JPMorgan Chinese Investment Trust plc

Annual Report & Financial Statements for the year ended 30th September 2018

J.P.Morgan
Asset Management

Your Company

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, Hong Kong 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 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 30th September 2018, the Company's issued share capital comprised 77,914,965 Ordinary shares of 25p each, including 5,211,777 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 ('AIFM') 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'

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

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, includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.

Strategic Report

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED) TO 30TH SEPTEMBER 2018

	2018	2017	3 Year Cumulative	5 Year Cumulative
Return to shareholders[1]	-5.0%	+36.4%	+78.8%	+86.3%
Return on net assets[2]	-1.4%	+28.5%	+71.3%	+85.0%
Benchmark return[3]	+0.6%	+28.8%	+73.6%	+85.3%
Net asset return performance against benchmark return[3]	-2.0%	-0.3%	-2.3%	-0.3%
Annual dividend	3.5p	1.6p		

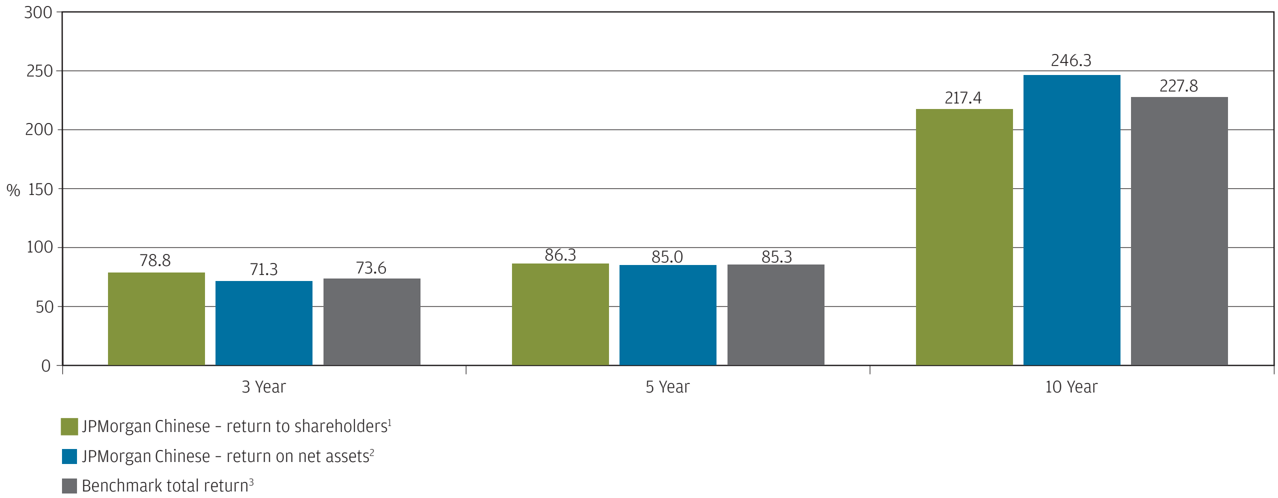
[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

[3] Source: MSCI. The Company's benchmark is the MSCI China Index with net dividends reinvested, in sterling terms. Prior to 26th January 2016, the benchmark was the MSCI Dragon Index.

A glossary of terms and alternative performance measures is provided on pages 82 and 84.

CUMULATIVE PERFORMANCE FOR YEARS ENDED 30TH SEPTEMBER 2018



[1] Source: Morningstar.
[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.
[3] Source: MSCI. The Company's benchmark is the MSCI China Index with net dividends reinvested, in sterling terms. Prior to 26th January 2016, the benchmark was the MSCI Dragon Index.

SUMMARY OF RESULTS

	2018	2017	% change
Net asset value, share price and discount at 30th September			
Shareholders' funds (£'000)	220,962	225,962	–2.2
Net asset value per share	303.9p	309.8p	–1.9
Share price	263.0p	278.3p	–5.5
Share price discount to net asset value	13.5%	10.2%	
Shares in issue (excluding shares held in Treasury)	72,703,188	72,928,162	
Revenue for the year ended 30th September			
Gross revenue attributable to shareholders (£'000)	4,924	3,687	+33.6
Net revenue attributable to shareholders (£'000)	3,152	850	+270.8
Revenue return per share	4.32p	1.16p	+272.4
Total loss/return per share	(4.35)p	67.94p	–106.4
Dividend per share	3.5p	1.6p	+118.8
Gearing at 30th September	17.9%	9.3%	
Ongoing charges	1.34%	1.38%	

[1] Source: Morningstar.

[2] Source: Morningstar /J.P. Morgan, using cum income net asset value per share.

[3] Source: MSCI. The benchmark is the MSCI China Index with net dividends reinvested, in sterling terms. Prior to 26th January 2016, the benchmark was the MSCI Golden Dragon Index.

A glossary of terms and alternative performance measures is provided on pages 82 and 84.

John Misselbrook
Chairman

I have great pleasure in presenting the Annual Report of the JPMorgan Chinese Investment Trust PLC ('the Company') for the year ended 30th September 2018.

Last year, my predecessor spoke about the developing investment opportunities in China and the proposal from MSCI to include A-shares in our benchmark, the MSCI China Index. From May 2018, 230 new stocks were added, representing 0.7% of the Index and supported by an increase in the daily amount of A-shares that could be traded by international investors through the Shanghai and Shenzhen Stock Connect programme.

For the year ended 30th September the MSCI China Index showed a small positive return of 0.6%. However the growing trade tensions between China and the United States with the imposition of new goods tariffs and the threat of more to come has created growing uncertainty about the impact on economic growth in China. The effect has been a fall of 9.6% in the MSCI China Index during the month of October and 13.8% over the three months to end October.

On a more positive note the MSCI has begun discussions to increase the number of A-shares in the Index in 2019 and plans to broaden the inclusion to Mid Cap shares in 2020. These changes should increase the liquidity and international interest in the A-share market.

Activity within your Company

At the Annual General Meeting ('AGM') in January 2018 the Company received approval under the continuation vote. The next vote will be in January 2023. However, there was a sizeable vote against continuation. A key rationale for the Company's existence is positive long-term investment performance, which I believe the Investment Manager has delivered. To confirm our continuing commitment to this objective the Board has agreed an obligation to put forward proposals for a tender offer for up to 15% of the Company's issued share capital at a price equal to the net asset value ('NAV') less costs, if, over the next five years (from the start of the 2018 financial year) the Company's NAV underperforms its benchmark.

Performance

In volatile market conditions over the year to 30th September 2018, the Company's Total Return on Net Assets was a fall of 1.4% which comprises the change in NAV with dividends reinvested. This compares with the small positive return of the MSCI China Index of 0.6%. In keeping with most emerging market funds, the discount at which shares were traded increased during the year with the result that the Total Return to Shareholders of the Company over the year was a fall of 5.0%.

Stock selection was a positive contributor to relative performance against the index of 2.2% but outweighed by the impact of the gearing. Also, the fall in the value of the Chinese Yuan had an overall negative impact on performance.

A fuller commentary on the contributors to performance is provided in the Investment Managers report.

Investment Approach

The investment team has continued to grow and develop the depth and experience of its research capability and we have encouraged the team to look for more investment opportunities in the A-share market. The investment policy currently limits the proportion of the portfolio that can be invested in China A-shares and China related ADRs to 60% of the portfolio's value. With improved access to China A-shares and further increases in the weighting of China A-shares in the MSCI China Index expected in 2019 and 2020, the Board believes that it is appropriate to remove this restriction. Accordingly, the Board will propose a resolution to Shareholders at the AGM to amend the investment policy to remove the limit on investment in China A-shares and China related ADRs.

