



Annual Report **08**

JPMorgan Chinese
Investment Trust plc

Annual Report & Accounts for the year ended 30th September 2008

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 in sterling terms.

Risk

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

Capital Structure

The Company has an authorised share capital of 175,000,000 ordinary shares of 25p each (of which 75,462,001 were in issue as at 30th September 2008, including 4,779,000 shares held in treasury) and 14,136,600 subscription shares of 1p each (of which 14,136,407 were in issue as at 30th September 2008).

Continuation Vote

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

Management Company

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

Financial Results

Total Returns (capital plus income)

-34.7%

Return to shareholders¹
(2007: +80.8%)

-36.3%

Return on net assets²
(2007: +85.7%)

-32.3%

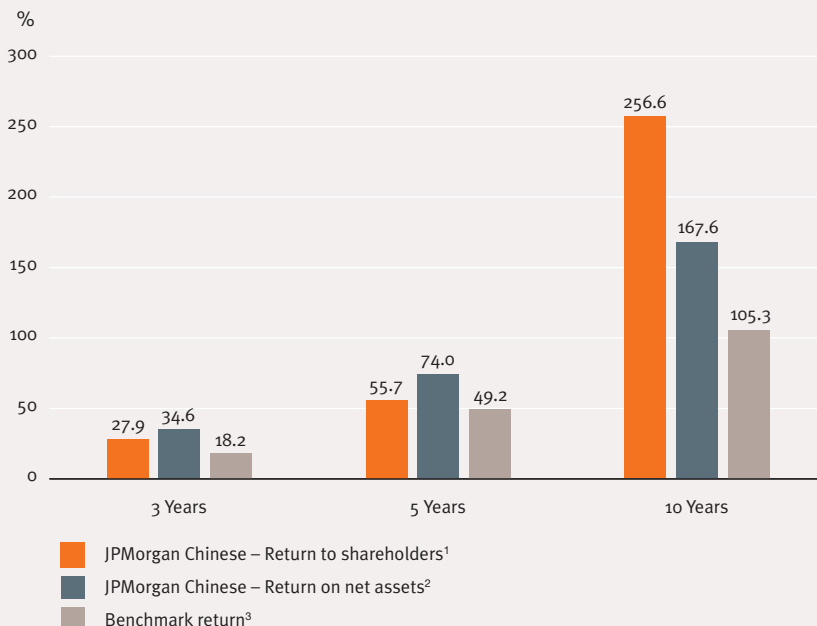
Benchmark return³
(2007: +55.5%)

0.5p

Dividend
(2007: 0.5p)

Long Term Performance

for periods ended 30th September 2008



A glossary of terms and definitions is provided on page 51.

¹Source: Standard & Poor's – www.funds.morningstar.com

²Source: Fundamental Data – www.funddata.com

³Source: Datastream. The benchmark is a composite based on 40% Hang Seng Index, 40% Taiwan Weighted Index and 20% Prime Peregrine China Index from 1st October 1998 to 1st October 2001, and the MSCI Golden Dragon Index thereafter. The benchmark return is calculated on a total return basis in sterling terms.

Chairman's Statement



Performance

The year to 30th September 2008 proved a difficult one for investors globally, as economic conditions continued to deteriorate in a period of unprecedented volatility. The Greater China markets were of no exception, with negative returns offsetting most of the positive performance of the previous year. It is disappointing to report that the Company's total return on net assets, which comprises the percentage change in net asset value ('NAV') with the net dividend reinvested, was -36.3%, underperforming the Company's benchmark, the MSCI Golden Dragon Index (in sterling terms), which returned -32.3%. The Company's share price return of -34.7% was marginally better, reflecting a narrowing of the discount from 6.7% to 4.8%.

Revenue and Dividends

Revenue for the year, after taxation, was £364,000 (2007: £386,000) and earnings per share, calculated on the weighted average number of shares in issue during the year, was 0.51 pence (2007: 0.52 pence).

Given the Company's surplus on its Revenue Account, the Board is recommending a dividend of 0.5 pence (2007: 0.5 pence) per share in respect of the financial year ended 30th September 2008. Subject to shareholders' approval at the Annual General Meeting, the dividend will be paid on 19th December 2008 to shareholders on the register at close of business on 21st November 2008.

Whilst it is the Company's policy to distribute substantially all the available income each year, shareholders should note that the Company's objective remains that of long term capital growth and dividends will vary accordingly.

Gearing

The Company has an £8 million revolving credit facility with Lloyds TSB Bank, which matures at the end of January 2010. This facility gives the Investment Managers the ability to gear tactically. The Board has given the Investment Managers the flexibility to set gearing within the range of 90% to 115% invested. At the time of writing, the Company was 93% invested, reflecting the Investment Managers' cautious approach to current market conditions.

Bonus Issue of Subscription Shares

At the Company's General Meeting held on 14th April 2008, shareholders approved the bonus issue of subscription shares as described in the Company's prospectus dated 18th March 2008, with the aim of enlarging the Company. A total of 14,136,407 subscription shares were listed and trading commenced on 16th April 2008. Subscription shares were issued to qualifying shareholders on the basis of one subscription share for every five ordinary shares held. Each subscription share confers the right (but not the obligation) to subscribe for one ordinary share on 15th May 2009 and at the end of each 12 month period thereafter until 15th May 2013. The conversion prices of the subscription shares, calculated as at the close of business on 11th April 2008 and based on the Company's net asset value of 129.19 pence, are as follows: 131 pence if subscription share rights are exercised in May 2009; 143 pence if subscription share rights are exercised in May 2010; and 168 pence if subscription share rights are exercised in May 2011, 2012 or 2013. The bonus cost for the calculation of taxation on capital gains is shown on page 17.

Continuation Vote

At the General Meeting held in April 2008, shareholders also resolved that the Company continue as an investment trust for the period until the end of the Annual General Meeting to be held in 2013. The continuation vote was brought forward in line with the five year life of the subscription shares, to ensure that the subscription share rights were not affected by the Company's five yearly continuation vote schedule.

Companies Act and New Articles of Association

In order to comply with the provisions of the Companies Act 2006, shareholders approved the Company's adoption of new Articles of Association at the General Meeting held on 14th April 2008. The new Act is being introduced in stages and is expected to be fully enacted by 1st October 2009. Details of the changes to the Company's Articles were provided in the notes to the Shareholder Circular dated 18th March 2008. Copies of the Circular can be obtained from the Company Secretary whose details are shown on page 47.

Share Issues and Repurchases

The Directors consider it to be in the interests of shareholders that the Company's share price reflects, as closely as possible, the NAV per share. At the General Meeting held on 14th April 2008, shareholders gave the Board authority to issue up to approximately 50 million new ordinary shares in the Company. In addition, the authority to repurchase up to 14.99% of the Company's issued ordinary share capital was renewed. As previously stated, repurchases will only be made in the market at prices below the prevailing NAV per share. At the time of writing, no shares have been repurchased and cancelled under this authority. However, during the year to 30th September 2008, 663,000 shares were bought back and held in Treasury to be re-issued at a premium when market conditions suit, or subsequently cancelled if no demand is forthcoming. The Board is seeking shareholder authority to disapply pre-emption rights on the sale of shares held in Treasury at the forthcoming Annual General Meeting.

At the General Meeting held on 14th April 2008, shareholders also gave the Board authority to buy back up to 14.99% of the issued subscription share capital. Repurchase of subscription shares will be made at the discretion of the Board and only when market conditions are appropriate.

The Board believes that its active policy of share issuance and share buybacks has helped to reduce discount volatility and recommends that the buyback authorities be kept in place. Accordingly, we are seeking approval from shareholders to renew these buyback authorities at the forthcoming Annual General Meeting.

Corporate Governance

The Company operates in accordance with corporate governance best practice and the Board is committed to the highest standards of corporate governance applicable under the Combined Code and the Association of Investment Companies ('AIC') Code of Corporate Governance for Investment Trusts. Comprehensive compliance statements can be found in the Corporate Governance section of this report on pages 21 to 24.

In August 2008, the Nomination Committee of the Board met and carried out an evaluation of the Directors, the Chairman, the Board itself and its committees, the results of which were satisfactory. The Board takes this review seriously and views it as an effective means of evaluating the continuing efficacy of the Board.

Review of services provided by the Manager

During the year the Board carried out a thorough review of the services provided by the Manager, noting in particular the performance against the benchmark in both the past year and over the longer term. Following this review, the Board has concluded that the continued appointment of the Manager on the terms agreed is in the interests of the shareholders as a whole.

The fees payable to the Manager comprise a fixed basic management fee of 1% of total assets per annum and a performance related fee of 15% of any

Chairman's Statement continued

outperformance of the NAV total return over the benchmark. The amount of the latter fee actually payable to the Manager is capped at 1% in any one year, with any excess being carried forward and either paid out (subject to the 1% cap) or absorbed by any underperformance in subsequent years.

The underperformance in this financial year has absorbed £579,000 of the £3,613,000 performance fee carried over from the previous year. In accordance with the terms of the arrangement, a performance fee of £3,034,000 remains payable, of which, under the cap arrangement, £997,000 is payable now and £2,037,000 is carried forward.

The Company's expenses for the financial year as a percentage of the average of the opening and closing net assets (the 'Total Expense Ratio') was 1.88% before accounting for the performance fee. This ratio has increased as a result of the Company's reduction in NAV, although still compares favourably with those of similar funds.

Board of Directors

In accordance with the Company's Articles of Association, Sir Andrew Burns will retire by rotation at the forthcoming Annual General Meeting and offers himself for re-election. In addition, having served as a Director for more than nine years, I offer myself for re-election on an annual basis. Your Board does not believe that length of service in itself should disqualify a Director from seeking re-election and, in proposing my re-election, it has taken into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its Committees. The Nomination Committee has met to consider the attributes and contributions of the individuals concerned and, following this review, has no hesitation in recommending their re-elections at the Annual General Meeting.

Annual General Meeting

This year's Annual General Meeting will be held on Tuesday 16th December 2008 at 11.00 a.m. at the Armourers' Hall, 81 Coleman Street, London EC2R 5BJ. In addition to the formal proceedings, there will be a presentation by a representative of the Investment Management team, who will also be available to respond to questions on the Company's portfolio and investment strategy. I look forward to seeing as many of you as possible at the meeting. Shareholders who are unable to attend the Annual General Meeting in person are encouraged to use their proxy votes.

Post Balance Sheet Event

Since the year end and at the date of this report, global economic conditions have continued to deteriorate, resulting in a reduction to the Company's NAV from 95.4 pence per share at 30th September 2008 to 85.7 pence per share at 7th November 2008.

Outlook

For the short term at least, economic conditions will remain challenging for Greater China equity markets, with the impact of tightening credit, financial system de-leveraging and slowing growth likely to weigh heavily on investor sentiment. Despite these difficulties, the Board remains confident in the long term growth potential of Greater China region companies and in the Investment Managers' ability to deliver outperformance.

Nigel Melville
Chairman

10th November 2008

Investment Managers' Report



Howard Wang

In the 12 months ended 30th September 2008, the Company produced a total return on net assets of -36.3% against a benchmark return of -32.3% , an underperformance of 4.0% . This underperformance follows a period of strong relative and absolute performance for the Company in each of the previous three financial years.

Within the Greater China markets in which we invest, the MSCI China Index fell 40.5% in sterling terms during the year to 30th September 2008, whilst the domestic A-Share market measured by CSI 300 Index fell 51.1% , Hong Kong's Hang Seng Index declined 23.9% and Taiwan's TWSE Index lost 29.4% .

