



# Interim Report 07

## JPMorgan Chinese Investment Trust plc

Interim Report for the six months ended 31st March 2007

# 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 10% 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 in sterling terms.

## Risk

Investors should note that there can be significant economic and political risks inherent in investing in an emerging economy such as China. As such, the Chinese market 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

The Company has an authorised share capital of 125,000,000 ordinary shares of 25p each, of which 75,462,001 were in issue as at 31st March 2007.

## Management company

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

## AIC

The Company is a member of the Association of Investment Companies.

# Interim Performance

Total Returns (capital plus income)

**+22.2%**

Total return to shareholders<sup>1</sup>

**+20.4%**

Total return on net assets<sup>2</sup>

**+12.5%**

Benchmark total return<sup>3,4</sup>

Financial Data	31st March 2007	30th Sept 2006	% Change
Total net assets (£'000)	73,016	60,508	+20.7
Number of ordinary shares in issue	75,462,001	73,987,001	+2.0
Net asset value per ordinary share	96.8p	81.8p	+18.3
Ordinary share price	94.5p	78.0p	+21.2
Discount of share price to net asset value	2.4%	4.6%	

**A glossary of terms and definitions is provided on page 13.**

<sup>1</sup> Source: Standard & Poor's – [www.funds-sp.com](http://www.funds-sp.com).

<sup>2</sup> Source: Fundamental Data Ltd. – [www.funddata.com](http://www.funddata.com).

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

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

# Chairman's Statement



Nigel Melville

I am pleased to report that the Company's total return to shareholders for the six months ended 31st March 2007 was +22.2%. This return comprises the 21.2% rise in the Company's share price from 78.0p to 94.5p, and a net dividend of 0.7p per share that was paid to shareholders on 22nd December 2006.

Over the same period, the Company's total return on net assets, which comprises the percentage change in net asset value with the net dividend reinvested, was +20.4%. This compares favourably with a total return for the Company's benchmark, the MSCI Golden Dragon Index (in sterling terms), of +12.5%.

## Share Issues and Share Buybacks

At an Extraordinary General Meeting in August 2006, shareholders gave the Board authority to issue up to approximately 22 million new shares in the Company, representing 30% of the total shares in issue. Since then, and following the Annual General Meeting in December 2006, 1,475,000 shares have been issued at an average premium to net asset value of 3.91%.

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. In mid January 2007, the Company's shares moved to trading at a discount to their net asset value. At the time of writing, 2,791,000 shares have been repurchased under this authority at an average discount of 11.3% and are held in Treasury to be re-issued at a premium when market conditions suit, or subsequently cancelled if no demand is forthcoming.

## Outlook

The Chinese government and market regulators are becoming ever more concerned about the growing risk of an asset bubble in China. In an attempt to defuse the rising mania in A Shares, China's Ministry of Finance recently decided to raise the stamp duty on A share trades from 0.1% to 0.3%. Our investment managers believe that this move appears to have been successful in cooling the domestic stock markets in China and is expected to have little impact on the real economy, given that domestic consumption measures did not respond to the boom in domestic stock markets. Your Board remains comfortable about the growth prospects in China, although the outlook for Taiwan and Hong Kong is less certain at this time.

**Nigel Melville**

Chairman

14th June 2007

## Investment Managers' Report



Howard Wang

The Company delivered strong absolute and relative performance for the six months under review with the total return on net assets up 20.4% against the benchmark of 12.5%.



Emerson Yip

### Market Review

Similar to many other Asian markets, the Greater China region performed strongly over the six month period to 30th March 2007. China was up 26.4%, Hong Kong gained 9.7% and Taiwan had a mild 4.1% return (in sterling terms).