We expect the team to make greater use of the gearing potential where it finds new stock ideas. Our due diligence visit in October focussed on discussions with the investment managers and analysts in Hong Kong, Taiwan and Shanghai. We are optimistic they will continue to find interesting companies among the listed A-share companies with overweight exposures towards structural growth names in the consumer, healthcare and information technology sectors.

The investment approach may result in greater short-term volatility relative to the Benchmark as we encourage the investment managers to deliver long-term outperformance through investment in A-shares.

Value for Money

We look closely at the costs of investment and were encouraged by the decision of the Investment Manager to pay for third party research costs following the implementation of MiFID II at the beginning of 2018. We have also been in discussion with the Manager about the appropriate level of the management fee in a market that develops and matures as it opens to foreign investment. The Board has agreed a management fee on net, rather than gross, assets under management of 0.9% per annum with effect from 1st April 2019. Based on assets at 30th September 2018 this would amount to a reduction of 12.9% in the management fee payable in our 2019 Financial Year and a further reduction of 14.8% in 2020.

Revenue and Dividends

Revenue for the year, after taxation, was £3,152,000 (2017: £850,000). The revenue return per share calculated on the average number of shares in issue was 4.32 pence (2017: 1.16 pence).

The Board is recommending a dividend of 3.5 pence (2017: 1.6 pence) in respect of the financial year ended 30th September 2018. Subject to shareholders' approval at the AGM, this dividend will be paid on 6th February 2019 to shareholders on the register at the close of business on 14th December 2018.

The increase in the dividend is primarily the result of the change to allocation of expenses. Following the change in the benchmark to the MSCI China Index the Board reviewed its policy of allocation of expenses (management fees and finance costs) to revenue and capital. With effect from the current financial year the Board decided to split the allocation of expenses between 75% to capital and 25% to income. In order to maintain our investment trust status this results in an increase in dividends paid out by the Company.

Gearing

In January 2018 the Company extended its £30 million facility with Scotiabank for a further three months. In February 2018 the Board agreed that the facility be increased from £30 million to £50 million. In April 2018, the Company renewed the £50 million facility with Scotiabank for a further 364 day period on the same terms but at an increased margin. The current facility matures on 18th April 2019 at which point the Board will consider another gearing facility.

During the year the Company's gearing ranged from 9.3% to 19.0% (based on month end data) and, at the time of writing, was 17.1%. At the time of the arrangement, the facility allowed the Investment Managers the flexibility to manage the gearing facility within a range set by the Board of 10% net cash to 20% geared.

Share Issues and Repurchases

The Directors have authority to issue new Ordinary shares for cash and to repurchase shares in the market for cancellation or to hold in Treasury. The Company will reissue shares held in Treasury only at a premium to NAV.

During the year, the Company did not issue any new Ordinary shares, although it did repurchase 224,794 shares into Treasury. The board believes that its policy of share issuance and repurchases has helped to reduce discount volatility in the past and therefore recommends that the authorities be kept in place. Accordingly, it is seeking approval from shareholders to renew the share issuance and repurchase authorities at the AGM.

Review of services provided by the Manager

During the year the Board carried out a thorough review of the investment management, secretarial and marketing services provided to the Company by the Manager. 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 Company's ongoing charges for the financial year, as a percentage of the average daily net assets during the year, were 1.34% (2017: 1.38%).

Board of Directors

In July 2018 the Board, through its Nomination and Remuneration Committee, carried out a comprehensive evaluation of the board, its committees, the individual Directors and the Chairman. Topics evaluated included the size and composition of the Board, Board information and processes, shareholder engagement and training and accountability. The report confirmed the efficacy of the Board.

Kathryn Matthews, our longest-serving director, will retire from the Board at the AGM in January 2019. She joined the Board in July 2010 and has made a significant contribution to the Board and the performance of the Company. On behalf of the Board, I would like to thank Kathryn for her valuable contribution to the Company over the years.

As part of the succession planning the Board has appointed Alexandra Mackesy to succeed Kathryn Matthews. Alexandra is a strong successor to Kathryn, bringing extensive investment experience of China and as a director of investment trusts.

In accordance with the UK Corporate Governance Code David Graham, Oscar Wong and myself will retire at the forthcoming AGM and, being eligible, will offer ourselves for reappointment by shareholders. In addition Alexandra Mackesy, having been appointed during the financial year, will stand for appointment at the AGM.

Annual General Meeting

This year's AGM will be held at 60 Victoria Embankment, London EC4Y 0JP on Monday 28th January 2019 at 11.30 a.m. 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. If you have any detailed questions, you may wish to raise these in advance with the Company Secretary or via the Company's website. Shareholders who are unable to attend the AGM in person are encouraged to use their proxy votes. Shareholders who hold their shares through CREST are able to lodge their proxy votes electronically.

John Misselbrook
Chairman

6th December 2018

Howard Wang
Investment Manager

Rebecca Jiang
Investment Manager

Shumin Huang
Head of Research

Setting the scene

The Company's financial year to 30th September 2018 began promisingly but became increasingly challenging as the year unfolded. This has been a tough time for equity markets around the world – global growth appears to have peaked and adverse political influences have cast their shadow. Trade tensions have been building, stirring fears of inflation and obstructions to global supply chains. The low volatility and positive market returns that characterised 2017 have been supplanted by global stock market corrections and an overwhelming sense of investor uncertainty in 2018.

China has not been immune to the climate of negativity that has dominated markets. Indeed, the country has been in sharp focus as fears of mounting trade wars between the US and its global trading partners have dealt a blow to Chinese stock markets. US-China trade tensions are not a new phenomenon but the imposition of trade tariffs on US imports of certain Chinese goods has created fears of a full-on trade war. The short-term prospects for Chinese exports look difficult and this is contributing to overall weakness in the economy, a slowdown in retail sales and a vulnerable currency. This uncertainty is causing manufacturers to reduce inventory and thereby precipitating a fall in revenue for the whole manufacturing supply chain.

After years of supercharged economic growth, the Chinese economy – the world's second largest – has slowed down in recent months and may grow by only 6.5% in 2018. These are still robust growth figures that confirm China's status as a global economic superpower but, nevertheless, economic growth in 2018 is likely to fall to its lowest level since the global financial crisis of 2008.

At the half way point of the year, covering the six months to 31st March 2018, the Company's performance had been comfortably ahead of its benchmark, the MSCI China Index. However, the economic and geopolitical landscape has shifted materially since then, as highlighted above, and the Chinese stock market has reflected this over the second half of the year, with certain stocks and sectors in which the Company invests particularly impacted.

Against this backdrop, the Company's NAV total return over the year to 30th September 2018 was –1.4%, underperforming its benchmark, which rose by +0.6% (on a total return, net basis, in sterling terms). The value of the Company's shares (including dividends) fell by –5.0% over the period. The use of gearing, which averaged 14% over the period under review, contributed negatively to returns as we had not anticipated the extent of the market fall in the second half of the year.

Spotlight on stocks and sectors

Although the Chinese economy has grown at a phenomenal pace in recent years, the year under review has demonstrated that it is not immune from global economic challenges and certain Chinese stocks have been hit hard. In this section we highlight specific companies and sectors that have impacted portfolio performance (both positively and negatively) over the year.