At the portfolio level, our decision to be overweight in China relative to Hong Kong and Taiwan detracted from performance. The Company's gearing, which averaged 102.3% over the financial year, also contributed marginally to underperformance.

At the individual stock level, Chinese shares listed in Hong Kong contributed positively to relative performance but Taiwan and Hong Kong stock selection proved to be big detractors. Our decision to be overweight in Chinese financials resulted in positive returns, with our holdings in China Construction Bank, China Merchants Bank as well as China's largest life insurance provider, China Life, all reporting positive earnings. China Construction Bank for example, posted a 51% increase in second half profits on higher lending margins.



Emerson Yip

The Company's holding in the JF China Pioneer 'A' Share Fund was the largest detractor at the stock level. The mainland based A-Share market corrected sharply as risk aversion among retail investors in China rose, causing a flight to cash. Our decision not to own some defensive utility stocks in Hong Kong – where valuations are at a premium to the broader index coupled with slower long-term growth prospects – also hurt performance, as did our stock selection within the China property sector. Near term volatility will continue in sectors such as real estate, where property demand in Chinese cities has as much as halved since the government raised minimum down payment requirements and increased mortgage rates to cool home prices earlier this year. Given the worsening global credit crisis, we expect the Chinese Government to introduce more positive stimulus initiatives to help the domestic market recover. We continue to believe that urbanisation and regeneration trends in urban China will continue to drive long-term domestic demand and hence we are maintaining our position in select, quality mainland names.



Kevin Chan

China Market Performance

China's market rally, which began as far back as March 2007, continued into the third quarter of 2007 on the back of strong macroeconomic growth as well as encouraging corporate earnings data. Chinese equities began to sell-off, however, when plans to allow domestic Chinese retail investors to invest directly into Hong Kong stocks, the so-called "through train" arrangements, were delayed by the mainland government. Sentiment in subsequent quarters became driven by profit-taking and lingering concerns over the impact of the US sub-prime crisis on the region, as well as China's rising inflation and domestic credit tightening. During the winter, China continued to struggle with inflation as snow storms and damaged crops caused infrastructure bottlenecks, prompting the government to issue price controls on some consumer staples. Inflation accelerated to 8% , mainly driven by higher prices of food, petroleum and raw materials.

Equities continued to consolidate in the second quarter of 2008 with a mild rebound in April and a subsequent sell-off triggered by the devastating earthquake in Sichuan. However, inflation began to abate and the economy showed some signs of cooling off.



Shumin Huang

Investment Managers' Report continued

Performance Attribution for the year to 30th September 2008

Contributions to Total Returns	%
Benchmark Total Return	-32.3
Asset Allocation	-1.7
Stock Selection	-1.5
Gearing/Cash	-0.4
Currency	0.4
Investment Manager Contribution	-3.2
Portfolio Total Return	-35.5
Management Fees/ Other Expenses	-1.6
Performance Fee	0.6
Share Repurchases	0.2
Other Effects	-0.8
Net Asset Value Total Return	-36.3
Decrease in Discount	1.6
Share Price Total Return	-34.7

Source: Xamin/JPMAM and Fundamental Data.
All figures are on a total return basis.

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

A glossary of terms and definitions is provided on page 51.

In the three months to 30th September 2008, Chinese equity markets deteriorated dramatically (the MSCI China Index fell almost 17%), along with other global bourses. Concerns shifted from rising inflation to doubts over the sustainability of Chinese GDP growth running above 10% in the future. Economic data in August showed materially slower growth in China, reflecting the results of the government's tightening measures adopted over the past year, as well as the Olympics-related restrictions. Now facing slower growth and easing inflation pressure (the change in Consumer Price Index fell notably to 4.9% from the peak of 8.7% in February), the Chinese government has clearly reorientated towards a pro-growth stance. For example, China has recently implemented a number of policies to support the domestic A-Share markets, hoping to limit the extent of the panic sell-off.

Market Outlook

Economic conditions remain challenging globally given the combination of tight credit, financial system de-leveraging and slowing growth. China equity markets will be operating against these global headwinds and as a result, absolute share price performance will likely be more linked to global capital flows than domestic economies or corporate earnings. We continue to expect slowing Chinese inflation as food prices moderate, which should underpin the relatively stronger case for Chinese equities in 2009. Valuations of China now are around 8x price/earnings ('P/E') with 14% earnings growth forecasted for 2009. On P/E to growth measures, China still looks very solid compared to its peers. In addition, our expectation remains that further policy actions could come from the mainland government in the fourth quarter of 2008 in an attempt to offset the inevitability of slowing export and domestic growth. China continues to have more fiscal and monetary policy flexibility at its disposal than almost any other country in the world.

Hong Kong

Market Performance

In Hong Kong, strong demand for China stocks pushed the stock market significantly higher until October 2007 when the China market started to correct. The traditional Chinese New Year rally in February proved to be short-lived and risk aversion prevailed. Investors were briefly comforted by a positive and expansionary government budget on the back of a HK\$116 billion fiscal surplus for the year 2007-2008. Inflationary worries in China dampened investor sentiment but the local property market remained robust. An improving job market helped to hold up domestic demand while a lower unemployment rate led to a modest wage increase. Rising inflation brought negative real interest rates into sharper focus.

Volatility prevailed into the second quarter of 2008 and like China, Hong Kong experienced a moderate rebound in April. Hong Kong's economic growth appeared to remain resilient despite the slowing US economy and the cooling-off of China's growth. Property launches were still receiving strong take-ups, but stocks began to see heavy sell-offs as investors took a more cautious view of global growth and the expanding credit crisis.

During the third quarter of 2008, property market activity in Hong Kong turned negative in the face of weak investor sentiment. With the difficulty of replenishing land banks at favourable prices, the major developers slowed down their property releases to wait for better times. The moderation in Hong Kong's economic performance was also a cause of concern resulting in the Hang Seng Index dropping 18.5% in the 3 months ended 30th September 2008.

Market Outlook

Hong Kong may see another downturn given its economic reliance on financial services, global trade and property prices, all of which are likely to weaken further. However, household and corporate balance sheets are strong with high levels of savings and corporate cash. We are yet to see any positive catalysts for

real estate prices, although some property stocks appear to be overly discounted. Economic growth is slowing rapidly after the 1.4% contraction in the second quarter of 2008. Trade figures are likely to be sluggish and the recent negative developments in the job market are worrisome. Domestic demand in Hong Kong is likely to weaken further.

Taiwan

Market Performance

The Taiwan market fell modestly in the fourth quarter of 2007, but the new year began on a positive note as fourth quarter 2007 GDP growth rose 6.4% year on year, lifted by strong exports. The market continued to rally in February 2008 after the Kuomintang party won the legislative elections and their candidate Ma Ying-Jeou secured the presidential election by a landslide vote against the Democratic Progressive Party. The new Government had big plans to reform cross-straits relations, which investors believed would have a positive effect on the domestic Taiwanese economy.

From mid May 2008, the stock market fell sharply as oil prices reached new highs and investors worried about the economy entering 'stagflation'. The new government cut energy subsidies which caused inflation to spike and investors realised that improving cross-straits ties with China would take years, rather than months, to impact the broader economy.

In the three months ended 30th September 2008, the Taiwan market continued to weaken, despite the Government's decision to cut the discount rate by 12.5bps to 3.5% (the first rate cut in four years) and tighten the rules for shorting stocks. The Taiwan technology sector performed better than expected, mainly because the earnings downgrades were already reflected in equity prices and companies continued to pay out high proportions of their cash as dividends. However, the broader market remained very weak, influenced by global events and the increasing likelihood of an OECD led recession.

Market Outlook

We expect domestic property prices and the volume of transactions to fall further in addition to the weak stock market. The credit tightening cycle worldwide will hurt companies with high gearing and those that require additional capital. In the handset and desktop PC sectors, growth will certainly decelerate. However, certain new product introductions such as "netbook", a low-price notebook optimised for few specific tasks, especially internet access, should see strong demand because of its attractive price points. We expect the corporate sector to send conservative indications for the fourth quarter of 2008 and first quarter of 2009 and analysts should follow to revise down their earnings forecasts further into 2009. At that point investors may see valuations of the Taiwanese stock market close to the bottom. We continue to focus on companies with superior earnings quality and strong balance sheets.

Howard Wang
Emerson Yip
Kevin Chan
Shumin Huang

Investment Managers

10th November 2008

Summary of Results

	2008	2007	
Total Returns for the year ended 30th September			
Return to shareholders ¹	-34.7%	+80.8%	
Return on net assets ²	-36.3%	+85.7%	
Benchmark return ³	-32.3%	+55.5%	
Net Asset Value, Share Price and Discount at 30th September			
			% change
Shareholders' funds (£'000)	67,435	106,969	-37.0
Net asset value per share	95.4p	149.9p	-36.4
Ordinary share price	90.8p	139.8p	-35.1
Discount of ordinary share price to net asset value	4.8%	6.7%	
Ordinary shares in issue ⁴	70,683,001	71,346,001	
Subscription share price	7.5p	—	
Subscription shares in issue	14,136,407	—	
Revenue for the year ended 30th September			
Gross revenue return (£'000)	2,336	1,887	+23.8
Net revenue attributable to shareholders (£'000)	364	386	-5.7
Revenue per share	0.51p	0.52p	-1.9
Dividend per share	0.5p	0.5p	—
Actual Gearing Factor at 30th September			
	99.6%	106.6%	
Total Expense Ratio (excluding performance fee)			
	1.88%	1.34%	

A glossary of terms and definitions is provided on page 51.

¹Source: Standard & Poor's – www.funds.morningstar.com

²Source: Fundamental Data – www.funddata.com

³Source: Datastream. The benchmark is the MSCI Golden Dragon Index in sterling terms.

⁴Excluding shares held in Treasury.

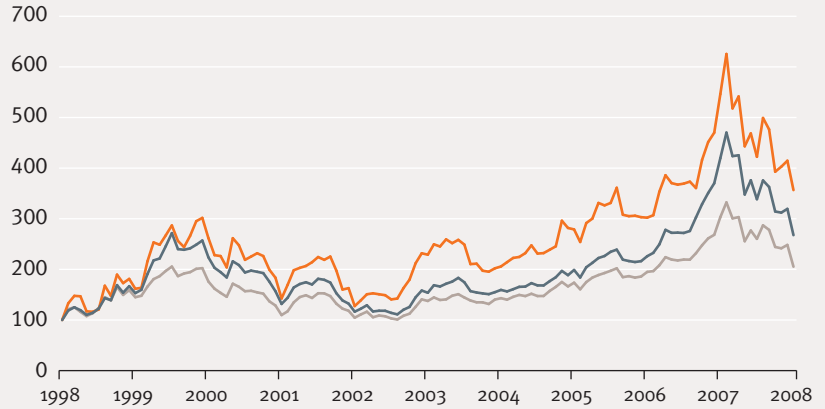
Performance

- JPMorgan Chinese – Share price
- JPMorgan Chinese – Net asset value
- Benchmark

Source: Standard & Poor's – www.funds.morningstar.com/
 Fundamental Data – www.funddata.com/Datastream

