

# JPMorgan Chinese Investment Trust plc

Half Year Report & Financial Statements for the six months ended 31st March 2018



# 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 China (including domestic A-shares listed in Shanghai and Shenzhen), Hong Kong and Taiwan or which derive a substantial part of their revenues or profits from these territories. This includes companies which are listed or issue ADRs on other exchanges including the U.S.
- To use gearing up to a maximum level of 20% 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 China Index, with net dividends reinvested, in sterling terms.

## Risk

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

## Capital Structure

At 31st March 2018, the Company's issued share capital comprised 77,914,965 Ordinary shares of 25p each, including 4,986,803 shares held in Treasury.

## Continuation Vote

In accordance with the Company's Articles of Association, the Directors are required to propose a resolution that the Company continue as an investment trust at the Annual General Meeting in 2023 and every fifth year thereafter.

## Management Company and Company Secretary

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

## FCA regulation of 'non-mainstream pooled investments' and MifID II 'complex instruments'

The Company currently conducts its affairs so that the shares it issues can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ('FCA') in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

## Association of Investment Companies

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

## Website

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

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# Half Year Performance

## TOTAL RETURNS TO 31ST MARCH 2018 (INCLUDES DIVIDENDS REINVESTED)

**+8.4%**

Return to shareholders<sup>1</sup>

**+10.1%**

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

**+4.8%**

Benchmark return<sup>3</sup>

### Financial Data

	31st March 2018	30th September 2017	% change
Net assets (£'000)	247,659	225,962	+9.6
Number of shares in issue (excluding shares held in Treasury)	72,928,162	72,928,162	
Net asset value per share	339.6p	309.8p	+9.6 <sup>4</sup>
Share price	300.0p	278.3p	+7.8 <sup>5</sup>
Share price discount to net asset value	11.7%	10.2%	
Ongoing charges	1.28%	1.38%	
Gearing	16.6%	9.3%	

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

<sup>2</sup> Source: Morningstar/JPMorgan using cum-income net asset value per share.

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

<sup>4</sup> This return excludes dividend reinvested; the return of +10.1% above includes dividend reinvested of 1.6p per share.

<sup>5</sup> This return excludes dividend reinvested; the return of +8.4% above includes dividend reinvested of 1.6p per share.

A glossary of terms and alternative performance measures is provided on pages 16 and 17.

# About the Company

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## CHAIRMAN'S STATEMENT



### Performance

As my first communication to shareholders since becoming Chairman, I am delighted to report that over the six months period ended 31st March 2018, the Company's total return on net assets of +10.1% (with net dividend reinvested) significantly outperformed the benchmark, the MSCI China Index, which delivered +4.8% (in sterling terms). In addition the total return to shareholders was +8.4%.

This outperformance relative to the benchmark index is explained in the Investment Managers' Report which provides a detailed commentary on the portfolio positioning and the positive outlook for investing in onshore China.

### Loan Facility and Gearing

The Investment Managers have been given the flexibility by the Board to manage the gearing tactically within a range set by the Board of 10% net cash to 20% geared. During the period the Company's gearing ranged from 8.4% to 17.2% geared, ending the half year at 16.6% geared.

On 19th January 2018 the Company extended its £30 million credit facility with Scotiabank for a further three months. This facility was then increased to £50 million on 14th February 2018. On 19th April the Board renewed the loan facility of £50 million for a further 364 days with an increased margin of 80 bps. £41.3 million was drawn down on this facility as at 31st March 2018.

### Share Repurchases and Issues in the Period

At the time of writing, the Company's issued share capital consists of 72,928,162 Ordinary shares, excluding shares held in Treasury. During the six months reporting period the Company did not repurchase or issue any shares.

### Board of Directors

You will recall that William Knight retired as Chairman following the AGM in January 2018. The Board subsequently invited me to take over as Chairman and David Graham as Audit Committee Chairman.

The Board has engaged an external search consultancy to seek a new non-executive Director to join the Board this year as part of the Board's ongoing succession plan.

### Outlook and Strategy

As our Manager states, in spite of increased volatility in markets and concerns over escalating trade friction with US, the outlook for Greater China equities remains positive in the current economic environment supported by the Chinese government's continuing structural reforms. We continue to have confidence that the investment team, supported by the well resourced research team, continues to find interesting companies that will benefit from the growth in the Chinese domestic market.