Oil prices hit a 4-year high in September, reflecting supply shortage concerns, and, unsurprisingly, **Energy** stocks rose in tandem. However, relative to our benchmark we have an underweight exposure to the Energy sector and this has detracted from performance.

Chinese **Information Technology** stocks have soared in recent years and China has proved that tech innovation is not confined to Silicon Valley. The Chinese IT market is massive, but it remains largely impenetrable for the leading US tech giants like Amazon and Google. The so-called 'BAT' stocks (the internet giants **Baidu**, **Alibaba** and **Tencent**) are top ten holdings, which have been unstoppable for a long time. This year, however, they have suffered sharp corrections on the back of both macro issues and specific challenges. Tencent's performance, for example, was hampered by specific regulatory woes, with Beijing suggesting that approvals of new games should be slowed down following evidence that too much screen time causes eye problems. We remain positive on the long-term prospects for all three BAT stocks. We believe they have diverse interests and plenty of firepower for future growth. For example, Tencent owns WeChat, China's most popular messaging app, Alibaba continues to expand its core e-commerce business, and Baidu, already China's leading search engine, has been investing heavily in key areas like Artificial Intelligence and car automation, while offloading non-core businesses, a move welcomed by investors. As such, the BAT stocks are likely to remain significant holdings in the portfolio subject to the investment policy restrictions for any particular stock.

Looking more generally at IT, hardware suppliers have suffered over the year, reflecting investor concerns on weaker-than-expected demand for smartphones, with incrementally weaker iPhone momentum and mounting cost pressure on component providers. In addition, the escalation in China-US trade tensions have had a significant impact on tech names, initially from the sanctions imposed on Chinese phone maker ZTE and then more broadly impacting companies that have had to reduce capacity and hiring amidst the ongoing trade uncertainties.

Over the year, our overweight positions in **AAC Technologies**, **Largan Precision**, **BOE Technology** and **Shenzhen Sunway** detracted from performance. We subsequently sold our holdings in Largan Precision and Shenzhen Sunway, while trimming our exposure to AAC Technologies, to concentrate on our higher conviction picks.

Stock selection in **Financials** contributed positively. Our long-term core positions in China's biggest insurer **Ping An Insurance** and **China Merchants Bank** were the top contributors both in their sector and in our portfolio overall. Ping An Insurance continued to report strong operational results given its competitive strength; its share price has been much more resilient than the rest of the sector. China Merchants Bank was established in 1987 and now has more than 70,000 employees. It outperformed thanks to its highest return-on-assets amongst its peers, strong capital position, improving deposit franchise and its outward-looking approach. We remain on the side lines when it comes to index-heavy, large cap banks, where we feel challenges may lie ahead.

Our stock picks in the **Consumer Discretionary** and **Consumer Staples** sectors were another key source of strength over this challenging period. Textile manufacturer **Shenzhou International** is one of our high conviction holdings because of its strong and visible earnings growth momentum, as well as its competitive edge in both pricing and delivery lead time. We believe these factors should generate further market share gains. Premium liquor brand **Kweichow Moutai** is another high conviction choice that contributed to returns. It is the leader in the high-end Baijiu (Chinese grain alcohol) sector, which is highly fragmented with room for consolidation, and in a market that should continue to benefit from rising consumer demand.

Overall stock selection in the **Healthcare** sector delivered mixed results for the portfolio, with sector sell-off occurring in response to a vaccine scandal and policy uncertainty. In July, one of the largest domestic vaccine producers was investigated for fabricating production and inspection data, triggering widespread public concern. Subsequent probes revealed failings at the regulatory body, the China Food and Drug Administration (CFDA), and several senior officials were dismissed. Investors feared that the change in CFDA personnel would lead to a slowdown in the drug approval process. In September, the National Medical Insurance Bureau proposed a centralised pharmaceutical procurement policy. This, and the possibility of greater industry regulation, prompted concerns of potential downward pricing pressures. **Sino Biopharm**, one of the industry's leading players, was negatively impacted and ended the period a top detractor for the Company. However, other holdings, including **Jiangsu Hengrui Medicine**, **CSPC Pharmaceutical** and **Aier Eye Hospital,** held up well and added value over the last 12 months.

Finally, it's pleasing to note that several new portfolio acquisitions have added value. Travel related names performed strongly on strong air traffic and yields, including **Shanghai International Airport** and **China International Travel Service Corp**, both rising on solid reported results. **iQiyi**, one of the largest online video sites in the world and the Chinese equivalent of Netflix, came to market via an Initial Public Offering (IPO) earlier in 2018. It is majority owned by Baidu and its shares rallied on good results over the period. iQiyi's above-average subscriber and revenue growth and massive potential market for its services give us confidence that the stock remains well supported for the future.

Positioning the portfolio to face the current challenges

Naturally we are cautious in the current economic environment, with escalating US-China trade tensions a major concern. The rise in corporate debt in recent years has also been worrisome but we are reassured by the regulatory crackdown on debt-like savings products that had driven up leverage to such unprecedented levels. We are also encouraged by the government's efforts (on both monetary and fiscal fronts) to protect the economy from external risks via structural reforms. This backdrop has given us the confidence to retain gearing at current levels.

We continue to position the portfolio to benefit from the structural growth opportunities in the Consumer, Technology and Healthcare sectors. Our resolve to invest in 'New China' (and the broad contour of the portfolio) is unaffected by short term political and economic worries. We are underweight in our exposure to the low growth, low quality and old industrials names. We have trimmed exposure to companies with greater economic or export sensitivity, an already modest part of the portfolio, including banks, autos and technology. In turn, we added to areas like software since both corporate and public sectors are catching up on software spending where they have traditionally underspent.

We continue to find a variety of investment opportunities in Healthcare, concentrating our exposure to those with long-term structural potential, such as the most innovative drug manufacturers. We also increased our exposure to the online operators, a growing presence in the portfolio, given the level of IPO activity we've seen in the Technology sector. As well as **iQiyi**, we initiated new positions in **Pinduoduo** (e-commerce), **Meituan Dianping** (online food delivery and services), **Bilibili** (online content) and **Weibo** (social media) in the last year, in addition to the existing holdings in the 'BAT' stocks.

PERFORMANCE ATTRIBUTION

YEAR ENDED 30TH SEPTEMBER 2018

	%	%
Contributions to total returns		
Benchmark return		0.6
Stock selection	2.2	
Currency effect	-1.2	
Gearing/Net cash	-1.7	
Investment Manager contribution		-0.7
Dividends/Residual	-0.1	
Portfolio return		-0.2
Management fee/other expenses	-1.3	
Structural effect - share buybacks	0.1	
Return on net assets		-1.4
Impact of change in premium/discount		-3.6
Return to shareholders		-5.0

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.

A glossary of terms and alternative performance measures is provided on pages 82 and 84.

Outlook – as the pendulum shifts

One of the great unknowns at the time of writing is just how the US-China trade war is going to play out. Whatever happens, the likelihood is that Chinese exports will face tougher times ahead and Chinese economic growth will continue to moderate further. We believe, however, that the decline is likely to be both modest and controlled, as targeted and coordinated policy responses by the Chinese government should offset growth headwinds resulting from the financial deleveraging efforts and the ongoing trade war.

Beijing's reforms reflect the changing economic landscape at home, acknowledging that the pendulum has shifted and targeting effort on reforms to minimise the impact of external challenges. The increased emphasis on domestic demand and a consumer-led recovery leading to less dependence on export growth should counteract the adverse effects of any further trade escalations with the US as well as the risks of higher inflation and slower global growth.