Ten Year Performance

Figures have been rebased to 100 at 30th September 1998

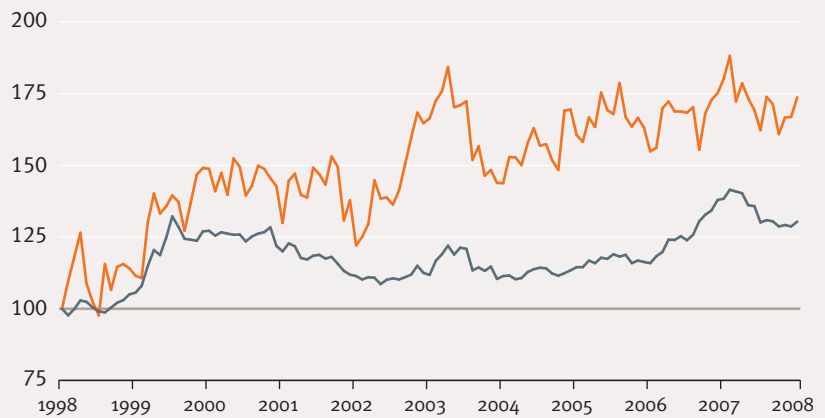


- JPMorgan Chinese – Share price
- JPMorgan Chinese – Net asset value
- Benchmark

Source: Standard & Poor's – www.funds.morningstar.com/
 Fundamental Data – www.funddata.com/Datastream

Performance Relative to Benchmark

Figures have been rebased to 100 at 30th September 1998



Ten Year Financial Record

As at 30th September	1998	1999	2000	2001	2002	2003	2004	2005¹	2006	2007	2008
Total assets less current liabilities (£'m)	22.9	34.6	49.1	28.6	25.3	33.9	39.0	50.2	60.5	107.0	67.4
Net asset value per share (p)	37.8	57.3	83.6	49.2	43.5	57.5	59.0	73.3	81.8	149.9	95.4
Ordinary share price (p)	27.3	43.5	70.3	38.3	34.3	61.5	54.8	73.0	78.0	139.8	90.8
(Discount)/Premium of ordinary shares (%)	(27.8)	(24.1)	(15.9)	(22.2)	(21.1)	7.0	(7.1)	(0.4)	(4.6)	(6.7)	(4.8)
Subscription share price (p)	—	—	—	—	—	—	—	—	—	—	7.5
Actual gearing factor (%)	89.8	104.2	102.4	98.2	87.0	94.7	93.6	98.2	102.7	106.6	99.6
Year to 30th September											
Revenue attributable to shareholders (£'000)	307	82	(102)	(140)	171	399	664	641	535	386	364
Revenue per share (p)	0.51	0.14	(0.17)	(0.24)	0.30	0.69	1.03	0.96	0.74	0.52	0.51
Dividend per share (p)	0.50	0.10	nil	nil	0.25	0.60	1.00	0.90	0.70	0.50	0.50
Total expense ratio ('TER') % (excluding performance fee)	1.63	2.10	2.15	2.02	2.42	2.05	1.80	1.60	1.55	1.34	1.88
Total expense ratio ('TER') % (including performance fee paid)	1.63	2.10	2.15	2.02	2.42	2.05	1.80	2.07	1.66	2.39	3.02
Rebased to 100 at 30th September 1998											
Share price total return ²	100.0	161.7	261.7	142.5	127.5	229.0	205.7	278.9	302.1	546.3	356.6
Net asset value total return ³	100.0	153.1	223.7	131.7	116.4	153.8	159.4	198.8	226.0	420.1	267.6
Benchmark ⁴	100.0	145.0	175.9	109.7	104.5	137.6	143.1	173.7	195.0	303.2	205.3

A glossary of terms and definitions is provided on page 51.

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

²Source: Standard & Poor's – www.funds.morningstar.com

³Source: Fundamental Data – www.funddata.com

⁴Source: Datastream. The benchmark is a composite based on 40% Hang Seng Index, 40% Taiwan Weighted Index and 20% Prime Peregrine China Index from 1st October 1998 to 1st October 2001, and the MSCI Golden Dragon Index thereafter. The benchmark return is calculated on a total return basis in sterling terms.

Ten Largest Investments

Company	Country of Listing	As at 30th September 2008		As at 30th September 2007	
		Valuation £'000	% ¹	Valuation £000	%
China Mobile China Mobile is the largest cellular telecom service provider in China.	Hong Kong	5,753	8.3	9,351	8.5
China Life Insurance China Life is China's largest life insurer and provides life, accident and health insurance.	Hong Kong	3,933	5.7	6,764	6.1
CNOOC² China National Offshore Oil Corporation ('CNOOC') is one of the largest state-owned oil giants in China, as well as the largest offshore oil and gas producer.	Hong Kong	3,456	5.0	2,220	2.0
Taiwan Semiconductor Manufacturing² Taiwan Semiconductor Manufacturing is the world's largest dedicated semiconductor foundry.	Taiwan	3,385	4.9	2,557	2.3
China Construction Bank China Construction Bank is one of the largest commercial banks in China with more than 13,800 branch outlets and 150 million active personal customer accounts.	Hong Kong	2,739	3.9	3,752	3.4
China Petroleum & Chemical China Petroleum & Chemical Corporation ('SINOPEC') is China's leading oil refiner and distributor.	Hong Kong	2,607	3.8	3,190	2.9
Hon Hai Precision Industry Hon Hai Precision Industry is the world's leading technology contract manufacturer.	Taiwan	2,576	3.7	4,257	3.8
Industrial & Commercial Bank of China² Industrial & Commercial Bank of China ('ICBC') is China's largest state owned commercial bank.	Hong Kong	2,532	3.6	—	—
JF China Pioneer 'A' Share Fund JF China Pioneer 'A' Share Fund is an open ended fund which aims to achieve long term capital growth by investing primarily in Chinese A-Shares.	China	2,606	3.7	11,069	10.0
Cheung Kong Cheung Kong is Hong Kong's leading multi-national conglomerate. It is one of the largest developers of residential, commercial and industrial properties in Hong Kong and the holding company for its interests in Hutchinson.	Hong Kong	2,336	3.4	4,331	3.9
Total³		31,923	46.0		

¹Based on total assets less current liabilities of £69.5m (2007: £110.6m).

²Not included in the ten largest investments at 30th September 2007.

³As at 30th September 2007, the value of the ten largest investments amounted to £53.6m representing 48.5% of total assets less current liabilities.

Portfolio Analyses

Geographic Analysis

	30th September 2008		30th September 2007	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Taiwan	28.0	31.3	21.7	31.2
Hong Kong	25.4	25.1	26.9	24.3
Hong Kong H-Shares	25.3	24.8	27.8	26.2
Hong Kong Red Chip Shares	14.2	18.3	11.9	18.0
China A-Shares	3.8	—	10.8	—
China Shanghai B-Shares	—	0.3	1.1	0.1
China Shenzhen B-Shares	—	0.2	0.8	0.2
China Other	—	—	2.1	—
Net current assets/(liabilities)	3.3	—	(3.1)	—
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £69.5m (2007: £110.6m).

Sector Analysis

Sector	30th September 2008		30th September 2007	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials (including property)	38.8	33.8	41.1	32.0
Information Technology	19.6	19.5	19.1	20.9
Telecommunication Services	13.8	11.7	8.6	10.3
Energy	10.4	9.1	7.7	9.1
Industrials	5.8	8.6	8.6	9.7
Utilities	4.1	5.4	1.5	3.5
Consumer Discretionary	2.4	4.4	8.6	5.3
Materials	1.8	5.9	7.1	7.6
Consumer Staples	—	1.6	0.8	1.6
Net current assets/(liabilities)	3.3	—	(3.1)	—
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £69.5m (2007: £110.6m).

Investment Activity

year to 30th September 2008

	Value at 30th September 2007		Purchases £'000	Sales £'000	Changes in value £'000	Value at 30th September 2008	
	£'000	%				£'000	£'000
Taiwan	23,908	21.0	46,470	42,134	(8,796)	19,448	28.9
Hong Kong	29,788	26.1	43,484	47,102	(8,506)	17,664	26.3
Hong Kong H-Shares	31,595	27.7	26,081	28,132	(11,935)	17,609	26.2
Hong Kong Red Chips	13,197	11.6	7,358	7,441	(3,262)	9,852	14.7
China A-Shares	11,069	9.7	1,913	6,081	(4,295)	2,606	3.9
China Other	2,365	2.1	1,840	1,767	(2,438)	—	—
Shanghai B-Shares	1,184	1.0	4	866	(322)	—	—
Shenzhen B-Shares	910	0.8	—	908	(2)	—	—
Total Portfolio	114,016	100.0	127,150	134,431	(39,556)	67,179	100.0

List of Investments

at 30th September 2008

Company	Valuation £'000	Company	Valuation £'000
Taiwan		Hong Kong H-Shares	
Taiwan Semiconductor Manufacturing	3,385	China Life Insurance	3,933
Hon Hai Precision Industry	2,576	China Construction Bank	2,739
Chunghwa Telecom	2,312	China Petroleum & Chemical	2,607
Cathay Financial	1,365	Industrial & Commercial Bank of China	2,532
AU Optronics	1,321	China Vanke	1,356
HTC	1,300	China Merchants Bank	1,308
Media Tek	1,259	China Shenhua Energy	1,134
Chinatrust Financial	947	BOC Hong Kong	545
Siliconware Precision	887	China Railway Construction	449
Acer	865	China National Building Material	349
First Financial	695	China Shipping Development	333
Far Eastern Textile	678	China Shipping Container Lines	324
Formosa Plastic	476		17,609
Powertech Technology	445	Hong Kong – Red Chip Shares	
Wistron	372	China Mobile	5,753
Shin Zu Shing	338	CNOOC	3,456
Chroma ATE	212	China Resources Power	643
Asia Cement	15		9,852
	19,448	China A-Shares	
Hong Kong		JF China Pioneer Fund 'A' Share Fund ¹	2,606
Cheung Kong	2,336		2,606
Cheung Kong Infrastructure	2,280	Total Portfolio	
Hang Seng Bank	1,687	67,179	
Sun Hung Kai Properties	1,456	¹ Unlisted investment.	
Hutchison Whampoa	1,338	There are no fixed interest holdings in the portfolio.	
China Netcom	1,042	A glossary of terms and definitions is provided on page 51.	
Hong Kong Exchanges & Clearing	1,012		
Tencent	996		
Wharf	897		
Hang Lung Properties	677		
Kerry Properties	631		
Beijing Enterprise	598		
Li Ning	585		
Parkson Retail	568		
Hutchison Telecommunications	502		
Asia Cement China	377		
Esprit	301		
Bosideng International	247		
Dah Sing Financial	134		
	17,664		

Board of Directors



Nigel Melville (Chairman of the Board and Nomination Committee)

A Director since February 1997. Appointed Chairman in December 2003.

Chairman of Matrix Income & Growth 2 VCT plc, and a Director of a number of public and private companies. Between 1972 and 1995, he was an investment banker, latterly the Director of Barings responsible for international corporate finance. In 1995 he established Melville Partners to provide strategic consultancy to international companies. He has been involved in business in the Greater China region for over twenty years.



William Knight (Chairman of the Audit Committee)

A Director since April 2004.

Founder partner of Emerisque Capital, an "East-West" private equity management buy-in investment company. He has been involved with the Greater China Region for more than 25 years initially as a specialist in financing major capital projects at Lazard Brothers and later in various capacities for Lloyds Bank International, where he was responsible for its merchant banking activities throughout Asia, based in Hong Kong, and later as Managing Director of Lloyds Bank Fund Management. He is on the Board of the Greater China Corporation, a New York based public company that structures direct investment into China.



Sir Andrew Burns, KCMG

A Director since December 2003.