**John Misselbrook**  
Chairman

25th May 2018

## INVESTMENT MANAGERS' REPORT



Howard Wang, Fund Manager



Rebecca Jiang, Fund Manager



Shumin Huang, Head of Research

### Performance commentary

Over the six months ended 31st March 2018, the Company delivered +10.1% compared to the benchmark return of +4.8%. Stock selection in China, particularly our exposure to China A-shares, was the key driver of performance, while the overall exposure to Taiwan detracted from returns. During a period of rising markets, an average level of 11% in gearing added value.

Stock selection in the healthcare sector was amongst the biggest contributors, where the scope for growth is structural as China is the second largest healthcare market globally. In particular AK Medical, the largest domestic artificial joint manufacturer, CSPC Pharmaceutical, which has a strong drug pipeline and Jiangsu Hengrui, the leading A-share R&D drug manufacturer with a dominant market share in oncology, performed strongly. Key holdings in the financials sector also made a positive contribution. Despite the short term cyclical benefit of an improving macro economic environment and operational trends in the large banks, there are greater opportunities in those companies exposed to the structural changes. Ping An, the long-term quality company in the Chinese life insurance sector, is the only large scale private sector enterprise in a market dominated by state owned players. Holdings in Noah, the high net worth manager and China Merchants Bank also benefited performance.

### PERFORMANCE ATTRIBUTION FOR THE SIX MONTHS TO 31ST MARCH 2018

	%	%
<b>Benchmark Total Return</b>		<b>4.8</b>
Asset Allocation	1.4	
Stock Selection	2.7	
Currency Effect	1.6	
Gearing / Cash	0.7	
<b>Investment Manager Contribution</b>		<b>6.4</b>
Dividends/Residual		-0.4
<b>Portfolio Total Return</b>		<b>10.8</b>
Management fees/Other Expenses	-0.7	
Performance fee	0.0%	
<b>Net Asset Value Total Return – prior to structural effects</b>		<b>10.1</b>
Share Buy-Back / Issuance	0.0	
<b>Cum Inc Net Asset Value Total Return</b>		<b>10.1</b>
<b>Ordinary Share Price Total Return</b>		<b>8.4</b>

Source: FactSet, JPMAM and Morningstar.

All figures are on a total return basis.

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

A glossary of terms and alternative performance measures is provided on page 16 and 17.

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Meanwhile, the largest detractors were holdings exposed to the Apple supply chain given investor concerns of a deterioration in the smartphone cycle and limited upside for related component makers, such as Largan Precision, Shenzhen Sunway and Goertek. The latter two companies were subsequently sold. The increased trade tensions between the US and China has had some short term impact on stock performance, particularly in the automotive sector where holdings in OEM Brilliance Automotive and auto power steering manufacturer Nexteer Automotive have detracted.

## Positioning

The portfolio remains exposed to structural growth companies in the consumer, healthcare and information technology sectors whilst underweight those companies in low growth low quality sectors. The fund continues to be predominantly invested in mainland China. The A-share exposure increased to 26.2% of the overall portfolio, up from 18.9% six months earlier. We continue to find new and interesting ideas in the domestic listed companies including; Bank of Ningbo, which is exposed to retail banking growth with strong credit risk management, Inner Mongolia Yili Industrial, a leading dairy producer, BOE Technology, a low cost producer of LCD screens and Shanghai International Airport. The anticipated inclusion of China A-shares in the MSCI indices along with the improved access to the on-shore market for overseas investors via Stock Connect will only serve to increase the focus of these companies in the future.

Purchases have also been made in those companies listed outside of the domestic exchanges including Country Garden, a niche property developer with attractive exposure in Tier 2 and Tier 3 cities and Chongqing Rural Commercial Bank a regional bank with a strong deposit and loans franchise. These have been funded from sales in utility holdings CGN Power and Guangdong Investment, as well as Dong-E-E-Jiao and Sany Heavy.