Our research focus remains on "New China" companies and sectors that are capitalising on the transition of the country to a more consumer-driven economy. Being on the ground in mainland China is a significant advantage for us. We acknowledge that Chinese stocks have been hit hard over recent months, reflecting negative news flow, volatility and US Dollar strength but are reassured that interest in the domestic market from foreign investors has remained strong.

We continue to adopt a patient, long-term approach to investing as we believe this offers the Company's shareholders the best likelihood of benefiting from the economic transformation of China and its evolving role as a global economic powerhouse. There will always be short-term uncertainties that threaten to derail performance but the long-term case for China remains robust. We are excited by the prospect of discovering many more interesting investment opportunities that will benefit from the growth of the Chinese domestic market. Above all, we still believe that investing in Chinese equities can deliver positive and sustained returns over the long-term.

Howard Wang
Rebecca Jiang
Investment Managers 6th December 2018

TEN LARGEST INVESTMENTS

AT 30TH SEPTEMBER

Company	Country of Listing/ Classification*	2018 Valuation £'000	2018 %[1]	2017 Valuation £'000	2017 %[1]
Alibaba	China US listed	24,778	9.5	23,663	9.6
Tencent	China HK listed	22,783	8.8	23,078	9.4
Ping An Insurance	China HK listed	17,305	6.6	17,085	6.9
China Merchants Bank	China HK listed	13,025	5.0	14,162	5.7
Baidu	China US listed	12,578	4.8	4,898	2.0
China Overseas Land & Investment[2]	China HK listed	6,387	2.5	3,515	1.4
Postal Savings Bank of China[3]	China HK listed	6,099	2.3	–	–
Shenzhou International[2]	China HK listed	6,092	2.3	3,335	1.4
China Petroleum & Chemical[3]	China HK listed	5,415	2.1	–	–
Jiangsu Hengrui Medicine[2]	China A Shares	4,838	1.9	3,967	1.6
Total		**119,300**	**45.8**		

[1] Based on total investments of £260.5m (2017: £246.9m).
[2] Not held in the ten largest investments at 30th September 2017.
[3] Not held in the portfolio at 30th September 2017.
[4] At 30th September 2017, the value of the ten largest investments amounted to £119.4m representing 48.4% of total investments.

*A glossary of terms and alternative performance measures is provided on pages 82 and 84.

INVESTMENT ACTIVITY

DURING THE YEAR ENDED 30TH SEPTEMBER 2018

	Value at 30th September 2017 £'000	Value at 30th September 2017 % of portfolio	Purchases £'000	Sales £'000	Changes in value £'000	Value at 30th September 2018 £'000	Value at 30th September 2018 % of portfolio
China HK listed[1]	133,274	54.0	84,186	(91,013)	6,573	133,020	51.1
China A-shares	46,660	18.9	58,943	(29,188)	(5,285)	71,130	27.3
China US listed	45,535	18.5	34,896	(26,095)	(2,879)	51,457	19.7
China Total	**225,469**	**91.4**	**178,025**	**(146,296)**	**1,591**	**255,607**	**98.1**
Hong Kong	11,929	4.8	5,033	(17,215)	2,229	1,976	0.8
Taiwan	9,483	3.8	3,298	(7,895)	(1,928)	2,958	1.1
Total Portfolio	**246,881**	**100.0**	**186,356**	**(171,406)**	**(1,290)**	**260,541**	**100.0**

[1] Historically consisted of Hong Kong Red Chip, Hong Kong P Chip and Hong Kong H-Shares.

GEOGRAPHICAL ANALYSIS

	30th September 2018		30th September 2017	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
China HK listed	51.1	73.6	54.0	72.9
China A-shares	27.3	2.4	18.9	–
China US listed	19.7	23.8	18.5	26.9
China B-shares	–	0.2	–	0.2
China Total	**98.1**	**100.0**	**91.4**	**100.0**
Taiwan	1.1	–	3.8	–
Hong Kong	0.8	–	4.8	–
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £260.5m (2017: £246.9m).

SECTOR ANALYSIS

	30th September 2018		30th September 2017	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
Information Technology	35.8	36.5	30.6	40.3
Consumer Discretionary	17.0	8.6	21.2	10.1
Financials	16.1	22.6	19.0	22.4
Health Care	10.1	3.3	8.7	2.0
Industrials	5.7	5.4	5.8	4.6
Real Estate	4.9	5.1	3.1	4.9
Consumer Staples	4.1	2.7	2.2	1.9
Utilities	3.0	2.7	4.9	2.4
Energy	2.1	6.0	3.8	4.8
Materials	1.2	2.0	0.7	1.3
Telecommunication Services	–	5.1	–	5.3
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £260.5m (2017: £246.9m).

LIST OF INVESTMENTS AT 30TH SEPTEMBER 2018

Company	Valuation £'000
CHINA HK LISTED	
Tencent	22,783
Ping An Insurance	17,305
China Merchants Bank	13,025
China Overseas Land & Investment	6,387
Postal Savings Bank of China	6,099
Shenzhou International	6,092
China Petroleum & Chemical	5,415
CSPC Pharmaceutical	4,792
Country Garden	4,788
ENN Energy	4,395
Kingdee International Software	3,729
ANTA Sports Products	3,682
Geely Automobile	3,588
Wisdom Education International	3,077
Wuxi Biologics Cayman	2,965
Sino Biopharmaceutical	2,951
Meituan Dianping	2,822
Guangzhou Automobile	2,488
Sunny Optical Technology	2,450
AAC Technologies	2,207
IMAX China	2,037
Nexteer Automotive	2,015
Country Garden Services	1,799
China Longyuan Power	1,714
Xiaomi	1,685
China Literature	1,494
China Yuhua Education	1,236
	133,020

Company	Valuation £'000
CHINA A SHARES	
Jiangsu Hengrui Medicine	4,838
Kweichow Moutai	4,522
Shanghai International Airport	3,990
Qingdao Haier	3,641
Bank of Ningbo	3,545
Tonghua Dongbao Pharmaceutical	3,356
Aier Eye Hospital	3,090
Han's Laser Technology Industry	2,921
Inner Mongolia Yili Industrial	2,888
Luxshare Precision Industry	2,883
Focus Media Information Technology	2,867
Hangzhou Hikvision Digital Technology	2,850
Angel Yeast	2,174
China International Travel Service	2,102
Midea	2,072
SAIC Motor	1,957
Spring Airlines	1,886
China Yangtze Power	1,824
Tasly Pharmaceutical	1,811
BOE Technology	1,713
China Merchants Shekou Industrial Zone	1,654
BTG Hotels	1,548
Venustech	1,525
Zhejiang Weixing New Building Materials	1,479
Zhejiang Huace Film & TV	1,471
Beijing Thunisoft	1,399
Shenzhen Inovance Technology	1,380
Yunnan Baiyao	1,350
Laobaixing Pharmacy Chain	1,198
Iflytek	1,196
	71,130