British Consul-General to Hong Kong and Macau from 1997 to 2000. A career British diplomat since 1965, he had extensive experience of Asia, including the Indian sub-continent and South-East Asia as well as Greater China, and was Assistant Under Secretary of State (Asia), FCO from 1990 to 1992 and Deputy Under Secretary of State (non-Europe, trade and investment) from 1995 to 1997. He was British Ambassador to Israel from 1992 to 1995 and British High Commissioner to Canada from 2000 to 2003. He is Chairman of the Council of Royal Holloway, University of London and a Director of Aberdeen All Asia Investment Trust plc and MGIC plc.



Irving Koo, OBE

A Director since February 2005.

Managing Director of Trion Pacific Limited, a Hong Kong-based consultancy specialising in marketing and communication solutions. He was formerly a Director of Jardine Pacific Limited and more recently Group Marketing & Corporate Relations Director of CLP Holdings. He was also Chairman of the British Chamber of Commerce in Hong Kong from 1998 to 2000 and is currently an executive committee member of the Hong Kong Management Association.



Madam Yujiang Zhao

A Director since February 2005.

Director and Senior Adviser of Mahon China, a foreign private equity management firm in China. She has been active in China's capital markets for the last twenty years. She spent six years as an economist at the State Commission for Restructuring the Economic Systems in the '80s, and also acted as Managing Director of a foreign investment bank responsible for operations in China for nine years.

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

Directors' Report

The Directors present their report for the year ended 30th September 2008.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue and Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30th September 2007. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 30th September 2007 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 to 4, and in the Investment Managers' Report on pages 5 to 7.

Objective

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

Investment Policies and Risk Management

In order to achieve its objective, the Company invests in a diversified portfolio and employs a Manager with a strong focus on research and company visits that enables it to identify what it believes to be the most attractive stocks in the region.

Investment risks are managed by diversifying investment over a number of 'Greater China' companies in three different countries. The number of investments in the company will normally range between 40 and 70. The Company seeks to manage its risk relative to its benchmark index by limiting the active portfolio exposure to the various countries, sectors and stocks covered by the benchmark index and, in some cases, to specific stocks. The maximum permitted active exposure to each of the countries is 25% above or below the benchmark index weighting.

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

The Company does not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts). The Company does not invest more than

10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

Investment Limits and Restrictions

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

- As a result of market growth, the maximum permitted exposure to each individual company is 12.5% of the Company's total assets, with the exception of China Mobile and JF China Pioneer 'A' Share Fund which is 15.0%.
- At time of purchase, the maximum permitted exposure to each individual company is 10.0% of the Company's total assets, and 12.5% for China Mobile and JF China Pioneer 'A' Share Fund.
- The maximum permitted exposure to group or related companies is 15% of the Company's total assets.
- The maximum permitted exposure to mid-cap stocks (a stock with a market capitalisation of below US\$500m) is 45% (including market movement) without Board permission.
- The Company will not normally invest in derivative instruments, although it can undertake derivative actions against existing holdings in the portfolio up to a value of 5%.
- The Company does not normally invest in unquoted investments and no more than 10% of the Company's total assets can be invested in unquoted investments.
- The Company's actual gearing is not to exceed 115% without Board permission.

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

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

Performance

In the year to 30th September 2008, the Company produced a total return to shareholders of -34.7% and a total return on net assets of -36.3%. This compares with the return on the Company's benchmark index of -32.3%. As at 30th September 2008, the value of the Company's investment portfolio was £67.2m. The Investment Managers' Report on pages 5 to 7 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total loss for the year amounted to £36,975,000 (2007: £55,604,000 return) and net total loss after deducting

Directors' Report continued

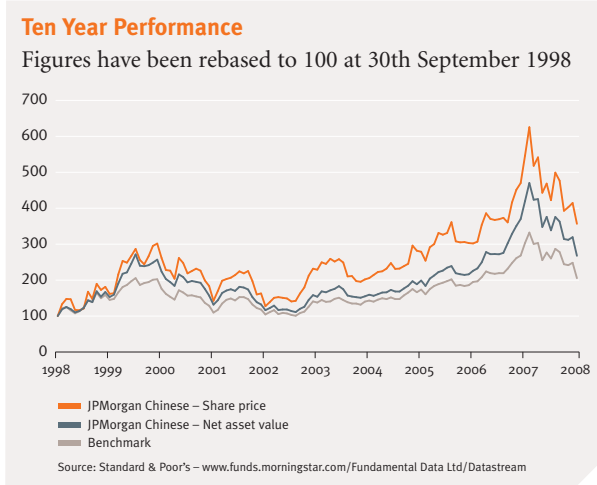
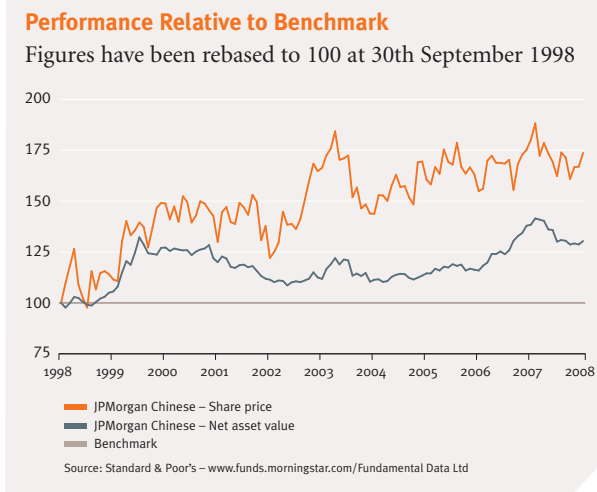
the management fee, performance fee, other administration expenses, finance costs and taxation amounted to £38,320,000 (2007: £49,570,000 return).

The Directors recommend a final dividend of 0.5 pence (2007: 0.5 pence) per share payable on 19th December 2008 to holders on the register at the close of business on 21st November 2008. This distribution will amount to £353,000 (2007: £357,000). No other dividends were paid in respect of the year. The revenue reserve after transfer of the dividend will amount to £450,000 (2007: £439,000).

Key Performance Indicators ('KPIs')

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

- **Performance against the benchmark**
This is the most important KPI by which performance is judged.

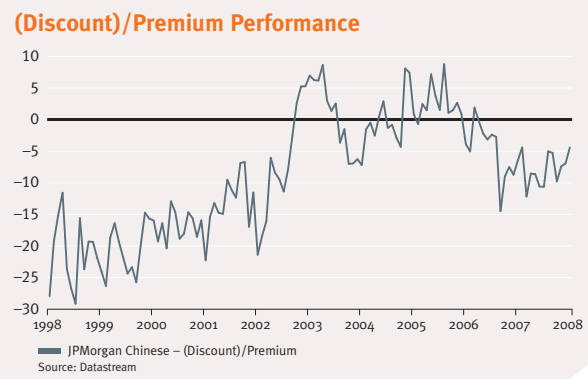


- **Performance against the Company's peers**
The principal objective is to achieve capital growth and outperformance relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

- **Performance attribution**
The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 30th September 2008 are given in the Investment Managers' Report on page 6.

- **(Discount)/Premium to net asset value ('NAV')**
The Board operates a share issuance and share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market and thereby minimise the volatility and absolute level of the discount to NAV at which the Company's shares trade.

The Board also has the ability to purchase shares into Treasury and to issue them at a later date at a premium. Further details of the Treasury shares can be found in the Chairman's Statement on page 3 and in this Directors' Report on page 17.



- **Total expense ratio ('TER')**
The TER is an expression of the Company's management fees and all other operating expenses, excluding interest and performance fee payments, expressed as a percentage of the average of the opening and closing net assets. The TER for the year ended 30th September 2008 was 1.88% (2007: 1.34%). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers. The TER including the performance fee paid for 2008 was 3.02% (2007: 2.39%).

Share Capital

The Company has authority to issue new shares and to repurchase shares in the market for cancellation. During the year the Company repurchased a total of 663,000 ordinary shares into Treasury for a total consideration of £857,000. At 30th September 2008, the Company held 4,779,000 ordinary shares in Treasury representing 6.3% of the Company's issued ordinary share capital at the beginning of the financial year. The average price of ordinary shares repurchased into Treasury is 104.0 pence at an average discount to NAV of 11.8%. The Company will re-issue shares held in Treasury only at a premium to NAV.

The Company did not issue any shares during the year. Since the year end, and as at the date of this report, the Company has not issued or repurchased any shares.

The Board will seek shareholder approval at the forthcoming Annual General Meeting to renew the Directors' authority to repurchase shares for cancellation and to disapply pre-emption rights on the sale of shares from Treasury. More details are given on pages 19 and 20 and the full text of the resolutions is set out on page 49.

Bonus Issue of Subscription Shares

Following the passing of all the resolutions proposed at the Company's General Meeting held on 14th April 2008, shareholders approved the bonus issue of subscription shares as described in the Company's prospectus dated 18th March 2008. In terms of the subscription shares, the bonus cost for the calculation of taxation on capital gains is shown below.

Trading in subscription shares issued by the Company to qualifying shareholders commenced on 16th April 2008.

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

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

Ordinary shares:	116p
Subscription shares:	22p

Accordingly, an individual investor who on 15th April 2008 held five ordinary shares (or a multiple thereof) would have received a bonus issue of one subscription share (or the relevant multiple thereof) and would apportion the base cost of such holding 96.35% to the five ordinary shares and 3.65% to the subscription shares.

Principal Risks

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

- **Investment and Strategy:** An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported by the Manager. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the investment managers, who attend all Board meetings, and review data which show statistical measures of the Company's risk profile. The investment managers employ the Company's gearing within a strategic range set by the Board. The Board holds a separate Board meeting devoted to strategy each year.
- **Discount:** In order to manage the Company's discount, which can be volatile, the Company operates a share issuance and repurchase programme.
- **Market:** Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager.
- **Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under "Business of the Company" above. Were the Company to breach Section 842, it may lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of The Companies Acts and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Acts could result

Directors' Report continued

in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, to ensure compliance with the Companies Acts and the UKLA Listing Rules.

- **Corporate Governance and Shareholder Relations:** Details of the Company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 21 to 24.
- **Operational:** Loss of key staff by JPMAM, such as the investment managers, could affect the performance of the Company. Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included with the Internal Control section of the Corporate Governance Report on page 23.
- **Financial:** The financial risks faced by the Company include market price risk, interest rate risk, liability risk and credit risk. Further details are disclosed in note 21 on pages 41 to 46. Additional disclosures are provided this year for the first time in accordance with FRS29.
- **Political and Economic:** Administrative risks, such as the imposition of restrictions on the free movement of capital.

Future Developments

Clearly the future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments. The investment managers discuss the outlook in their report on pages 5 to 7.

Management of the Company

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

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

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of

shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Manager, noting performance against the benchmark over the long term and the quality of the support that the Company receives from JPMAM.

Management and Performance Fee

The fixed basic annual management fee is 1% per annum, including marketing expenses, of the Company's total assets less current liabilities.

In addition to the basic annual management fee, there is a performance related fee calculated at 15% of out performance of the Company's net asset value total return over the benchmark. The maximum total fee payable in any one year in respect of the fixed management fee and any performance fee is capped at 2% of the Company's average total assets less current liabilities. In effect, this caps the potential performance fee paid in any one year to 1%. Any performance fee earned in any one year in excess of the 1% cap will be carried forward until paid in full or absorbed by any underperformance in a subsequent year. The performance fee is calculated annually on 30th September, based on average total assets less current liabilities, and paid within three months of that date. An estimate is accrued monthly and reflected in the Company's published net asset value per share. The period of the performance fee calculation commenced on 1st October 2003 and restarts when outperformance of the benchmark has been achieved and a performance fee earned.