## Outlook

The 13th National People's Congress session held in March confirmed the objective of delivering better quality, sustainable growth. At the same time the party continued to centralise power by integrating various levels of government. This is seen as broadly positive for investors as it should maintain economic stability whilst enabling the consumer and service oriented 'New China' continue to grow.

The anticipated inclusion of China A-shares in the MSCI Indices effective June 2018 is seen as a key step in the overall liberalization process of China's capital markets. Foreign investor participation should increase over time and help to diversify the investment landscape as well as rebalance the investment horizon.

In spite of the market volatility amid concerns over escalating trade tensions we remain positive on Greater China equities given the macro economic outlook and the Chinese government's continued structural reforms. The increased emphasis on the domestic demand and a consumer led recovery leading to less dependence on export growth should minimize the adverse effects of any further trade escalations with the US as well as the risks of higher inflation and slower global growth. We continue to position the portfolio to benefit from the structural growth opportunities in the consumer, technology and healthcare sectors.

**Howard Wang**  
**Rebecca Jiang**  
Investment Team

25th May 2018

# Investment Review

## LIST OF INVESTMENTS AT 31ST MARCH 2018

Company	Valuation £'000
<b>China HK listed</b>	
Tencent	26,762
Ping An Insurance	21,380
China Merchants Bank	12,224
Country Garden	7,662
AAC Technologies	7,273
CNOOC	6,560
Bank of China	6,270
CSPC Pharmaceutical	5,972
Chongqing Rural Commercial Bank	5,524
China Overseas Land & Investment	5,510
Geely Automobile	5,175
Shenzhou International	5,045
ANTA Sports Products	4,572
China Medical System	3,511
Nexteer Automotive	3,476
China Everbright International	3,132
Wisdom Education International	3,131
Brilliance China Automotive	2,912
IMAX China	2,534
3SBio	2,340
WuXi Biologics	2,298
Kingdee International Software	2,120
China Resources Phoenix Healthcare	1,928
China Literature	1,304
	<b>148,615</b>

### China A Shares

Jiangsu Hengrui Medicine	4,933
Hangzhou Hikvision Digital Technology	4,183
Focus Media Information Technology	4,098
Luxshare Precision Industry	4,097
Bank of Ningbo	3,926
Qingdao Haier	3,833
Han's Laser Technology Industry	3,708
Inner Mongolia Yili Industrial	3,503
BOE Technology	2,963
Kweichow Moutai	2,871
Shanghai International Airport	2,814
Tonghua Dongbao Pharmaceutical	2,621
Aier Eye Hospital	2,599
Yunnan Baiyao	2,513
China Yangtze Power	2,457
China International Travel Service	2,264

Company	Valuation £'000
Venustech	2,099
Beijing Thunisoft	2,065
Baoshan Iron & Steel	2,055
Zhejiang Weixing New Building Materials	1,999
SAIC Motor	1,970
Suofeiya Home Collection	1,849
Zhejiang Huace Film & TV	1,841
Bank of Nanjing	1,739
Shenzhen Inovance Technology	1,702
Spring Airlines	1,664
China Fortune Land Development	1,636
Hangzhou Robam Appliances	1,576
	<b>75,578</b>

### China US listed

Alibaba <sup>1</sup>	25,668
JD.com <sup>1</sup>	7,732
Baidu <sup>1</sup>	4,906
New Oriental Education & Technology <sup>1</sup>	3,777
Noah <sup>1</sup>	3,430
NetEase <sup>1</sup>	2,373
Hutchison China MediTech <sup>1</sup>	1,973
Bilibili <sup>1</sup>	1,330
	<b>51,189</b>

### Hong Kong

Galaxy Entertainment	4,883
BOC Hong Kong	2,002
	<b>6,885</b>

### Taiwan

Silergy	2,120
Largan Precision	1,702
Formosa Plastics	1,357
Airtac International	1,327
	<b>6,506</b>
<b>Total Investments</b>	<b>288,773</b>

<sup>1</sup> American Depositary Receipts (ADRs).

A glossary of terms and alternative performance measures is provided on pages 16 and 17.