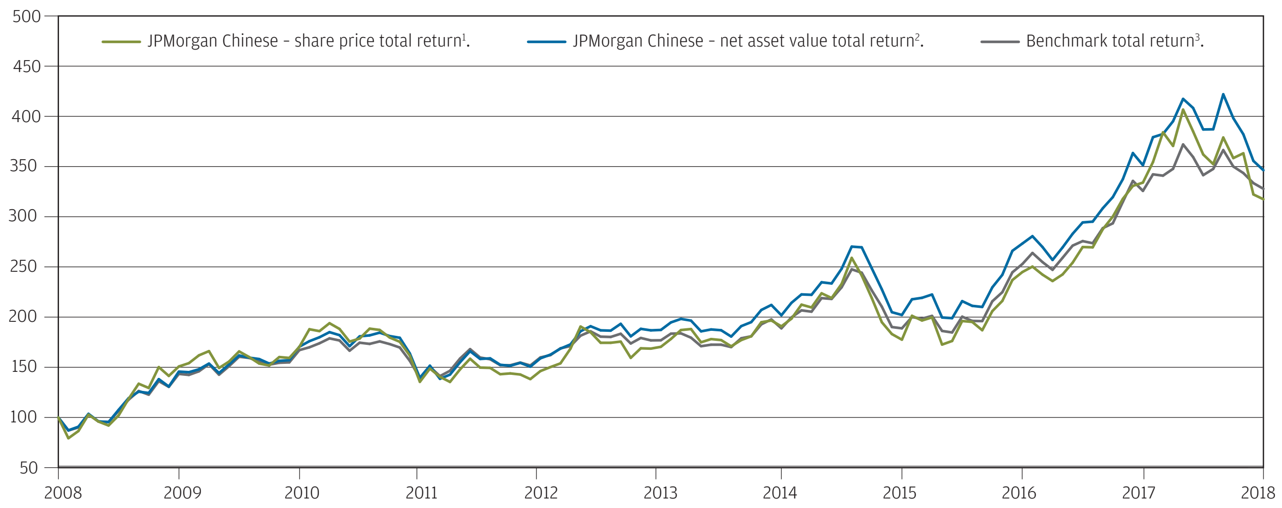
Company	Valuation £'000
CHINA US LISTED	
Alibaba[1]	24,778
Baidu[1]	12,578
Pinduoduo[1]	3,710
iQiyi[1]	2,634
Weibo[1]	2,354
Bilibili[1]	2,211
Noah[1]	1,949
Hutchison China MediTech[1]	1,243
	51,457
TAIWAN	
Formosa Plastics	1,577
Silergy	1,381
	2,958
HONG KONG	
Galaxy Entertainment	1,976
	1,976
TOTAL INVESTMENTS	**260,541**

[1] American Depositary Receipts (ADRs).

A glossary of terms and alternative performance measures is provided on pages 82 and 84.

TEN YEAR PERFORMANCE

FIGURES HAVE BEEN REBASED TO 100 AT 30TH SEPTEMBER 2008



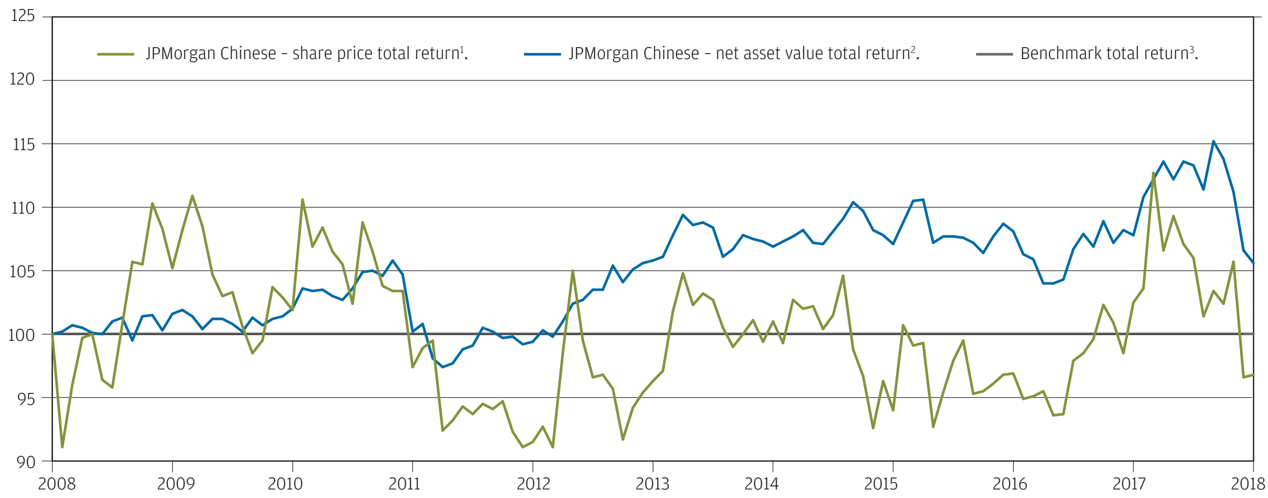
[1] Source: Morningstar.

[2] Source: Morningstar/J.P.Morgan, using cum income net asset value per share.

[3] Source: MSCI.

TEN YEAR PERFORMANCE RELATIVE TO BENCHMARK

FIGURES HAVE BEEN REBASED TO 100 AT 30TH SEPTEMBER 2008



[1] Source: Morningstar.

[2] Source: Morningstar/J.P.Morgan, using cum income net asset value per share.

[3] Source: MSCI.

TEN YEAR FINANCIAL RECORD

At 30th September	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Shareholders' funds (£'m)	67.4	100.4	123.8	101.1	112.2	128.9	137.8	135.9	179.8	226.0	221.0
Net asset value per share (p)	95.4	138.2	160.1	129.8	146.4	170.7	182.4	181.2	242.7	309.8	303.9
Share price (p)	90.8	136.0	152.0	119.9	128.0	147.5	163.5	150.8	205.8	278.3	263.0
Share price discount to net asset value per share (%)	4.8	1.6	5.1	7.6	12.6	13.6	10.4	16.8	15.2	10.2	13.5
Gearing (%)	(0.4)	3.8	5.7	3.3	9.9	11.1	8.8	13.9	8.5	9.3	17.9

Year ended 30th September											
Net revenue attributable to shareholders (£'000)	364	1,094	1,181	1,073	1,313	1,241	1,281	1,701	1,335	850	3,152
Revenue return per share (p)	0.51	1.53	1.55	1.38	1.69	1.63	1.70	2.25	1.79	1.16	4.32
Dividend per share (p)	0.5	1.5	1.5	1.3	1.6	1.6	1.6	1.8	1.6	1.6	3.5
Ongoing Charges (%) (excluding performance fee payable)[1]	1.59	1.50	1.41	1.40	1.41	1.46	1.40	1.42	1.44	1.38	1.34
Ongoing Charges (%) (including performance fee payable)[2]	2.74	2.59	2.46	1.51	1.41	2.42	1.78	1.46	1.44	1.38	1.34

Rebased to 100 at 30th September 2008											
Total return to shareholders[3]	100.0	150.8	170.3	135.5	146.2	170.4	190.8	177.5	244.9	334.0	317.4
Total return on net assets[4]	100.0	145.7	170.5	139.5	158.9	187.2	201.8	202.1	273.3	351.3	346.3
Benchmark total return[5]	100.0	143.4	167.1	139.2	159.8	176.9	188.8	188.8	252.9	325.7	327.8

[1] Management fee and all other operating expenses, excluding finance costs and any performance fee payable are expressed as a percentage of the average daily net assets during the year (2009 to 2011: the average of the month end net assets; 2008: the average of the opening and closing net assets).

[2] Management fee and all other operating expenses and any performance fee, excluding finance costs are expressed as a percentage of the average daily net assets during the year (2009 to 2011: the average of the month end net asset; 2008: the average of the opening and closing net assets). The performance fee was removed from the Company's fee structure with effect from 30th September 2015.

[3] Source: Morningstar.

[4] Source: J.P. Morgan/Morningstar, using cum income net asset value per share.