The results for the year ended 30th September 2008 gave rise to a performance fee writeback of £579,000. The cumulative performance fee was £3,034,000 of which £997,000 is payable at the end of the current year. The balance of £2,037,000 has been carried forward until paid in full or absorbed by any under performance in subsequent years.

Going Concern

The Directors consider that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. As at 30th September 2008, the Company had no outstanding trade creditors (2007: none).

Directors

The Directors of the Company at the end of the year, together with their beneficial interests in the Company's share capital, are given below:

Directors	30th September 2008		1st October 2007
	Ordinary Shares	Subscription Shares	Ordinary Shares
Sir Andrew Burns	4,682	936	4,682
William Knight	4,300	860	4,300
Irving Koo	—	—	—
Nigel Melville	50,000	10,000	50,000
Madam Yujiang Zhao	—	—	—

No changes in the above holdings have been recorded as at the date of this report.

In accordance with the Company's Articles of Association and Combined Code on Corporate Governance, the Directors retiring at the Annual General Meeting are Sir Andrew Burns and Nigel Melville who, being eligible, offer themselves for re-election by shareholders.

Nigel Melville has served as a Director for a period of more than nine years and now stands for re-election annually.

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

Disclosure of information to Auditors

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

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's auditors are unaware, and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 234 ZA of the Companies Act 1985.

Section 992 Companies Act 2006

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

Capital Structure

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

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 11 to the Notice of Annual General Meeting on page 50.

Notifiable Interests in the Company's Voting Rights

At the date of this report, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
Ordinary Shares		
Puddle Dock Nominees ¹	19,179,725	27.1

¹Held on behalf of JPMAM ISA and Share Plan participants.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Acts 1985 and 2006.

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

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as Auditors and a resolution to re-appoint them and authorise the Directors to determine their remuneration for the ensuing year, will be proposed at the Annual General Meeting.

Annual General Meeting

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

A resolution relating to the following item of special business will be proposed at the forthcoming Annual General Meeting:

(i) Authority to repurchase the Company's shares (resolution 7)

The authority to repurchase up to 14.99% of the Company's issued share capital, renewed by shareholders at a General Meeting on 14th April 2008, will expire on 14th October

Directors' Report continued

2009 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole as the repurchase of shares at a discount to NAV enhances the NAV of the remaining shares. The Board will therefore seek shareholder approval at the Annual General Meeting to renew this authority, which will last until 15th June 2010 or until the whole of the 14.99% has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on page 49. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing NAV per share, as and when market conditions are appropriate.

(ii) Authority to disapply pre-emption rights on the sale of shares out of Treasury (resolution 8)

In accordance with section 162D(1)(a) of the Companies Act 1985, the Directors have authority to sell shares held in Treasury at a premium to the Company's NAV. Resolution 8 seeks shareholder authority to disapply pre-emption rights on the sale of shares held in Treasury. The Board believes that the effective use of Treasury shares could assist the Company in improving liquidity in the Company's shares, in managing any maintenance between supply and demand and in

minimising the volatility and absolute level of the discount at which the Company's shares trade to their NAV for the benefit of shareholders as a whole. The full text of the resolution is set out in the Notice of Meeting on page 49.

Recommendation

The Board considers that resolutions 7 and 8 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which amount in aggregate to 58,982 shares representing approximately 0.1% of the existing issued ordinary share capital of the Company.

By order of the Board
Christopher Legg, for and on behalf of
JPMorgan Asset Management (UK) Limited, Secretary
10th November 2008

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 26, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

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

Role of the Board

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

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

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMAM, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board, chaired by Nigel Melville, consists of five non-executive Directors, all of whom are regarded by the Board as independent, including the Chairman. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and

brief biographical details of each Director are set out on page 14.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has considered whether a senior independent director should be appointed and has concluded that, as the Board comprises entirely of non-executive directors, this is unnecessary. The Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a maximum term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its Committees. The Company's Articles of Association require that Directors stand for re-election at least every three years. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

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

The Board confirms that Sir Andrew Burns, who retires by rotation at this year's Annual General Meeting, and Nigel Melville, who stands for annual re-election as he has served as a Director for a period in excess of nine years, continue to be effective Directors and demonstrate commitment to their role and therefore recommends their re-election.

Meetings and Committees

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

The table below details the number of Board and Committee meetings attended by each Director. During the year there were seven Board meetings, two Audit Committee meetings and two Nomination Committee meetings.

Corporate Governance continued

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Nigel Melville	7	2	2
Sir Andrew Burns	7	2	2
William Knight	6	2	2
Irving Koo	7	2	2
Madam Yujiang Zhao	7	2	2

Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in regulatory requirements that affect the Company and Directors. Directors attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board conducts a formal evaluation of the Manager, its own performance and that of its committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman. The Audit Committee Chairman leads the evaluation of the Chairman's performance. The Board as a whole evaluates the Manager, its own performance and that of its committees.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Nigel Melville, consists of all the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. A variety of sources, including the use of external search consultants, may be used to ensure that a wide range of candidates are considered.

The Committee undertakes an annual performance evaluation to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

Audit Committee

The Audit Committee, chaired by William Knight, consists of all the Directors and meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee and are satisfied that at least one member of the Audit Committee has recent and relevant financial experience.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and reviews the scope and results of the external audit, its cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external auditors. In the Directors' opinion, the auditors are considered independent. The Audit Committee also has a primary responsibility for making recommendations to the Board on the re-appointment and removal of external auditors. Representatives of the Company's auditors attend the Audit Committee meeting at which the draft Annual Report and Accounts are considered.

The Directors' statement on the Company's system of internal control is set out on page 23.

Terms of Reference

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

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders four times a year by way of the annual report and accounts, the half year financial report and two interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is given by the investment managers who review the Company's performance. During the year the Company's brokers, the investment managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 47.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of

the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 47.

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

Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM which reports any material failings or weaknesses. This arrangement is kept under review.

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

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

Management Agreement – Appointment of a manager and custodian regulated by the Financial Services Authority ('FSA'), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMAM's

Compliance department which regularly monitors compliance with FSA rules.

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

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

- reviews the terms of the management agreement and receives regular reports from JPMAM's compliance department;
- reviews reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- reviews every six months an independent report on the internal controls and the operations of JPMAM.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 30th September 2008 and to the date of approval of this Annual Report and Accounts.

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

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from the internet as follows: go to www.jpmorganassetmanagement.co.uk/institutional and within the "Commentary & Analysis" tab you will find a section on Corporate Governance.

"JPMAM is committed to delivering superior investment performance to its clients worldwide. We believe that one of the drivers of investment performance is an assessment of the corporate governance principles and practices of the companies in which we invest our clients' assets and we expect those companies to demonstrate high standards of governance in the management of their business.

Proxy voting is an important part of the corporate governance process, and we view seriously our obligation to manage the voting rights of the shares entrusted to us as we would manage any other asset. It is the policy of

Corporate Governance continued

JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable we will vote at all of the meetings called by companies in which we are invested.

In order to do this we have formulated detailed guidelines for each region, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, remuneration, as well as social and environmental issues (see below). These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote.”

Corporate Social Responsibility

The following is a summary of JPMAM’s policy statement on corporate social responsibility which has been noted by the Board:

“We believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk. We recognise that non-financial issues, such as social and environmental issues, can have an economic impact and that any company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. Our investment managers take these factors into account as part of any investment decision.”

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A of the Companies Act 1985. An ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 27.

Directors' fees were last adjusted on 1st October 2007 and for the year under review Directors' fees were paid at the following rates: Chairman £24,000 per annum; Audit Committee Chairman £21,000 and other Directors £18,000 per annum.

Directors' Remuneration¹

Director's Name	2008 £	2007 £
Nigel Melville	24,000	20,000
Sir Andrew Burns	18,000	15,000
William Knight	21,000	17,500
Irving Koo	18,000	15,000
Madam Yujiang Zhao	18,000	15,000
Total	99,000	82,500

¹Audited information.

The total Directors' fees of £99,000 (2007: £82,500) comprise £64,000 (2007: £45,000) in respect of aggregate emoluments paid to Directors and £35,000 (2007: £37,500) paid to third parties for making available the services of Directors.

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

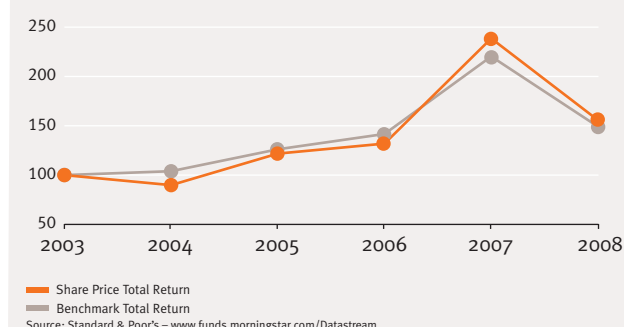
As all Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by

the Manager, JPMAM, and industry research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance related and the Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment. The Articles stipulate that aggregate fees must not exceed £150,000 per annum. Any increase in the maximum aggregate amount requires both Board and shareholder approval.

The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending the Company's business.

A graph showing the Company's share price total return compared with the return of its benchmark index, the MSCI Golden Dragon Index (in sterling terms), over the last five years is shown below.

Five year share price and benchmark total return to 30th September 2008



By order of the Board
Christopher Legg, for and on behalf of
JPMorgan Asset Management (UK) Limited, Secretary
10th November 2008

Directors' Responsibilities in Respect of the Accounts

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

Company law requires the Directors to prepare accounts for each financial year. Under that law, the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the Company as at the end of the year and of the total return for the year. In preparing those accounts, the Directors are required to:

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

The Directors confirm that they comply with these requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of

the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.jpmchinese.co.uk website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM.

Statement under the Disclosure & Transparency Rules 4.1.12

The Directors each confirm to the best of their knowledge that:

- (a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- (b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board
Nigel Melville
Chairman
10th November 2008

Independent Auditors' Report¹

To the members of JPMorgan Chinese Investment Trust plc

We have audited the accounts of the JPMorgan Chinese Investment Trust plc for the year ended 30th September 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Investment Managers' Report that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's

corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Chairman's Statement, the Investment Managers' Report, the Directors' Report, the Corporate Governance Statement and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30th September 2008 and of its net return and cash flows for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditors
London

10th November 2008

¹The accounts are published on www.jpmmchinese.co.uk, which is a website maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPAMM'). The maintenance and integrity of the website maintained by JPAMM or any of its subsidiaries is, so far as it relates to the Company, the responsibility of JPAMM. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website or any other website upon which the accounts may be published and accordingly, the auditors accept no responsibility for any changes that may occur to the accounts following presentation on a website. Visitors to any website containing the accounts need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Income Statement

for the year ended 30th September 2008

	Notes	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
(Losses)/gains from investments held at fair value through profit or loss							
	2	—	(39,414)	(39,414)	—	53,523	53,523
Net foreign currency gains		—	103	103	—	194	194
Income from investments	3	2,306	—	2,306	1,880	—	1,880
Other interest receivable and similar income	3	30	—	30	7	—	7
Gross return/(loss)							
		2,336	(39,311)	(36,975)	1,887	53,717	55,604
Management fee	4	(933)	—	(933)	(740)	—	(740)
Performance fee	4	—	627	627	—	(4,533)	(4,533)
Other administrative expenses	5	(705)	—	(705)	(379)	—	(379)
Net return/(loss) on ordinary activities before finance costs and taxation							
		698	(38,684)	(37,986)	768	49,184	49,952
Finance costs	6	(150)	—	(150)	(232)	—	(232)
Net return/(loss) on ordinary activities before taxation							
		548	(38,684)	(38,136)	536	49,184	49,720
Taxation	7	(184)	—	(184)	(150)	—	(150)
Net return/(loss) on ordinary activities after taxation							
		364	(38,684)	(38,320)	386	49,184	49,570
Return/(loss) per share (basic and diluted)							
	9	0.51p	(54.64)p	(54.13)p	0.52p	66.67p	67.19p

A final dividend of 0.5p per share (2007: 0.5p per share) is proposed in respect of the year ended 30th September 2008, costing £353,000 (2007: £357,000). More details can be found in note 8(a) on page 36.