## PORTFOLIO ANALYSES

### Geographical

	31st March 2018		30th September 2017	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
China HK listed	51.5	74.5	54.0	72.9
China A-shares	26.2	–	18.9	–
China US listed	17.7	25.4	18.5	26.9
China B-shares	–	0.1	–	0.2
<b>China Total</b>	<b>95.4</b>	<b>100.0</b>	<b>91.4</b>	<b>100.0</b>
Hong Kong	2.4	–	4.8	–
Taiwan	2.2	–	3.8	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £288.8m (2017: £246.9m).

### Sector

	31st March 2018		30th September 2017	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Information Technology	31.0	40.9	30.6	40.3
Consumer Discretionary	20.0	9.1	21.2	10.1
Financials	19.6	23.0	19.0	22.4
Health Care	10.6	2.7	8.7	2.0
Industrials	6.4	3.9	5.8	4.6
Real Estate	5.1	5.3	3.1	4.9
Energy	2.3	4.8	3.8	4.8
Consumer Staples	2.2	2.2	2.2	1.9
Materials	1.9	1.5	0.7	1.3
Utilities	0.9	2.3	4.9	2.4
Telecommunication Services	–	4.3	–	5.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £288.8m (2017: £246.9m).

# Financial Statements

## STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31ST MARCH 2018

	(Unaudited) Six months ended 31st March 2018			(Unaudited) Six months ended 31st March 2017			(Audited) Year ended 30th September 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains on investments held at fair value through profit or loss</b>									
Net foreign currency gains/(losses)	–	23,333	23,333	–	14,641	14,641	–	48,152	48,152
Income from investments	–	1,221	1,221	–	(723)	(723)	–	763	763
Interest receivable and similar income	126	–	126	68	–	68	3,480	–	3,480
	113	–	113	123	–	123	207	–	207
<b>Gross return</b>	<b>239</b>	<b>24,554</b>	<b>24,793</b>	<b>191</b>	<b>13,918</b>	<b>14,109</b>	<b>3,687</b>	<b>48,915</b>	<b>52,602</b>
Management fee	(348)	(1,043)	(1,391)	(973)	–	(973)	(2,092)	–	(2,092)
Other administrative expenses	(243)	–	(243)	(275)	–	(275)	(595)	–	(595)
<b>Net (loss)/return on ordinary activities before finance costs and taxation</b>	<b>(352)</b>	<b>23,511</b>	<b>23,159</b>	<b>(1,057)</b>	<b>13,918</b>	<b>12,861</b>	<b>1,000</b>	<b>48,915</b>	<b>49,915</b>
Finance costs	(70)	(209)	(279)	(142)	–	(142)	(352)	–	(352)
<b>Net (loss)/return on ordinary activities before taxation</b>	<b>(422)</b>	<b>23,302</b>	<b>22,880</b>	<b>(1,199)</b>	<b>13,918</b>	<b>12,719</b>	<b>648</b>	<b>48,915</b>	<b>49,563</b>
Taxation (charge)/credit	(16)	–	(16)	365	–	365	202	–	202
<b>Net (loss)/return on ordinary activities after taxation</b>	<b>(438)</b>	<b>23,302</b>	<b>22,864</b>	<b>(834)</b>	<b>13,918</b>	<b>13,084</b>	<b>850</b>	<b>48,915</b>	<b>49,765</b>
<b>(Loss)/return per share (note 3)</b>	<b>(0.60)p</b>	<b>31.95p</b>	<b>31.35p</b>	<b>(1.13)p</b>	<b>18.92p</b>	<b>17.79p</b>	<b>1.16p</b>	<b>66.78p</b>	<b>67.94p</b>

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The net (loss)/return on ordinary activities after taxation represents the (loss)/return for the period and also the total comprehensive income.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 31ST MARCH 2018