The Chinese market had a very strong last quarter in 2006 but then faced a heavy sell-off in the first quarter of 2007, with very high volatility during the review period. The heavily subscribed initial public offering ('IPO') for the Industrial & Commercial Bank of China, together with positive news about the preliminary government approval of a tax unification scheme (resulting in lower tax rates for much of the listed stock universe), helped to close 2006 at a historic high level. However, following the Chinese New Year in February 2007, markets became more concerned about global liquidity conditions and continuing policy tightening news in China. The market had a brief setback in the last week of February, but has now recovered and continues to set new historic high levels.

The Hong Kong market initially lagged as investors anticipated an upcoming peak to the cycle of rising asset prices. Sentiment was bolstered by potential corporate activity involving index heavyweight Hutchison, as well as a record-breaking luxury land auction. After the traditional Chinese New Year rally, the market encountered a heavy sell-off due to the increasing risk of further policy tightening in China and a general risk reduction globally as exemplified by the unwinding of Japanese Yen carry trades. Worries about the sub-prime mortgage market in the US further dampened sentiment. Since economic growth and corporate earnings in Hong Kong remained supportive, the stock market recovered its losses after the Federal Reserve kept US interest rates unchanged.

After a flat month in October, Taiwan was buoyed in November by a potential multi-billion dollar private equity bid for ASE, one of the world's top back-end semiconductor companies, underlining the mismatch in this market between growth, liquidity and valuations. The market turned less exciting at the beginning of 2007, especially in the technology sector, due to weak earnings results in the fourth quarter of 2006 and muted near-term guidance. The banking sector underperformed on weaker-than-expected preliminary 2006 earnings.

# Investment Managers' Report continued

## Performance

The Company delivered strong absolute and relative performance for the six months under review with the total return on net assets up 20.4% against the benchmark of 12.5%. This outperformance was largely achieved by our good stock selection in Chinese financials, Chinese consumption, Hong Kong property and also Taiwan technology. In terms of country allocation, our overweight position in China at the expense of Hong Kong and Taiwan also benefited the performance of the Company. The Company also participated in the domestic China A shares market by investing in the JF China Pioneer A Share Fund which contributed positively to its performance during the period.

## Outlook

Data from the US will continue to be volatile, but the impact on Greater China (even including Taiwan) is overstated. We used the sharp sell-off to shift away from Taiwan domestic stocks into China. While the China market faces some headwinds, given limited scope for earnings upgrades this season, economic fundamentals remain very strong and governmental tightening measures have had some success in preventing overheating. We believe that government policies will remain accommodating given its "pro-growth" nature and overall economic growth should remain promising, despite moderating in 2007. Fundamentally, we remain comfortable about the growth prospects of the financial and property sectors as well as selective retailers, and will see the recent correction as a buying opportunity to increase our exposure to quality. In contrast, we are less sanguine on Taiwan as the domestic economy remains more correlated to developed economy fundamentals. We also expect to see pressure on technology companies when they announce their results for the first quarter of 2007 and we will add to our exposure on selected quality technology stocks during bouts of weakness. The Hong Kong stock market is likely to be range-traded given the lack of near-term catalysts. Having said that, we believe that downside risks seem to be slim, thanks to the support of continued liquidity, positive economic fundamentals and corporate earnings. The Company's core strategies remain unchanged, i.e. overweight in China domestic consumption and financials, selectively overweight quality Taiwanese technology companies based on recent weakness, selectively overweight global success stories listed in Hong Kong and underweight in Taiwan domestic sectors, energy in China and banks in Hong Kong.

**Howard Wang**  
**Emerson Yip**

Investment Managers

14th June 2007

# Ten Largest Investments

at 31st March 2007

<b>Company</b>	<b>Country*</b>	<b>Valuation £'000</b>	<b>Total Assets %<sup>1</sup></b>
JF China Pioneer 'A' Share Fund	China	5,729	7.8
China Mobile	China	5,008	6.8
Taiwan Semiconductor Manufacturing Corporation	Taiwan	4,724	6.5
Hon Hai Precision Industry	Taiwan	3,066	4.2
China Life Insurance	China	2,613	3.6
Cathay Financial	Taiwan	2,159	2.9
PetroChina	China	2,076	2.8
Bank of China	China	2,023	2.8
Cheung Kong	Hong Kong	2,018	2.8
Formosa Chemicals & Fibre	Taiwan	1,943	2.7
<b>Total<sup>2</sup></b>		<b>31,359</b>	<b>42.9</b>

\* Categorised by MSCI geographical region.