[5] Source: MSCI. The benchmark is the MSCI China Index with net dividends reinvested, in sterling terms. Prior to 26th January 2016, the benchmark was the MSCI Golden Dragon Index.

A glossary of terms and alternative performance measures is provided on pages 82 and 84.

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the structure and objective of the Company, its investment policies and risk management, investment restrictions and guidelines, performance and key performance indicators, share capital, the Company's environmental, social and ethical policy, principal risks and how the Company seeks to manage those risks and finally its long term viability.

Business Review

JPMorgan Chinese Investment Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. In seeking to achieve its objectives, the Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its AIFM which, in turn, delegates portfolio management to JPMorgan Asset Management (UK) Limited to actively manage the Company's assets. The Board has determined investment policies and related guidelines and limits. These objectives, investment policies and related guidelines and limits are detailed below.

Objective and Strategy of the Company

The Company's existing investment objective and investment policy are set out below.

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 China Index total return, with net dividends reinvested, in sterling terms.

The Greater China region remains a structural growth story as the Chinese economy continues to drive growth throughout the region. The Company seeks to generate long term capital growth by investing in the wide range of opportunities that this economic growth presents the investment managers.

J.P. Morgan Asset Management ('JPMAM') has a long established presence in Greater China and the Asia Pacific region. JPMAM began managing its first Asia Pacific equity portfolio mandate in 1971 and have been managing money in Greater China since the 1990s. The Greater China Team has the advantage of size and the experience and diversity of the backgrounds of the key investment managers, with their nationalities ranging from mainland China to Hong Kong, Taiwan, Singapore and America. The team comprises of 19 investment professionals, 12 of which are Greater China product specific research analysts, with an average 15 years of industry experience. The team comprises (seven) portfolio managers and (eleven) dedicated research analysts and has on average fourteen years within the industry. All members of the Greater China Team, including portfolio managers, conduct research for Greater China equity portfolios. In addition, the portfolio managers have access to the research conducted by global sector analysts of the broader Emerging Markets and Asia Pacific Equities team. The research on domestic A-shares conducted by the analysts in JPMAM's joint venture in China, CIFM, is also made available to the portfolio management team.

The investment managers place particular emphasis on tailoring their investment process to China equities. Company visits form the cornerstone of the proprietary research process which allows the managers to take controlled, considered positions designed to enhance performance. Stock selection provides the greatest added value to the funds. Underpinning stock selection is the rigorous research conducted by the Greater China Team. The team conducts over 1,600 company meetings annually and as a result, portfolio judgments are made using extensive qualitative judgment in addition to financial analysis.

Structure of the Company

The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the UKLA Listing, Prospectus, Disclosure Guidance and Transparency Rules, Market Abuse Regulation, taxation law and the Company's own Articles of Association.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010). As a result the Company is not liable for taxation on capital gains. The Directors have no reason to believe that approval will not continue to be retained. 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 6 to 8, and in the Investment Managers' Report on pages 9 to 12.

Investment Policies and Risk Management

In order to achieve the investment objective, the Company's business model is to invest in a diversified portfolio and to employ 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. The number of investments held by the Company will normally range between 45 and 85. The maximum permitted exposure to Hong Kong and Taiwan listed stocks not in the index is 30% of the portfolio.

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 closed-ended investment funds (including investment trusts), nor does it invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed closed-ended investment funds.

Investment Restrictions and Guidelines

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

- At the time of purchase, the maximum permitted exposure to each individual company is 10.0% of the Company's total assets.
- As a result of market growth, the maximum permitted exposure to each individual company is 12.5% of the Company's total assets.
- The maximum permitted exposure to group or related companies is 15% of the Company's total assets.
- The maximum permitted exposure to small-cap stocks (a stock with a market capitalisation of below US$500 million) is 45% (including market movement).
- No more than 60% of the portfolio's value may be held in or exposed to China A-Shares and China related ADRs. This includes any exposure to China A-Shares through the use of derivative instruments for investment purposes in the form of P-Notes. This restriction will be removed if the new investment policy is adopted.
- The Company may use derivative instruments for the purpose of efficient portfolio management up to a value of 10%. The Company does not have a policy of hedging or otherwise seeking to mitigate foreign exchange risk but reserves the right to do so from time to time as part of the Company's efficient portfolio management.
- 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 20%.

Monitoring of Compliance

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 2018, the Company produced a total return to shareholders of -5.0% and a total return on net assets of -1.4%. This compares with the total return on the Company's benchmark index of +0.6%. As at 30th September 2018, the value of the Company's investment portfolio was £260.5 million. The Investment Managers' Report on pages 9 to 12 includes a review of developments during the year as well as information on investment activity within the Company's portfolio and the factors likely to affect the future performance of the Company.

Total Return, Revenue and Dividends

The gross total return for the year amounted to £1,503,000 (2017: £52,602,000) and the net total loss after deducting the management fee, other administrative expenses, finance costs and taxation, amounted to £3,169,000 (2017: £49,765,000 return).

The Directors recommend a final dividend of 3.5 pence (2017: 1.6 pence) per share payable on 6th February 2019 to shareholders on the register at the close of business on 14th December 2018. This distribution will amount to £2,545,000 (2017: £1,167,000). No other dividends were paid in respect of the year. The revenue reserve after the payment of the dividend will amount to £1,488,000 (2017: £881,000).

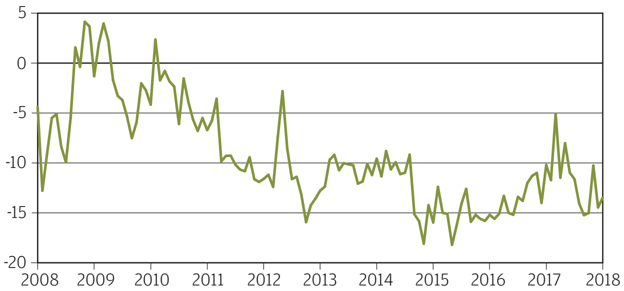
Key Performance Indicators ('KPIs')

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 index**
  This is the most important KPI by which performance is judged. The Company's principal objective is to achieve capital growth and outperformance relative to its benchmark over a normal cycle which is deemed to be five years. Information on the Company's performance is given in the Chairman's Statement and the Investment Managers' Report.
- **Performance against the Company's peers**
  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 stock selection, currency effect and gearing. Details of the attribution analysis for the year ended 30th September 2018 are given in the Investment Managers' Report on page 11.
- **Share price (discount)/premium to cum income net asset value ('NAV') per share**
  The Board operates a share issuance and share repurchase programme which seeks to address imbalances in the supply of and demand for the Company's shares within the market and thereby reduce the volatility and absolute level of the discount/premium to NAV per share at which the Company's

shares trade. In the year to 30th September 2018, the Company's discount has risen over the year from 10.2% to 13.5% as investor demand for Chinese equities has been decreasing against the background of a more volatile market. The Board also has the ability to purchase shares into Treasury and to re-issue them at a later date at a premium to NAV per share. Further details of the Company's share capital can be found below in this Strategic Report.

(Discount)/Premium Performance



Source: Morningstar.

JPMorgan Chinese - discount.

- **Ongoing charges**

  The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 30th September 2018 further reduced to 1.34% (2017: 1.38%). The Board reviews each year an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers.

Share Capital

The Directors have, on behalf of the Company, the authority to issue new Ordinary shares for cash and to repurchase shares in the market for cancellation. In addition, the Directors have authority to repurchase shares into Treasury. The Directors will re-issue shares held in Treasury only at a premium to net asset value per share.