	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve <sup>1</sup> £'000	Total £'000
<b>Six months ended 31st March 2018</b>								
<b>(Unaudited)</b>								
<b>At 30th September 2017</b>	<b>19,481</b>	<b>13,321</b>	<b>3</b>	<b>581</b>	<b>37,392</b>	<b>153,136</b>	<b>2,048</b>	<b>225,962</b>
Net return/(loss) on ordinary activities	–	–	–	–	–	23,302	(438)	22,864
Dividend paid in the period (note 4)	–	–	–	–	–	–	(1,167)	(1,167)
<b>At 31st March 2018</b>	<b>19,481</b>	<b>13,321</b>	<b>3</b>	<b>581</b>	<b>37,392</b>	<b>176,438</b>	<b>443</b>	<b>247,659</b>
<b>Six months ended 31st March 2017</b>								
<b>(Unaudited)</b>								
<b>At 30th September 2016</b>	<b>19,481</b>	<b>13,321</b>	<b>3</b>	<b>581</b>	<b>37,392</b>	<b>106,641</b>	<b>2,376</b>	<b>179,795</b>
Repurchase of shares into Treasury	–	–	–	–	–	(2,419)	–	(2,419)
Net return/(loss) on ordinary activities	–	–	–	–	–	13,918	(834)	13,084
Dividend paid in the period (note 4)	–	–	–	–	–	–	(1,178)	(1,178)
<b>At 31st March 2017</b>	<b>19,481</b>	<b>13,321</b>	<b>3</b>	<b>581</b>	<b>37,392</b>	<b>118,140</b>	<b>364</b>	<b>189,282</b>
<b>Year ended 30th September 2017</b>								
<b>(Audited)</b>								
<b>At 30th September 2016</b>	<b>19,481</b>	<b>13,321</b>	<b>3</b>	<b>581</b>	<b>37,392</b>	<b>106,641</b>	<b>2,376</b>	<b>179,795</b>
Repurchase of shares into Treasury	–	–	–	–	–	(2,420)	–	(2,420)
Net return on ordinary activities	–	–	–	–	–	48,915	850	49,765
Dividend paid in the year (note 4)	–	–	–	–	–	–	(1,178)	(1,178)
<b>At 30th September 2017</b>	<b>19,481</b>	<b>13,321</b>	<b>3</b>	<b>581</b>	<b>37,392</b>	<b>153,136</b>	<b>2,048</b>	<b>225,962</b>

<sup>1</sup> This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

## STATEMENT OF FINANCIAL POSITION AT 31ST MARCH 2018

	(Unaudited) 31st March 2018 £'000	(Unaudited) 31st March 2017 £'000	(Audited) 30th September 2017 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	288,773	206,160	246,881
<b>Current assets</b>			
Debtors	73	204	1,781
Cash and cash equivalents	2,940	1,549	1,890
	<b>3,013</b>	<b>1,753</b>	<b>3,671</b>
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year <sup>1</sup>	(44,127)	(18,631)	(24,590)
<b>Net current liabilities</b>	<b>(41,114)</b>	<b>(16,878)</b>	<b>(20,919)</b>
<b>Total assets less current liabilities</b>	<b>247,659</b>	<b>189,282</b>	<b>225,962</b>
<b>Net assets</b>	<b>247,659</b>	<b>189,282</b>	<b>225,962</b>
<b>Capital and reserves</b>			
Called up share capital	19,481	19,481	19,481
Share premium	13,321	13,321	13,321
Exercised warrant reserve	3	3	3
Capital redemption reserve	581	581	581
Other reserve	37,392	37,392	37,392
Capital reserves	176,438	118,140	153,136
Revenue reserve	443	364	2,048
<b>Total shareholders' funds</b>	<b>247,659</b>	<b>189,282</b>	<b>225,962</b>
<b>Net asset value per share</b> (note 5)	<b>339.6p</b>	<b>259.5p</b>	<b>309.8p</b>

<sup>1</sup> As at 31st March 2018, £41.1 million (31st March 2017: £17.8 million; 30th September 2017: £23.3 million) was drawn down from the loan facility.