<sup>1</sup> Based on total assets less current liabilities of £73.2m.

<sup>2</sup> As at 30th September 2006, the value of the ten largest investments amounted to £23,469,000, representing 38.8% of total assets less current liabilities.

# Portfolio Analyses

## Geographical Analysis

	at 31st March 2007		at 30th September 2006	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
China	45.9	22.1	41.1	29.5
Taiwan	36.5	37.1	35.2	40.4
Hong Kong	22.5	40.8	26.3	30.1
Net current liabilities	(4.9)	–	(2.6)	–

Based on total assets less current liabilities of £73.2m (2006: £60.5m).

## Sector Analysis

	at 31st March 2007		at 30th September 2006	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials (including Property)	42.7	32.3	38.8	30.8
Information Technology	24.5	23.1	26.5	25.7
Materials	9.2	7.8	5.6	6.2
Consumer Discretionary	9.0	6.2	9.9	6.0
Telecommunication Services	7.6	8.5	8.0	8.3
Industrials	6.0	9.3	3.1	9.2
Energy	4.9	6.9	8.2	7.4
Utilities	1.0	4.7	2.5	5.3
Consumer Staples	–	1.2	–	1.1
Net current liabilities	(4.9)	–	(2.6)	–

Based on total assets less current liabilities of £73.2m (2006: £60.5m).

Non-benchmark stocks have been classified into the appropriate sector.

# Income Statement

for the six months ended 31st March 2007

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31st March 2007</b>			<b>(Unaudited)</b> <b>Six months ended</b> <b>31st March 2006</b>			<b>(Audited)</b> <b>Year ended</b> <b>30th September 2006</b>		
	<b>Revenue</b> <b>£'000</b>	<b>Capital</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>	<b>Revenue</b> <b>£'000</b>	<b>Capital</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>	<b>Revenue</b> <b>£'000</b>	<b>Capital</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Gains from investments held at fair value through profit or loss</b>	–	12,726	12,726	–	8,823	8,823	–	6,076	6,076
Net foreign currency gains/(losses)	–	57	57	–	17	17	–	(32)	(32)
Income from investments	222	–	222	273	–	273	1,538	–	1,538
Other interest receivable and similar income	11	–	11	14	–	14	24	–	24
<b>Gross return</b>	233	12,783	13,016	287	8,840	9,127	1,562	6,044	7,606
Management fee	(331)	–	(331)	(264)	–	(264)	(554)	–	(554)
Performance fee	–	(869)	(869)	–	(406)	(406)	–	(59)	(59)
Other administrative expenses	(200)	–	(200)	(142)	–	(142)	(298)	–	(298)
<b>Net (loss)/return on ordinary activities before finance costs and taxation</b>	(298)	11,914	11,616	(119)	8,434	8,315	710	5,985	6,695
Finance costs	(105)	–	(105)	(1)	–	(1)	(10)	–	(10)
<b>Net (loss)/return on ordinary activities before taxation</b>	(403)	11,914	11,511	(120)	8,434	8,314	700	5,985	6,685
Taxation	(6)	–	(6)	(134)	132	(2)	(165)	19	(146)
<b>Net (loss)/return on ordinary activities after taxation</b>	(409)	11,914	11,505	(254)	8,566	8,312	535	6,004	6,539
<b>(Loss)/return per share (note 3)</b>	(0.55)p	15.96p	15.41p	(0.36)p	12.20p	11.84p	0.74p	8.34p	9.08p

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. 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

for the six months ended 31st March 2007 (unaudited)

