Trust plc on 14th December 2005.

### Directors

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

### Company Numbers

Company registration number: 2853893  
London Stock Exchange code: 0343501  
Bloomberg code: JMC LN  
Reuters code: JMC.L

### Market Information

The Company's net asset value (NAV) 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 Guardian*, *The Times*, *The Daily Telegraph*, *The Independent*, *The Herald*, *The Scotsman*, BBC Ceefax and on the Company's website site at [www.jpchin.com](http://www.jpchin.com), where the share price is updated every fifteen minutes during trading hours.

### Share Transactions

The Company's shares may be dealt in directly through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account (ISA), and the Personal Equity Plan (PEP).

### Taxation

The Company is managed so as to maintain approval as an investment trust by the Inland Revenue and, as such, is exempt from capital gains tax on profits arising from the sale of its investments.

### Manager and Secretary

JPMorgan Asset Management (UK) Limited

### Company's Registered Office

Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ

*Please contact Lucy Sullivan for company secretarial issues and administrative matters at the above address, or telephone 020 7742 6000.*

### Registrars

#### Lloyds TSB Registrars

Reference 1078, The Causeway, Worthing,  
West Sussex, BN99 6DA

Telephone 0870 600 3984

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

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

### Savings Plan Administrators

For queries on the JPMorgan ISA, PEP, Share Plan or Pension Account, see contact details overleaf.

### Auditors

#### PricewaterhouseCoopers LLP

Southwark Towers, 32 London Bridge Street,  
London SE1 9SY

### Brokers

#### Winterflood Securities

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

Telephone 020 7621 0004



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Please use this service if you have any queries relating to the Pension Account.

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