Company registration number: 02853893

## STATEMENT OF CASHFLOWS

### FOR THE SIX MONTHS ENDED 31ST MARCH 2018

	(Unaudited) 31st March 2018 £'000	(Unaudited) 31st March 2017 £'000	(Audited) 30th September 2017 £'000
<b>Net cash outflow from operations before dividends and interest</b> (note 6)	<b>(1,680)</b>	<b>(1,201)</b>	<b>(2,394)</b>
Dividends received	536	279	3,018
Interest received	4	–	6
Overseas tax recovered	–	375	431
Interest paid	(226)	(139)	(310)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,366)</b>	<b>(686)</b>	<b>751</b>
Purchases of investments	(95,255)	(78,469)	(156,348)
Sales of investments	79,632	82,898	152,898
Settlement of foreign currency contracts	17	(33)	(30)
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(15,606)</b>	<b>4,396</b>	<b>(3,480)</b>
Dividends paid	(1,167)	(1,178)	(1,178)
Repurchase of shares into Treasury	–	(2,524)	(2,525)
Drawdown of bank loan	21,723	2,889	9,667
Repayment of bank loan	(2,544)	(1,860)	(1,860)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>18,012</b>	<b>(2,673)</b>	<b>4,104</b>
<b>Increase in cash and cash equivalents</b>	<b>1,040</b>	<b>1,037</b>	<b>1,375</b>
Cash and cash equivalents at start of period	1,890	515	515
Exchange movements	10	(3)	–
Cash and cash equivalents at end of period	2,940	1,549	1,890
<b>Increase in cash and cash equivalents</b>	<b>1,040</b>	<b>1,037</b>	<b>1,375</b>
<b>Cash and cash equivalents consist of:</b>			
Cash and short term deposits	1,229	1,549	1,890
Cash held in JPMorgan US Dollar Liquidity Fund	1,711	–	–
<b>Total</b>	<b>2,940</b>	<b>1,549</b>	<b>1,890</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31ST MARCH 2018

### 1. Financial statements

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

The figures and financial information for the year ended 30th September 2017 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies and including the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

### 2. Accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' of the United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the revised 'SORP') issued by the Association of Investment Companies in November 2014, and updated in February 2018.

FRS 104, 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015 has been applied in preparing this condensed set of financial statements for the six months ended 31st March 2018.

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

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 30th September 2017, with the following exception:

#### Change in allocation of expenses

With effect from 1st October 2017, the management fee and finance costs incurred by the Company have been allocated 75% to capital and 25% to revenue. In previous periods, these charges were allocated 100% to revenue. In line with the guidance provided in the SORP, this change is not considered to be a matter of accounting policy and consequently no prior period restatements have been made.

### 3. (Loss)/return per share

	(Unaudited) Six months ended 31st March 2018 £'000	(Unaudited) Six months ended 31st March 2017 £'000	(Audited) Year ended 30th September 2017 £'000
<b>(Loss)/return per share is based on the following:</b>			
Revenue (loss)/return	(438)	(834)	850
Capital return	23,302	13,918	48,915
<b>Total return</b>	<b>22,864</b>	<b>13,084</b>	<b>49,765</b>
Weighted average number of shares in issue during the period/year	72,928,162	73,581,082	73,253,728
Revenue (loss)/return per share	(0.60)p	(1.13)p	1.16p
Capital return per share	31.95p	18.92p	66.78p
<b>Total return per share</b>	<b>31.35p</b>	<b>17.79p</b>	<b>67.94p</b>

#### 4. Dividends paid

	(Unaudited) Six months ended 31st March 2018 £'000	(Unaudited) Six months ended 31st March 2017 £'000	(Audited) Year ended 30th September 2017 £'000
2017 Final dividend of 1.6p (2016: 1.6p)	1,167	1,178	1,178

No interim dividend has been declared in respect of the six months ended 31st March 2018 (2017: nil).

All dividends paid and declared in the period have been funded from the Revenue Reserve.

#### 5. Net asset value per share

	(Unaudited) Six months ended 31st March 2018	(Unaudited) Six months ended 31st March 2017	(Audited) Year ended 30th September 2017
Net assets (£'000)	247,659	189,282	225,962
Number of shares in issue	72,928,162	72,928,162	72,928,162
<b>Net asset value per share</b>	<b>339.6p</b>	<b>259.5p</b>	<b>309.8p</b>