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

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

The notes on pages 32 to 46 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30th September 2008

	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30th September 2006	18,497	7,560	3	581	37,476	(4,537)	928	60,508
Shares issued	369	1,152	—	—	—	—	—	1,521
Repurchase of shares into Treasury	—	—	—	—	(4,112)	—	—	(4,112)
Net return from ordinary activities	—	—	—	—	—	49,184	386	49,570
Dividends appropriated in the year	—	—	—	—	—	—	(518)	(518)
At 30th September 2007	18,866	8,712	3	581	33,364	44,647	796	106,969
Bonus issue of subscription shares	141	(141)	—	—	—	—	—	—
Repurchase of shares into Treasury	—	—	—	—	(857)	—	—	(857)
Net (loss)/return from ordinary activities	—	—	—	—	—	(38,684)	364	(38,320)
Dividends appropriated in the year	—	—	—	—	—	—	(357)	(357)
At 30th September 2008	19,007	8,571	3	581	32,507	5,963	803	67,435

The notes on pages 32 to 46 form an integral part of these accounts.

Balance Sheet

at 30th September 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Investments at fair value through profit or loss	10	67,179	114,016
Current assets			
Debtors	11	685	523
Cash and short term deposits		3,478	787
		4,163	1,310
Creditors: amounts falling due within one year	12	(1,870)	(4,705)
Net current assets/(liabilities)		2,293	(3,395)
Total assets less current liabilities		69,472	110,621
Provisions for liabilities and charges			
Deferred tax	7	—	—
Performance fee	13	(2,037)	(3,652)
Total net assets		67,435	106,969
Capital and reserves			
Called up share capital	14	19,007	18,866
Share premium	15	8,571	8,712
Exercised warrant reserve	15	3	3
Capital redemption reserve	15	581	581
Other reserve	15	32,507	33,364
Capital reserves	15	5,963	44,647
Revenue reserve	15	803	796
Shareholders' funds		67,435	106,969
Net asset value per share	16	95.4p	149.9p

The accounts on pages 28 to 46 were approved and authorised for issue by the Directors on 10th November 2008 and were signed on their behalf by:

William Knight

Director

The notes on pages 32 to 46 form an integral part of these accounts.

Cash Flow Statement

for the year ended 30th September 2008

	Notes	2008 £'000	2007 £'000
Net cash (outflow)/inflow from operating activities	17	(386)	380
Net cash outflow from returns on investments and servicing of finance			
Interest		(159)	(222)
Taxation paid		—	(66)
Capital expenditure and financial investment			
Purchases of investments		(126,382)	(97,597)
Sales of investments		134,215	98,340
Settlement of futures contracts		221	—
Other capital charges		(75)	(58)
Net cash inflow from capital expenditure and financial investment		7,979	685
Dividend paid		(357)	(518)
Net cash inflow before financing		7,077	259
Financing			
(Repayment)/increase in short term loans		(3,776)	1,823
Issue of ordinary shares		—	1,521
Repurchase of shares into Treasury		(857)	(4,112)
Net cash outflow from financing		(4,633)	(768)
Increase/(decrease) in cash in the year	18	2,444	(509)

The notes on pages 32 to 46 form an integral part of these accounts.

Notes to the Accounts

for the year ended 30th September 2008

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 1985, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the 'SORP') issued by the AIC in December 2005.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments at fair value.

The Company has adopted FRS 29: 'Financial Instruments: Disclosures' for the first time in these accounts. FRS 29 introduces new disclosure requirements relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in notes 21 and 22 on pages 41 to 46.

(b) Valuation of investments

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

Unlisted investments are valued at fair value by the Board. In making its valuations, the Board takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the income statement within 'Gains from investments held at fair value through profit or loss'. Gains and Losses on the realisation of investments and realised exchange differences of a capital nature are accounted for in the realised capital reserve. Increases and decreases in the valuation of investments held at the year end and unrealised exchange differences of a capital nature are accounted for in the unrealised capital reserve. Transaction costs incurred on the purchase and sale of investments are also included within this caption. All purchases and sales are accounted for on a trade date basis.

(c) Income

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

Overseas dividends are shown gross of withholding tax.

Interest receivable is taken to revenue on an accruals basis.

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

(d) Expenses

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

- performance fees are allocated 100% to capital;
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise mainly broker commission. In accordance with the SORP, disclosure of transaction costs is now required and can be found in note 10.

(e) Finance costs

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

Finance costs are allocated wholly to revenue.

(f) Financial instruments

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

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

Derivative instruments are valued at fair value and are included in current assets or current liabilities in the balance sheet. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

(g) Foreign currency

In accordance with FRS23: 'The effects of changes in Foreign Currency Exchange Rates' the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined the functional currency to be sterling.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

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

(h) Taxation

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

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

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

(i) Dividends

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

(j) VAT

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies. Further information regarding VAT on management fees is given in note 19 on page 40.

	2008	2007
	£'000	£'000
2. (Losses)/gains from investments held at fair value through profit or loss		
Gains from investments held at fair value through profit or loss based on historical cost	12,971	11,808
Amounts recognised as revaluation gains in the previous year	(33,224)	(1,939)
Realised (loss)/gains based on carrying value at previous balance sheet date	(20,253)	9,869
Net movement in revaluation gains	(19,303)	43,698
Realised gain on futures contracts	221	—
Other capital charges	(79)	(44)
Total capital (losses)/gains on investments held at fair value through profit or loss	(39,414)	53,523

Notes to the Accounts continued

	2008 £'000	2007 £'000
3. Income		
Income from listed investments:		
UK dividends	—	13
Overseas dividends	2,219	1,766
Scrip dividends	87	101
	2,306	1,880
Other income:		
Deposit interest	30	7
Total income	2,336	1,887

	2008 £'000	2007 £'000
4. Management and performance fees		
Management fee	933	732
VAT thereon	—	8
Total	933	740
Performance fee (writeback)/charge	(579)	4,485
VAT (writeback)/charge	(48)	48
Total	(627)	4,533

	2008 £'000	2007 £'000
5. Other administrative expenses		
Other management expenses	335	271
Directors' fees ¹	99	83
Subscription share costs	249	—
Auditors' remuneration for audit services	22	22
Auditors' remuneration for all other services	—	3
Total	705	379

¹Full disclosure is given in the Directors' Remuneration Report on page 25.

	2008 £'000	2007 £'000
6. Finance costs		
Interest on bank loans and overdrafts	150	232

	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
7. Taxation						
(a) Analysis of tax charge in the year						
UK corporation tax at 29% (2007: 30%)	—	—	—	—	—	—
Overseas withholding tax	184	—	184	170	—	170
Prior year adjustment	—	—	—	1	—	1
Current tax charge for the year	184	—	184	171	—	171
Deferred taxation	—	—	—	(21)	—	(21)
Total tax charge for the year	184	—	184	150	—	150

(b) Factors affecting current tax charge for the year

	£'000	2008 £'000	£'000	£'000	2007 £'000	£'000
Net return/(loss) on ordinary activities before taxation	548	(38,684)	(38,136)	536	49,184	49,720
Net return/(loss) on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 29% (2007: 30%)	159	(11,218)	(11,059)	161	14,755	14,916
Effects of:						
Non taxable capital returns	—	11,400	11,400	—	(16,115)	(16,115)
Non taxable UK dividends	—	—	—	(4)	—	(4)
Non taxable scrip dividends	(25)	—	(25)	(30)	—	(30)
Income taxed in different periods	21	—	21	(18)	—	(18)
Tax relief on capitalised expenses	182	(182)	—	(1,360)	1,360	—
Overseas withholding tax	184	—	184	170	—	170
Brought forward excess expenses utilised	(337)	—	(337)	—	—	—
Unrelieved expenses and charges	—	—	—	1,251	—	1,251
Prior year adjustment	—	—	—	1	—	1
Current tax charge for the year	184	—	184	171	—	171

(c) Deferred taxation

The provision for deferred taxation is in respect of timing differences which have originated but not reversed by the balance sheet date. The movements on the deferred taxation account are as follows:

	2008 £'000	2007 £'000
Opening balance	—	21
Credited to revenue return	—	(21)
Closing balance	—	—

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

The Company has an unrecognised deferred taxation asset of £1,145,000 based on a prospective corporation tax rate of 28% (2007: 1,437,000 based on a corporation tax rate of 30%). This has arisen from deductible expenses exceeding taxable income. It is not anticipated that this asset will be utilised in the foreseeable future.

Notes to the Accounts continued

8. Dividends

(a) Dividends paid and proposed

	2008 £'000	2007 £'000
Dividend paid		
2007 Final dividend of 0.50p (2006: 0.70p)	357	518

The final dividend has been proposed in respect of the year ended 30th September 2008 and is subject to shareholder approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 30th September 2009.

(b) Dividend for the purposes of Section 842 of the Income and Corporation Taxes Act 1988

The requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered on the basis of dividends proposed in respect of the financial year, as follows:

	2008 £'000	2007 £'000
Dividend proposed		
Final dividend proposed of 0.50p (2007: 0.50p)	353	357

The revenue available for distribution by way of dividend for the year is £364,000 (2007: £386,000).

9. Return per share (basic and diluted)

The revenue return per share is based on the earnings attributable to the ordinary shares of £364,000 (2007: £386,000) and on the weighted average number of shares in issue during the year of 70,791,482 (2007: 73,770,886) excluding shares held in Treasury.

The capital return per share is based on the capital losses attributable to the ordinary shares of £38,684,000 (2007: gains of £49,184,000) and on the weighted average number of shares in issue during the year of 70,791,482 (2007: 73,770,886) excluding shares held in Treasury.

The total return per share is based on the total loss attributable to the ordinary shares of £38,320,000 (2007: total return of £49,570,000) and on the weighted average number of shares in issue during the year of 70,791,482 (2007: 73,770,886) excluding shares held in Treasury.

The Company has in issue 14,136,407 subscription shares which are convertible into ordinary shares on 15th May 2009 and at the end of each 12 month period thereafter until 15th May 2013. The subscription shares were issued on 16th April 2008. Further details of the conversion price are given in note 14 on page 39. There was no dilution of the return per ordinary share in respect of the conversion rights attaching to the subscription shares (year ended 30th September 2007: no dilution).

	2008 £'000	2007 £'000
10. Investments		
Investments listed on a recognised investment exchange ¹	64,573	102,947
Unlisted investments	2,606	11,069
Total	67,179	114,016

	Listed overseas¹ £'000	2008 Unlisted £'000	Total £'000
Opening book cost	62,974	3,741	66,715
Opening unrealised gains	39,973	7,328	47,301
Opening valuation	102,947	11,069	114,016
Movement in the year:			
Purchases at cost	125,250	1,900	127,150
Sales – proceeds	(128,131)	(6,300)	(134,431)
Sales – realised losses on investments	(18,051)	(2,202)	(20,253)
Net movement in unrealised losses	(17,442)	(1,861)	(19,303)
Total	64,573	2,606	67,179
Closing book cost	70,316	2,089	72,405
Closing unrealised (losses)/gains	(5,743)	517	(5,226)
Total	64,573	2,606	67,179

¹ Includes warrants in listed companies.