	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>At 30th September 2006</b>	18,497	7,560	3	581	37,476	(4,537)	928	60,508
Shares issued	369	1,152	–	–	–	–	–	1,521
Total return/(loss) from ordinary activities	–	–	–	–	–	11,914	(409)	11,505
Dividends appropriated in the period	–	–	–	–	–	–	(518)	(518)
<b>At 31st March 2007</b>	18,866	8,712	3	581	37,476	7,377	1	73,016

## Six months ended 31st March 2006 (unaudited)

	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>At 30th September 2005</b>	17,103	4,404	3	581	37,476	(10,425)	1,013	50,155
Adjustment to opening shareholders' funds at 1st October 2005 to reflect the adoption of bid prices	–	–	–	–	–	(116)	–	(116)
Shares issued	1,059	2,388	–	–	–	–	–	3,447
Total return/(loss) from ordinary activities	–	–	–	–	–	8,566	(254)	8,312
Dividends appropriated in the period	–	–	–	–	–	–	(620)	(620)
<b>At 31st March 2006</b>	18,162	6,792	3	581	37,476	(1,975)	139	61,178

## Year ended 30th September 2006 (audited)

	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>At 30th September 2005</b>	17,103	4,404	3	581	37,476	(10,425)	1,013	50,155
Adjustment to opening shareholders' funds at 1st October 2005 to reflect the adoption of bid prices	–	–	–	–	–	(116)	–	(116)
Shares issued	1,394	3,156	–	–	–	–	–	4,550
Total return from ordinary activities	–	–	–	–	–	6,004	535	6,539
Dividends appropriated in the year	–	–	–	–	–	–	(620)	(620)
<b>At 30th September 2006</b>	18,497	7,560	3	581	37,476	(4,537)	928	60,508

# Balance Sheet

as at 31st March 2007

	(Unaudited) 31st March 2007 £'000	(Unaudited) 31st March 2006 £'000	(Audited) 30th September 2006 £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss:			
China	33,543	19,382	24,888
Taiwan	26,684	21,569	21,310
Hong Kong	16,506	17,570	15,917
Singapore	–	2,107	–
<b>Total investments at fair value</b>	76,733	60,628	62,115
<b>Current assets</b>			
Debtors	449	1,211	650
Cash at bank and in hand	1,046	1,708	1,216
	1,495	2,919	1,866
<b>Creditors: amounts falling due within one year</b>	(5,064)	(2,330)	(3,452)
<b>Net current (liabilities)/assets</b>	(3,569)	589	(1,586)
<b>Total assets less current liabilities</b>	73,164	61,217	60,529
Provisions for liabilities and charges			
Deferred tax	(21)	(39)	(21)
Performance fee	(127)	-	-
<b>Total net assets</b>	73,016	61,178	60,508
<b>Capital and reserves</b>			
Called up share capital	18,866	18,162	18,497
Share premium	8,712	6,792	7,560
Exercised warrant reserve	3	3	3
Capital redemption reserve	581	581	581
Other reserve	37,476	37,476	37,476
Capital reserve	7,377	(1,975)	(4,537)
Revenue reserve	1	139	928
<b>Shareholders' funds</b>	73,016	61,178	60,508
<b>Net asset value per share (note 4)</b>	96.8p	84.2p	81.8p

# Cash Flow Statement

for the six months ended 31st March 2007

	(Unaudited) Six months ended 31st March 2007 £'000	(Unaudited) Six months ended 31st March 2006 £'000	(Audited) Year ended 30th September 2006 £'000
Net cash (outflow)/inflow from operating activities	(377)	(299)	341
Net cash outflow from returns on investments and servicing of finance	(95)	(1)	(10)
Taxation paid	(1)	–	(11)
Net cash outflow from capital expenditure and financial investment	(2,148)	(2,437)	(6,527)
Dividend paid	(518)	(620)	(620)
Net cash inflow from financing	2,912	3,447	6,473
<b>(Decrease)/increase in cash for the period</b>	<b>(227)</b>	<b>90</b>	<b>(354)</b>

# Notes to the Accounts

for the six months ended 31st March 2007

## 1. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' dated 31st December 2005.

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

The accounting policies applied to these interim accounts are consistent with those applied in the accounts for the year ended 30th September 2006.