#### 6. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

	(Unaudited) Six months ended 31st March 2018 £'000	(Unaudited) Six months ended 31st March 2017 £'000	(Audited) Year ended 30th September 2017 £'000
Net return on ordinary activities before finance costs and taxation	23,159	12,861	49,915
Less capital return on ordinary activities before finance costs and taxation	(23,511)	(13,918)	(48,915)
Decrease/(increase) in accrued income and other debtors	412	221	(236)
(Decrease)/increase in accrued expenses	(33)	(28)	20
Management fee charged to capital	(1,043)	–	–
Tax on unfranked investment income	(16)	(10)	(229)
Dividends received	(536)	(279)	(3,018)
Interest received	(4)	–	(6)
Realised (losses)/gains on foreign currency transactions	(132)	(48)	12
Exchange gain on Liquidity Fund	24	–	63
<b>Net cash outflow from operations before dividends and interest</b>	<b>(1,680)</b>	<b>(1,201)</b>	<b>(2,394)</b>

## 7. Fair valuation of investments

The fair value hierarchy disclosures required by FRS 102 are given below:

	(Unaudited) Six months ended 31st March 2018		(Unaudited) Six months ended 31st March 2017		(Audited) Year ended 30th September 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	288,773	–	206,160	–	246,881	–
<b>Total</b>	<b>288,773</b>	<b>–</b>	<b>206,160</b>	<b>–</b>	<b>246,881</b>	<b>–</b>

# Interim Management Report

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

## Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into the following broad categories: investment underperformance; strategy/business management; loss of Investment Team or Investment Manager; share price discount; market; political, economic and governance; legal and regulatory; corporate governance and shareholder relations; operational risk and cybercrime; and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 30th September 2017.

## Related Parties Transactions

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

## Going Concern

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

## Directors' Responsibilities

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

- (i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with FRS 104 'Interim Financial Reporting' and gives a true and fair view of the state of affairs of the Company and of the assets, liabilities, financial position and net return of the Company, as at 31st March 2018, as required by the UK Listing Authority Disclosure and Transparency Rule ('DTR') 4.2.4R; and
- (ii) the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

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

and the Directors confirm that they have done so.

For and on behalf of the Board

**John Misselbrook**  
Chairman

25th May 2018

# Shareholder Information

## GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES (APMs)

### Return to shareholders (APM)

Total return to the shareholder, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Total return calculation	Page	6 months ended 31st March 2018	
Opening share price as at 30th September 2017 (p)	2	278.3	
Closing share price as at 31st March 2018 (p)	2	300.0	(a)
Reinvestment of dividend paid during the financial year			
Final dividend (p)	15	1.6	(b)
Share price on ex-dividend date 14th December 2017		301.3	(c)
Total dividend adjustment factor (d = b / c + 1)		1.005311	(d)
Adjusted closing share price (e = a x d)		301.59	(e)
<b>Total return to shareholder</b>		<b>8.4%</b>	

### Return on Net Assets (APM)

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Page	6 months ended 31st March 2018	
Opening cum-income NAV per share as at 30th September 2017 (p)	2	309.8	
Closing cum-income NAV per share as at 31st March 2018 (p)	2	339.6	(a)
Reinvestment of dividend paid during the financial year			
Final dividend (p)	15	1.6	(b)
Cum-income NAV per share on ex-dividend date 14th December 2017		341.6	(c)
Total dividend adjustment factor (d = b / c + 1)		1.004684	(d)
Adjusted closing cum-income NAV per share (e = a x d)		341.19	(e)
<b>Total return on net assets</b>		<b>10.1%</b>	

### Benchmark Total Return

Total return on the benchmark, on a closing-market value to closing-market value basis, assuming that all dividends received were reinvested, without transaction costs, 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 benchmark.

### Gearing/Net Cash (APM)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

Gearing calculation	Page	31st March 2018 £'000	30th September 2017 £'000	–
Investments held at fair value through profit or loss	12	288,773	246,881	(a)
Net assets	12	247,659	225,962	(b)
<b>Gearing (c = a / b - 1)</b>		<b>16.6%</b>	<b>9.3%</b>	<b>(c)</b>

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## Ongoing Charges (APM)

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

The figure as at 31st March 2018 is an estimated annualised figure based on the numbers for the six months ended 31st March 2018.

Ongoing charges calculation	Page	31st March 2018 £'000	30th September 2017 £'000	
Management Fee	10	2,782	2,092	
Other administrative expenses	10	486	595	
Total management fee and other administrative expenses		3,268	2,687	(a)
Average daily cum-income net assets		255,349	194,789	(b)
Ongoing Charges (c = a / b)		1.28%	1.38%	(c)

## Share Price Discount/Premium to Net Asset Value ('NAV') per Share (APM)

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share. The opposite of a discount is a premium. It is more common for an investment trusts' shares to trade at a discount than at a premium (see page 2).