Transaction costs on purchases during the year amounted to £330,000 (2007: £280,000) and on sales during the year amounted to £383,000 (2007: £281,000). These costs comprise mainly broker commission.

During the year, prior year unrealised gains amounting to £33,224,000 have been transferred to realised gains as disclosed in note 15.

	2008 £'000	2007 £'000
11. Current assets		
Debtors		
Securities sold for future settlement	529	313
Dividends and interest receivable	93	169
Other debtors	63	41
Total	685	523

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

Cash at bank and in hand

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

Notes to the Accounts continued

	2008 £'000	2007 £'000
12. Creditors: amounts falling due within one year		
Securities purchased for future settlement	748	67
Short term loan	—	3,632
Performance fee payable	997	872
VAT on performance fee payable	—	9
Other creditors and accruals	125	125
Total	1,870	4,705

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

	2008 £'000	2007 £'000
13. Provision for liabilities and charges		
Performance fee payable:¹		
Opening balance	3,613	—
Performance fee (writeback)/provision for the year	(579)	4,485
Amount realised during the year	(997)	(872)
Closing balance²	2,037	3,613

¹Further details of the performance fee can be found in the Directors' report on page 18.

²The balance of £2,037,000 will be carried forward until paid in full or absorbed by any under performance in subsequent years. The payment in any one year is effectively capped at 2% of the Company's average net assets less current liabilities and accordingly payment of this outstanding balance will be determined by the under/over performance of the Company in future periods but it is unlikely to take more than 3 years. The provision is not discounted.

	2008 £'000	2007 £'000
Irrecoverable VAT on performance fee payable:		
Opening balance	39	—
Irrecoverable VAT on performance fee for the year	—	48
Amount realised during the year	—	(9)
Writeback of VAT	(39)	—
Closing balance	—	39

	2008 £'000	2007 £'000
14. Called up share capital		
Authorised		
175,000,000 ordinary shares of 25p each (2007: 125,000,000)	43,750	31,250
14,136,600 subscription shares of 1p each (2007: nil)	141	—
Issued and fully paid		
Ordinary shares of 25p each		
Opening balance of 71,346,001 (2007: 73,987,001) shares excluding shares held in Treasury	17,837	18,497
Issue of nil (2007: 1,475,000) shares	—	369
Repurchase of 663,000 (2007: 4,116,000) shares into Treasury	(166)	(1,029)
Sub total	17,671	17,837
4,779,000 (2007: 4,116,000) shares held in Treasury	1,195	1,029
Closing balance ¹	18,866	18,866
Subscription shares of 1p each		
Bonus issue of 14,136,407 subscription shares	141	—
Closing balance ²	141	—

¹ Comprises 75,462,001 (2007: 75,462,001) shares of 25p each including 4,779,000 (2007: 4,116,000) shares held in Treasury.

² Comprises 14,136,407 subscription shares of 1p each (2007: nil). The subscription shares were issued as a bonus issue to the ordinary shareholders on 16th April 2008 on the basis of one subscription share for every five ordinary shares. Each subscription share confers the right (but not the obligation) to subscribe for one ordinary share on 15th May 2009 and at the end of each 12 month period thereafter until 15th May 2013 when the rights under the subscription shares will lapse. The conversion prices have been determined as follows:

- (a) if exercised in May 2009 – 131 pence.
- (b) if exercised in May 2010 – 143 pence.
- (c) if exercised in May 2011, 2012 or 2013 – 168 pence.

	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
15. Reserves							
Opening balance	8,712	3	581	33,364	890	43,757	796
Currency gains on cash and short term deposits	—	—	—	—	247	—	—
Realised losses on investments	—	—	—	—	(20,253)	—	—
Net movement in revaluation gains/(losses)	—	—	—	—	—	(19,303)	—
Realised gain on futures contracts	—	—	—	—	221	—	—
Transfer on disposal of investments	—	—	—	—	33,224	(33,224)	—
Performance fee writeback	—	—	—	—	—	579	—
Performance fee now realised	—	—	—	—	(997)	997	—
Irrecoverable VAT on performance fee writeback	—	—	—	—	9	39	—
Other capital charges	—	—	—	—	(79)	—	—
Bonus issue of subscription shares	(141)	—	—	—	—	—	—
Repurchase of shares into Treasury	—	—	—	(857)	—	—	—
Realised currency loss on repayment of loans	—	—	—	—	(144)	—	—
Unrealised currency gain on loans now realised	—	—	—	—	108	(108)	—
Dividends appropriated in the year	—	—	—	—	—	—	(357)
Net revenue for the year	—	—	—	—	—	—	364
Closing balance	8,571	3	581	32,507	13,226	(7,263)	803

Notes to the Accounts continued

15. Reserves continued

The Company may only distribute accumulated 'realised' profits. The Institute of Chartered Accountants in England and Wales, has issued guidance (TECH 01/08), stating that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed, provided the relevant assets can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence under Company Law, distributable reserves should be reduced by unrealised revaluation losses on listed investments amounting to £5,743,000 currently included within the Capital reserve – unrealised.

16. Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £67,435,000 (2007: £106,969,000) and on the 70,683,001 (2007: 71,346,001) shares in issue at the year end, excluding shares held in Treasury.

	2008 £'000	2007 £'000
17. Reconciliation of total (loss)/return on ordinary activities before taxation to net cash (outflow)/inflow from operating activities		
Total (loss)/return on ordinary activities before taxation	(37,986)	49,952
Less capital loss/(return) on ordinary activities before taxation	38,684	(49,184)
Scrip dividends received as income	(87)	(101)
Decrease/(increase) in accrued income	76	(62)
Increase in other debtors	(22)	(14)
Increase in accrued expenses	5	18
Performance fee paid	(872)	(59)
Overseas taxation	(184)	(170)
Net cash (outflow)/inflow from operating activities	(386)	380

	At 30th September 2007 £'000	Cash flow £'000	Exchange movement £'000	At 30th September 2008 £'000
18. Analysis of changes in net debt/funds				
Cash and short term deposits	787	2,444	247	3,478
Bank loans falling due within one year	(3,632)	3,776	(144)	—
Net (debt)/funds	(2,845)	6,220	103	3,478

19. Contingent assets/liabilities and capital commitments

Following a legal judgement in November 2007 HM Revenue & Customs confirmed that VAT should not be charged on investment trust management fees and that the Company is entitled to seek reimbursement of VAT paid in the past. This judgement has little impact on the Company as it has been able to recover most of the VAT suffered in the past years. However VAT amounting to £19,000 will probably be recoverable. The Board has not yet reached agreement with the Manager and therefore this asset has not been recognised in the accounts at 30th September 2008.

There were no contingent liabilities or capital commitments at the balance sheet date (2007: £nil).

20. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 18. The terms make allowance for the exclusion of management charges on investments held in funds managed JPMorgan Asset Management ('JPMAM'). The fee payable to JPMAM for the year was £933,000 (2007: £732,000) of which £nil (2007: £nil) was outstanding at the year end.

Details of the performance fee are set out in the Directors' Report on page 18. There is a performance fee payable to JPMAM for the year of £997,000 (2007: £872,000) and the whole of this amount was outstanding at the year end (2007: £872,000).

Included in other management expenses in note 5 on page 34 are safe custody fees amounting to £61,000 (2007: £51,000) of which £15,000 (2007: £14,000) was outstanding at the year end. These fees were paid to third party custodians by JPMAM on behalf of the Company.

JPMAM carries out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities for the year was £39,000 (2007: £36,000) of which £nil (2007: £nil) was outstanding at the year end.

Handling charges, incurred on dealing transactions undertaken by overseas custodians during the year, amounting to £79,000 (2007: £44,000) were payable to JPMorgan Chase of which £20,000 (2007: £16,000) was outstanding at the year end.

The Company holds an investment in JF China Pioneer 'A' Share Fund which is managed by JPMAM. At 30th September 2008 this was valued at £2.6 million (2007: £11.1 million) and represented 3.9% (2007: 9.7%) of the Company's investment portfolio. During the year the Company made purchases of this investment with a total value of £1.9 million (2007: £1.7 million) and sales with a total value of £6.3 million (2007: £1.6 million). No income was received from this investment in the current or comparative year.

At the year end, a bank balance of £3,478,000 (2007: £787,000) was held with JPMorgan Chase. A net amount of interest of £16,000 (2007: £7,000) was receivable by the Company during the year from JPMorgan Chase.

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

As an investment trust, the Company invests in equities and other securities for the long term so as secure its investment objective stated on page 15. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management.

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

The Company's financial instruments may comprise:

- investments in equity shares and an open ended company, with exposure to 'Greater China' companies, which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations;
- derivative transactions including index futures and short term forward currency contracts for the purpose of settling short term liabilities; and
- a floating rate loan facility with Lloyds TSB.

(a) Market risk

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

Notes to the Accounts continued

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

(i) Currency risk

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

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

Foreign currency exposure

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

	2008				Total £'000
	China Renminbi £'000	Hong Kong Dollar £'000	Taiwan Dollar £'000	Other £'000	
Investments at fair value through profit or loss that are monetary items	—	—	—	—	—
Current assets	—	1,076	298	898	2,272
Creditors	—	(642)	(106)	—	(748)
Foreign currency exposure on net monetary items	—	434	192	898	1,524
Investments at fair value through profit or loss that are equities	—	44,494	19,440	3,244	67,178
Total net foreign currency exposure	—	44,928	19,632	4,142	68,702

	2007				Total £'000
	China Renminbi £'000	Hong Kong Dollar £'000	Taiwan Dollar £'000	Other £'000	
Investments at fair value through profit or loss that are monetary items	—	—	—	—	—
Current assets	97	351	670	12	1,130
Creditors	—	(67)	—	(3,632)	(3,699)
Foreign currency exposure on net monetary items	97	284	670	(3,620)	(2,569)
Investments at fair value through profit or loss that are equities	—	73,960	25,050	15,006	114,016
Total net foreign currency exposure	97	74,244	25,720	11,386	111,447

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

Foreign currency sensitivity

The following tables illustrate the sensitivity of profit after taxation for the year and equity with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% appreciation or depreciation in sterling against the Hong Kong Dollar, Taiwan Dollar and the other currencies to which the Company is exposed, which is deemed reasonable based on the volatility of exchange rates during the year.

If sterling had weakened this would have had the following effect:

	2008 £'000	2007 £'000
Income statement return after taxation:		
Revenue return	222	177
Capital return	152	(257)
Total return after taxation for the year	374	(80)
Net assets	374	(80)

Conversely if sterling had strengthened this would have had the following effect:

	2008 £'000	2007 £'000
Income statement return after taxation:		
Revenue return	(222)	(177)
Capital return	(152)	257
Total return after taxation for the year	(374)	80
Net assets	(374)	80

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

(ii) Interest rate risk

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

Management of interest rate risk

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

Interest rate exposure

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

	2008 £'000	2007 £'000
Exposure to floating interest rates:		
Cash at bank	3,478	787
Creditors: amounts falling due within one year – borrowings on the loan facility	–	(3,632)
Total exposure	3,478	(2,845)

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

Notes to the Accounts continued

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

(ii) Interest rate risk continued

The Company has an £8 million loan facility with Lloyds TSB which expires in January 2010. Under the terms of this agreement the Company may draw down up to £8 million in sterling or other major currency at an interest rate of the relevant currency LIBOR for the loan period plus a margin of 0.70% plus the 'Associated Costs Rate', which is the cost of complying with certain regulatory requirements. At 30th September 2008, the Company had not drawn on this facility. At 30th September 2007 the Company had drawn down US\$7.4 million (£3.6 million) on this facility at an interest rate of 6.45% repayable on 17th October 2007.