	(Unaudited) Six months ended 31st March 2007 £'000	(Unaudited) Six months ended 31st March 2006 £'000	(Audited) Year ended 30th September 2006 £'000
<b>2. Dividends paid</b>			
Final dividend in respect of the year ended 30th September 2006 of 0.70p (2005: 0.90p) <sup>1</sup>	518	620	620

<sup>1</sup> No interim dividend has been declared in respect of the six months ended 31st March 2007 (2006: nil).

	(Unaudited) Six months ended 31st March 2007 £'000	(Unaudited) Six months ended 31st March 2006 £'000	(Audited) Year ended 30th September 2006 £'000
<b>3. (Loss)/return per share</b>			
(Loss)/return per share is based on the following:			
Revenue (loss)/return	(409)	(254)	535
Capital return	11,914	8,566	6,004
Total return	11,505	8,312	6,539
Weighted average number of shares in issue	74,660,078	70,206,809	71,968,636
Revenue (loss)/return per share	(0.55p)	(0.36p)	0.74p
Capital return per share	15.96p	12.20p	8.34p
Total return per share	15.41p	11.84p	9.08p

## 4. Net asset value per share

Net asset value per share is based on the net assets attributable to the ordinary shareholders of £73,016,000 (31st March 2006: £61,178,000 and 30th September 2006: £60,508,000) and on the 75,462,001 (31st March 2006: 72,647,001 and 30th September 2006: 73,987,001) shares in issue at the period end.

## 5. Accounts for the year ended 30th September 2006

The figures and financial information for the year ended 30th September 2006 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 237(2) or 237(3) of the Companies Act 1985.

# Information about the Company

## Financial Calendar

Financial year end	30th September
Interim results announced	May/June
Final results announced	November
Dividends on ordinary shares paid	December
Annual General Meeting	December

## History

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

## Directors

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

## Company Numbers

Company registration number: 2853893  
 London Stock Exchange number: 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 Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan website at [www.jpchinse.co.uk](http://www.jpchinse.co.uk) where it is updated every 15 minutes during trading hours.

## Website

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

## Share Transactions

The 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 Investment Trust Share Plan, Individual Savings Account ('ISA'), Personal Equity Plan ('PEP') and the Pension Account.

## Manager and Secretary

JPMorgan Asset Management (UK) Limited

## Company's Registered Office

Finsbury Dials  
 20 Finsbury Street  
 London EC2Y 9AQ  
 Telephone: 020 7742 6000

Please contact Lucy Dina for company secretarial and administrative matters.

## 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 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).

## 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 3100 0000

## Savings Products Administrators

For queries on the JPMorgan ISA, PEP, Share Plan or Pension Account, see contact details on the back cover of this report.

A member of the AIC

**aic**

The Association of  
 Investment Companies

# Glossary of Terms

## **Total Return to Shareholders**

Total return to the investor, on a mid-market price to midmarket price basis, assuming that all dividends received (net of tax) were reinvested in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

## **Total 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 (net of tax) were reinvested in the shares of the Company at 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 (net of tax) were reinvested in the shares of the underlying companies at time the shares were quoted ex-dividend. The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the stated index.

## **Discount/Premium**

If the share price of an investment company is lower than the net asset value ('NAV') per share, the trust is said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company to trade at a discount than a premium.

**JPMorgan Helpline**

Freephone 0800 40 30 30 or 0207 742 9999  
9.00 am to 5.30 pm Monday to Friday

**JPMorgan Pension Helpline**

Freephone 0800 41 31 76 or 0172 241 4888  
9.00 am to 5.00 pm Monday to Friday

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

Your telephone call may be recorded for your security.

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