## China A-Shares

Companies incorporated in mainland China and which are traded in the mainland A-Share markets. The prices of A-Shares are quoted in renminbi.

The Company invests directly in China A-Shares and also gains access to the A-Share market by investing into China A-Share access products (participatory notes).

## China B-Shares

Companies incorporated in mainland China and traded on the mainland B-Share markets. The prices of B-Shares are quoted in US dollars and are available to both Mainland Chinese Investors and Foreign Institutional Investors.

## Shanghai-Hong Kong Stock Connect

A cross-boundary investment channel that connects the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Under the program, investors in each market are able to trade shares on the other market using their local brokers and clearing houses.

## Shenzhen-Hong Kong Stock Connect

A cross-boundary investment channel that connects the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. Under the program, investors in each market are able to trade shares on the other market using their local brokers and clearing houses.

## WHERE TO BUY J.P. MORGAN INVESTMENT TRUSTS

You can invest in a J.P. Morgan investment trust through the following;

### 1. Directly from J.P. Morgan

#### Investment Account

The Company's shares are available in the J.P. Morgan Investment Account, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Investment Account should call J.P. Morgan Asset Management free on 0800 20 40 20 or visit its website at [am.jpmorgan.co.uk/investor](http://am.jpmorgan.co.uk/investor)

#### Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2018/19 tax year, from 6th April 2018 and ending 5th April 2019, the total ISA allowance is £20,000. The shares are also available in a J.P. Morgan Junior ISA. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at [am.jpmorgan.co.uk/investor](http://am.jpmorgan.co.uk/investor)

### 2. Via a third party provider

Third party providers include;

AJ Bell	Hargreaves Lansdown
Alliance Trust Savings	Interactive Investor
Barclays Stockbrokers	James Brearley
Bestinvest	James Hay
Charles Stanley Direct	Selftrade
FundsNetwork	The Share Centre

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

### 3. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at [unbiased.co.uk](http://unbiased.co.uk)

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

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

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## Be ScamSmart

### Investment scams are designed to look like genuine investments

#### Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

### Avoid investment fraud

#### 1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

#### 2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

#### 3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

**Remember: if it sounds too good to be true, it probably is!**

### Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at [www.fca.org.uk/consumers/report-scam-unauthorised-firm](http://www.fca.org.uk/consumers/report-scam-unauthorised-firm). You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

**Find out more at**  
[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)



# Information about the Company

## FINANCIAL CALENDAR

Financial year end	30th September
Final results announced	December
Half year end	31st March
Half year results announced	May
Dividend on Ordinary shares paid (if any)	January/February
Annual General Meeting	January

## History

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

## Directors

John Misselbrook (Chairman)  
David Graham  
Kathryn Matthews  
Oscar Wong

## Company Numbers

Company registration number: 02853893  
London Stock Exchange Sedol number: 0343501  
ISIN: GB0003435012  
Bloomberg ticker: JMC LN  
LEI: 549300S8M91P5FYONY25

## Market Information

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

## Website

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

## Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan Junior ISA. These products are all available on the online service at [jpmorgan.co.uk/online](http://jpmorgan.co.uk/online)

## Manager and Company Secretary

JPMorgan Funds Limited

## Company's Registered Office

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

For company secretarial and administrative matters, please contact Lucy Dina at the above address.

## Depository

The Bank of New York Mellon (International) Limited  
1 Canada Square  
London E14 5AL

The Depository has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

## Registrars

Equiniti Limited  
Reference 1078  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone: 0371 384 2317

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

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

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

## Independent Auditors

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

## Brokers

Winterflood Securities Limited  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA  
Telephone number: 020 3100 0000

## Savings Product Administrators

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

**aic**

The Association of  
Investment Companies

A member of the AIC

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

**J.P. MORGAN HELPLINE**

Freephone **0800 20 40 20** or +44 (0) 1268 444470.  
Telephone lines are open Monday to Friday,  
9am to 5.30pm.

Telephone calls may be recorded and monitored for security and training purposes.