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

	2008 £'000	2007 £'000
Maximum interest rate exposure to floating rates – net loan balances	(5,080)	(6,560)
Minimum interest rate exposure to floating rates – net cash/ (loan) balances	3,238	(707)

Interest rate sensitivity

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

	2008		2007	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Income statement – return after taxation:				
Revenue return increase/(decrease)	35	(35)	(29)	29
Capital return increase/(decrease)	—	—	—	—
Total increase/(decrease) in return after taxation for the year	35	(35)	(29)	29
Net assets increase/(decrease)	35	(35)	(29)	29

In the opinion of the Directors, the above sensitivity analysis may not be representative as the level of exposure to floating interest rates may fluctuate between net loan balances and net cash balances as shown above. The highest amount drawn down on the loan facility during the year amounted to £6.8 million (2007: £6.6 million) and the interest rate on these drawings fluctuated between 3.16% and 6.45%.

(iii) Other price risk

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

Management of other price risk

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

Other price risk exposure

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

	2008 £'000	2007 £'000
Equity investments at fair value through profit or loss	67,179	114,016

Concentration of exposure to other price risk

An analysis of the Company's investments is given on page 13. This shows that the investments' value is in the 'Greater China' area. Accordingly, there is a concentration of exposure to that region. However, it should be noted that an investment's country of domicile does not necessarily equate to the economic conditions in that country.

Other price risk sensitivity

The following table illustrates the sensitivity of net assets to an increase or decrease of 10% in the fair value of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and adjusting for change in the management fee, but with all other variables held constant.

	2008		2007	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income statement – return after taxation:				
Revenue return – (decrease)/increase	(67)	67	(114)	114
Capital return – increase/(decrease)	6,718	(6,718)	11,402	(11,402)
Total return after taxation and net assets – increase/(decrease)	6,651	(6,651)	11,288	(11,288)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in settling financial liabilities as they fall due.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities, working capital requirements and to gear the Company as appropriate. Details of the current loan facility are given in part (a)(ii) to this note on pages 43 and 44.

Liquidity risk exposure

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

	2008			2007		
	Three months or less £'000	More than one year £'000	Total £'000	Three months or less £'000	More than one year £'000	Total £'000
Creditors: amounts falling due within one year:						
Purchases of investments for future settlement	748	—	748	67	—	67
Short term loan	—	—	—	3,632	—	3,632
Performance fee payable	997	—	997	872	—	872
Other creditors	125	—	125	134	—	134
Provision for liabilities and charges:						
Performance fee payable	—	2,037	2,037	—	3,652	3,652
	1,870	2,037	3,907	4,705	3,652	8,357

Notes to the Accounts continued

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

(c) Credit risk

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

Management of credit risk

This risk is not significant and is managed by:

- only dealing with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies; and
- setting limits to the maximum exposure to any one counterparty at any time.

Credit risk exposure

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

Cash at bank comprises balances held at banks with an AA credit rating or higher (2007: same).

(d) Fair values of financial assets and financial liabilities

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

22. Capital management policies and procedures

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

The Board's policy is to limit gearing within the range 90% to 115%. Gearing for this purpose is defined as investments expressed as a percentage of total net assets.

	2008 £'000	2007 £'000
Investments	67,179	114,016
Net assets	67,434	106,969
Gearing	99.6%	106.6%

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

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

23. Post balance sheet event

Subsequent to the year end there have been significant fluctuations in company share prices in stock markets around the world including the Greater China region. As a result the Company's NAV has dropped by 10.2% from 95.4 pence per share at 30th September 2008 to 85.7 pence per share at 7th November 2008.

Information about the Company

Financial Calendar

Financial year end	30th September
Final results announced	November
Half year end	31st March
Half year results announced	May
Interim Management Statements announced	January/July
Dividend on ordinary shares paid	December
Subscription shares exercise dates	15th May 2009/2010/2011/2012/2013
Annual General Meeting	December

History

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

Company Numbers

Company registration number: 2853893
 London Stock Exchange Sedol number: 0343501
 ISIN: GB0003435012
 Bloomberg ticker: JMC LN

Market Information

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

The Company's subscription share price is listed on the London Stock Exchange and quoted daily in the Financial Times, The Daily Telegraph, The Scotsman and The Independent.

Website

www.jpmmchinese.co.uk

Taxation

On 14th April 2008, Shareholders approved the bonus issue of subscription shares, as described in the Company's Prospectus dated 18th March 2008. Trading in subscription shares commenced on 16th April 2008. For capital gains tax purposes, the base cost of the Company's ordinary shares and subscription shares as at 16th April 2008 were as follows:

Ordinary Shares: 116p
 Subscription Shares: 22p

For further details on the bonus issue of subscription shares, please refer to page 17 of this report.

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') and Pension Account.

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

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

Please contact Christopher Legg for company secretarial and administrative matters.

Registrars

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

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1078. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Auditors

PricewaterhouseCoopers LLP
 Hay's Galleria
 1 Hay's Lane
 London SE1 2RD

Brokers

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

Savings Product Administrators

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

aic

The Association of
 Investment Companies A member of the AIC

Shareholder Analyses

at 30th September 2008

Ordinary Shares

	Number of shares	% Holding
Private Client Brokers	21,877,463	29.0
Retail Investors ¹	17,718,861	23.5
Individuals in the Investment Trust Share Plan ²	14,605,297	19.4
Individuals in the Investment Trust Individual Savings Account ²	4,588,906	6.1
Individuals in the Investment Trust Pensions Account ²	2,442,899	3.3
Total Retail Holdings	61,233,426	81.2
Other Institutions	3,271,525	4.3
Unit Trusts	2,715,657	3.6
Pension Funds	1,225,294	1.6
Insurance Companies	752,639	1.0
Investment Trusts ³	1,414,460	1.9
Charities	70,000	0.1
Total Institutions	9,449,575	12.5
Treasury Shares ⁴	4,779,000	6.3
Total Shares in issue	75,462,001	100.0

¹Includes shareholders below 10,000 threshold.

²Savings product managed by JPMorgan.

³Includes 770,000 shares held by JPMorgan Elect plc.

⁴Shares held in Treasury do not carry any voting rights.

Source: Thomson Financial.

Subscription Shares

	Number of shares	% Holding
Retail Investors ¹	4,384,460	31.0
Private Client Brokers	4,216,114	29.9
Individuals in the Investment Trust Share Plan ²	2,718,169	19.2
Individuals in the Investment Trust Individual Savings Account ²	897,206	6.3
Individuals in the Investment Trust Pensions Account ²	458,183	3.3
Total Retail Holdings	12,674,132	89.7
Unit Trusts	533,828	3.8
Other Institutions	381,996	2.7
Investment Trusts ³	292,892	2.1
Insurance Companies	125,435	0.9
Pension Funds	114,124	0.7
Charities	14,000	0.1
Total Institutions	1,462,275	10.3
Total Shares in Issue	14,136,407	100.0

¹Includes shares below threshold.

²Savings product managed by JPMorgan.

³Includes 164,000 shares held by JPMorgan Elect plc.

Source: Thomson Financial.

Notice of Meeting

Notice is hereby given that the fifteenth Annual General Meeting of JPMorgan Chinese Investment Trust plc will be held at the Armourers' Hall, 81 Coleman Street, London EC2R 5BJ on Tuesday 16th December 2008 at 11.00 a.m. for the following purposes:

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th September 2008.
- 2 To approve the Directors' Remuneration Report for the year ended 30th September 2008.
- 3 To approve a final dividend of 0.5p per share.
- 4 To re-elect Sir Andrew Burns as a Director of the Company.
- 5 To re-elect Nigel Melville as a Director of the Company.
- 6 To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to repurchase the Company's shares – Special Resolution

- 7 THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 of the Act) of its issued ordinary shares and subscription shares.

PROVIDED ALWAYS THAT

- (i) the maximum number of ordinary shares and subscription shares hereby authorised to be purchased shall be 11,311,753 or 2,119,047 respectively or if different, that number of ordinary shares or subscription shares which is equal to 14.99% of the Company's issued share capital of the relevant share class as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for an ordinary share and subscription share shall be 25 pence and 1 pence respectively;
- (iii) the maximum price which may be paid for a share shall be an amount equal to (a) 105% of the average of the middle market quotations for the share taken from and calculated by reference to the London Stock

Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased or (b) the price of the last independent trade; or (c) the highest current independent bid;

- (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 15th June 2010 unless the authority is renewed at the Company's Annual General Meeting in 2009 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

Authority to disapply pre-emption rights on the sale of shares out of Treasury – Special Resolution

- 8 THAT the Directors be and are empowered in accordance with section 95 of the Companies Act 1985 (the 'Act') to sell Treasury shares for cash as if section 89(1) of the Act did not apply to any such sale, provided that the power conferred by this resolution shall be limited to the sale of shares previously held in Treasury at a price of not less than the net asset value per share and shall expire on 13th April 2013 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require shares held in Treasury to be sold after such expiry and so that the Directors of the Company may sell Treasury shares pursuant to such offers, agreements or arrangements as if the power conferred hereby had not expired.

By order of the Board
 Christopher Legg, for and on behalf of
 JPMorgan Asset Management (UK) Limited,
 Secretary
 10th November 2008

Notice of Meeting continued

Notes

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

- 1 A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
 - 2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
 - 3 A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
 - 4 Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
 - 5 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
 - 6 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
 - 7 Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.
 - 8 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the Meeting (see instructions given on the proxy form). In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
- Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
- 9 The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.
 - 10 No Director has any contract of service with the Company.
 - 11 As at 7th November 2008 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 75,462,001 ordinary shares, carrying one vote each and 14,136,407 subscription shares with no voting rights. Therefore the total voting rights in the Company are 70,683,001. (The shares held in Treasury, totalling 4,779,000, do not carry voting rights).

Electronic appointment – CREST members

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

Glossary of Terms

Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received 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.

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 in the NAV of the Company at the time the shares were quoted ex-dividend.

Benchmark 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 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 stated index.

Discount/Premium

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

Revenue per share

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

Actual Gearing Factor

Investments expressed as a percentage of shareholders' funds. This shows the effect of gearing on the net asset value if the market value of the portfolio was to increase by 100%.

Total Expense Ratio (excluding performance fee)

Management fees and all other operating expenses, excluding interest and performance fees, expressed as a percentage of the average of the opening and closing net assets.

Total Expense Ratio (including performance fee paid)

Management fees, all other operating expenses and performance fees paid, but excluding interest, expressed as a percentage of the average of the opening and closing net assets.

China A-Shares

Companies incorporated in mainland China and 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.

Hong Kong H-Shares

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

Hong Kong Red Chip Shares

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

Performance Attribution

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

Performance Attribution Definitions:

Asset Allocation

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

Stock Selection

Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities outside the benchmark.

Gearing/Cash

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

Currency

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

Management Fees/Other Expenses

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

Performance Fee

The underperformance of the Company against the benchmark leads to a reduction in performance fees accrued. The reduction in this accrual has a positive impact on relative performance.

Share Repurchases

Measures the effect on relative performance of decreasing the number of shares in issue.

JPMorgan Helpline

Freephone 0800 20 40 20 or 020 7742 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.jpmchinese.co.uk