During the year the Company repurchased 224,974 Ordinary shares into Treasury (2017: 1,146,773). The Company did not repurchase any Ordinary shares for cancellation. In addition, no new Ordinary shares were issued and no shares have been repurchased into Treasury since the year end.

Resolutions to renew the authorities to issue new shares and to repurchase shares for cancellation or to be held in Treasury will be put to shareholders for approval at the Annual General Meeting.

The full text of these Resolutions is set out in the Notice of Meeting on pages 78 and 79.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on merit. The Board believes diversity is important in bringing an appropriate range of skills, knowledge and experience to the Board and gives that consideration when recruiting new directors.

At 30th September 2018, there were three male Directors and two female Directors on the Board. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive. The day-to-day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board notes the JPMorgan Asset Management (UK) Limited ('JPMAM') policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics:

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request.

The Manager has implemented a policy which seeks to restrict investments in securities issued by companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. Shareholders can obtain further details on the policy by contacting the Manager.

Greenhouse Gas Emissions

The Company is managed by the Manager. It has no employees and all of its Directors are non-executive, the day to day activities being carried out by third parties. The Company itself has no premises, consumes no electricity, gas or other fuel and consequently does not have a measurable carbon footprint. JPMAM is also a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

The Modern Slavery Act 2015 (the 'MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. JPMorgan's statement on the MSA can be found on the following website: https://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/modern-slavery-act.pdf

Corporate Criminal Offence

The Company has zero tolerance for tax evasion. As the Company has no employees, the Board's focus is to ensure that the risk of the Company's service providers facilitating tax evasion is also low. To this end it seeks assurance from its service providers that effective policies and procedures are in place to prevent this.

Principal Risks

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.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The risks identified have not changed over the year under review, and the ways in which they are managed or mitigated are summarised as follows:

With the assistance of the Manager, the Board has completed a robust risk assessment and drawn up a risk matrix, which identifies the key risks to the Company. In assessing the risks and how they can be mitigated, the Board has given particular attention to those issues that threaten the viability of the Company. These key risks fall broadly under the following categories:

- **Investment Underperformance**
  An inappropriate investment decision may lead to sustained underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages this risk by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates and transaction reports. The Board monitors the implementation and results of the investment process with the investment managers, who attend all Board meetings, and reviews 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.

- **Strategy/Business Management/Political**
  An ill-advised corporate initiative, for example an inappropriate takeover of another company or an ill-timed issue of new capital; misuse of the investment trust structure, for example inappropriate gearing; or if the Company's business strategy is no longer appropriate, may lead to a lack of investor demand. In addition, the Company is exposed to political risks, such as the imposition of restrictions on the free movement of capital. The Board discusses these risks regularly and takes advice from the Manager and its professional advisers.

- **Loss of Investment Team or Investment Manager**
  A sudden departure of several members of the investment management team could result in a deterioration in investment performance. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team-based approach, as well as special efforts to retain key personnel.

- **Share Price Discount**
  A disproportionate widening of the discount relative to the Company's peers could result in a loss of value for shareholders. In order to manage the Company's discount, which can be volatile, the Company operates a share repurchase programme and the Board regularly discusses discount policy and has set parameters for the Manager and the Company's broker to follow. The Board receives regular reports and is actively involved in the discount management process.

- **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 the Manager. The Board monitors the implementation and results of the investment process with the Investment Managers.

- **Governance**
  Changes in financial, regulatory or tax legislation, including in the European Union, may adversely affect the Company. The Manager makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate.

- **Legal and Regulatory**
  In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under 'Structure of the Company' on page 18. Were the Company to breach Section 1158, it may lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by the Manager and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules, Disclosure Guidance and Transparency Rules ('DTRs') and, as an Investment Trust, the Alternative Investment Fund Managers Directive ('AIFMD'). A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, JPMorgan Funds Limited and its professional advisers to ensure compliance with the Companies Act 2006, the UKLA Listing Rules, DTRs and AIFMD.

- **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 statement on pages 28 to 32.

- **Operational Risk and Cybercrime**
  Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the depositary's or custodian's records may prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by the Manager, its associates and depositary and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Directors' Report on pages 30 and 31. The threat of cyber attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security. The Company benefits directly or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested independently.

  The risk of fraud or other control failures or weaknesses within the Manager or other service providers could result in losses to the Company. The Audit Committee receives independently audited reports on the Manager's and other service providers' internal controls, as well as a report from the Manager's Compliance function. The Company's management agreement obliges the Manager to report on the detection of fraud relating to the Company's investments and the Company is afforded protection through its various contracts with suppliers, of which one of the key protections is the Depositary's indemnification for loss or misappropriation of the Company's assets held in custody.

- **Financial**
  The financial risks faced by the Company include market risk, currency risk, liquidity risk and credit risk. Further details are disclosed in note 21 on pages 64 to 70.

Long Term Viability

Taking account of the Company's current position, the principal risks that it faces and their potential impact on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. They have made that assessment by considering those principal risks, the Company's investment objective and strategy, the investment capabilities of the Manager and the outlook for the economies and markets of the Greater China region.

In determining the appropriate period of assessment the Directors had regard to their view that, given the Company's objective of achieving long term capital growth, shareholders should consider the Company as a long term investment proposition. This is consistent with advice provided by investment advisers, that investors should consider investing equities for a minimum of five years. Thus the Directors consider five years to be an appropriate time horizon to assess the Company's viability.

The Directors confirm that, assuming a successful continuation vote at the 2023 Annual General Meeting, they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited
Company Secretary

6th December 2018

Directors' Report

John Misselbrook (Chairman of the Board and Nomination and Remuneration Committee)*†‡

A Director since July 2012.

Last reappointed to the Board: 2018.

Current remuneration: £35,000.

Formerly non-executive Chairman of Aviva Investors Holdings Limited. John was also Chief Operating Officer and on the board of Baring Asset Management Ltd and its predecessor from 2001 to 2011, the board of Baring Asset Management Japan Ltd from 2006 to 2011 and the boards of Baring Fund Managers Ltd and Baring International Fund Managers (Ireland) Ltd from 2009 to 2011. He had also held senior positions in finance and operations, including Director and Chief Financial Officer at LGT Asset Management Asia, Operations Director at Invesco Asia and Managing Director of Investment Administration at the WM Company Limited, part of the Deutsche Bank Group. He is Non-Executive Chairman of Northern Trust Global Services SE, a Non-Executive Director of Brown Shipley & Co Ltd and River and Mercantile Group plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 6,000 Ordinary shares.

David Graham (Chairman of the Audit Committee)*†‡

A Director since May 2018.

Current remuneration: £30,000.

David qualified as a Chartered Accountant and then had a career in investment management, firstly as an Asian fund manager with Lazards and then building businesses across Asia Pacific, Europe, Middle East and Africa for BlackRock and predecessor firms (Merrill Lynch Investment Managers and Mercury Asset Management.) He has worked in Hong Kong, Tokyo and Sydney and has been a Representative Director in domestic, joint venture, fund management companies in China, India, Thailand and Taiwan.

He is also a non-executive director of Templeton Emerging Markets Investment Trust PLC, Fidelity Japan Trust plc, DSP India Investment Fund and DSP India Fund.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 12,470 Ordinary shares.

Kathryn Matthews*†‡

A Director since July 2010.

Last reappointed to the Board: 2018.

Current remuneration: £24,000.

Formerly Chief Investment Officer, Asia Pacific (ex Japan), for Fidelity International. Prior to that, Kathryn held senior appointments with William M Mercer, AXA Investment Managers, Santander Global Advisers and Baring Asset Management. She is a Non-Executive Director of a number of Boards including APERAM plc, Pendal Group, J O Hambro Capital Management Ltd, Barclays UK and Barclays Investment Solutions Ltd. She is also on the Board of Trustees for the Nuffield Trust. She was previously a Director of Hermes Fund Management Ltd and Montanaro UK Smaller Companies Investment Trust plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 3,000 Ordinary shares.

Oscar Wong*†‡

A Director since August 2014.

Last reappointed to the Board: 2018.

Current remuneration: £24,000.

Oscar is currently a Non-Executive Director of China Ping An Insurance and Green Energy. Prior to that, he was a Non-Executive Director of Credit China Holdings. He also held senior appointments at LGT Asset Management, Deputy Chief Executive of INVESCO Asia Limited, Regional Managing Director at Prudential Portfolio Managers Asia, Chief Executive of BOCI-Prudential Asset Management Limited and ICBC (Asia) Investment Management Company Limited, independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited and Chairman and Non-Executive Director of China Bio-Med Regeneration Technology Limited.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: Nil.

Alexandra Mackesy*†‡

A Director since July 2018.

Current remuneration: £24,000.

Alexandra is currently a non-executive director on the Boards of Henderson Smaller Companies Investment Trust plc, The Scottish Oriental Smaller Companies Trust PLC and Murray International Trust PLC. She was previously a non-executive director of Schroder Asian Total Return Investment Company plc, Empiric Student Property plc and RENN Universal Growth Investment Trust plc.

Connections with Manager: None.

Shared directorships with other Directors: None

Shareholding in Company: nil.

*** Member of the Audit Committee**

† Member of the Nomination and Remuneration Committee

‡ Considered independent by the Board

The Directors present their report and the audited financial statements for the year ended 30th September 2018.

Management of the Company

The Manager and Company Secretary to the Company is JPMorgan Funds Limited ('JPMF'), a company authorised and regulated by the FCA. The active management of the Company's assets is delegated by JPMF to an affiliate JPMorgan Asset Management (UK) Limited ('JPMAM') with day to day investment management activity conducted in Hong Kong. The Manager is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides marketing, banking, dealing and custodian services to the Company.

JPMF 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.

The Board conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. Part of this evaluation includes a consideration of the management fees and whether the service received is value for money for shareholders. No separate management engagement committee has been established because all Directors are considered to be independent of the Manager and, given the nature of the Company's business, it is felt that all Directors should take part in the review process.

The Board has thoroughly reviewed the performance of the Manager in the course of the year. The review covered the performance of the Manager, its management processes, investment style, resources and risk controls and the quality of support that the Company receives from the Manager including the marketing support provided. As part of this process, the Board has visited the investment management team in Hong Kong. The Board is of the opinion that the continuing appointment of the Manager is in the best interests of shareholders as a whole.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF').

JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.jpmchinese.co.uk There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure.

Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

As an authorised AIFM, JPMF will make the requisite disclosures on remuneration levels and polices to the FCA at the appropriate time.

Management Fee

The basic annual management fee is fixed at 1% per annum of the Company's total assets less current liabilities, after adding back any loans. Investments in J.P. Morgan managed funds are excluded from the assets used for the purpose of this calculation.

With effect from 1st April 2019, the management fee will be amended to 0.9% per annum of the Company's net assets.

Directors

All Directors of the Company who were in office during the year and up to the date of the signing of the financial statements and their details are included on page 25.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 37. No changes have been reported to the Directors' shareholdings since the year end.

Alexandra Mackesy was appointed a Director on 27th July 2018 following a thorough search exercise conducted during the year. The Company employed Cornforth Consulting Ltd, an agency specialising in Asset Management and Board appointments, as part of the recruitment process. This agency has no connection to the Company or the Manager. In accordance with the Company's Articles of Association, Alexandra Mackesy will stand for appointment at the forthcoming AGM.

In accordance with corporate governance best practice, John Misselbrook, David Graham and Oscar Wong will retire at the forthcoming Annual General Meeting ('AGM') and, being eligible, will offer themselves for reappointment by shareholders. The Nomination and Remuneration Committee, having considered their qualifications, performance and contribution to the Board and its Committees, confirms that each Director continues to be effective and demonstrates commitment to the role, and the Board recommends to shareholders that those standing for reappointment be reappointed.

Kathryn Matthews will retire from the Board at the conclusion of the 2019 AGM.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report.

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:

(a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditors are unaware, and

(b) 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 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 418(2) of the Companies Act 2006.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as Auditors and a resolution proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be put to shareholders at the Annual General Meeting.

Companies Act 2006 Requirements

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 at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 80.

Notifiable Interests in the Company's Voting Rights

At the year end, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
City of London	16,235,479	22.3

Since the year-end, City of London has notified the Company that its holding has increased to 17,280,314, representing 23.8% of the Company's voting rights.

The Company is also aware that as at 30th September 2018, approximately 14.5% of the Company's total voting rights are held by individuals through the savings products managed by JPMAM and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances, JPMAM has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant General Meeting.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or repurchase the Company's shares are contained in the Articles of Association of the Company and the Companies Act 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.

Listing Rule 9.8.4R

Listing Rule 9.8.4R requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

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.

Resolutions relating to the following items of special business will be proposed at the forthcoming AGM:

(i) Authority to allot new Ordinary shares and to disapply statutory pre-emption rights (resolutions 10 and 11)

The Directors will seek renewal of the authority at the AGM to issue up to 7,270,318 new Ordinary shares for cash up to an aggregate nominal amount of £1,817,579 such amount being equivalent to 10% of the present issued Ordinary share capital as at the last practicable date before the publication of this document. This authority will expire at the conclusion of the Company's AGM in 2020 unless renewed at a prior general meeting.

It is advantageous for the Company to be able to issue new shares (or to re-issue Treasury shares) to participants purchasing shares through the J.P. Morgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the net asset value (the 'NAV'), thereby increasing the assets underlying each share and spreading the Company's administrative expenses, other than the management fee which is charged on the value of the Company's gross assets, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

The full text of the resolutions is set out in the Notice of Annual General Meeting on page 78.

(ii) Authority to repurchase the Company's shares (resolution 12)

The authority to repurchase up to 14.99% of the Company's issued Ordinary shares granted by shareholders at the 2018 AGM, will expire at the forthcoming AGM unless renewed at this meeting. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining Ordinary shares.

Resolution 12 gives the Company authority to repurchase its own issued Ordinary shares in the market as permitted by the Companies Act 2006 (the 'Act'). The authority limits the number of shares that could be purchased to a maximum of approximately 14.99% of the Company's issued Ordinary shares as at the last practicable date prior to the publication of this document. The authority also sets minimum and maximum prices and will expire on 27th July 2020 unless the authority is renewed at the Company's AGM in 2020 or any other prior general meeting.

If resolution 12 is passed at the AGM, the Board may repurchase the shares for cancellation or hold them in Treasury. The Company will only reissue shares held in Treasury at a premium to NAV.

The full text of the resolution is set out in the Notice of Annual General Meeting on pages 78 and 79. Repurchases of Ordinary shares 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, thereby enhancing the NAV of the remaining shares as and when market conditions are appropriate.

(iii) Investment Policy (resolution 13)

As noted in the Chairman's Statement on page 6, the Board is proposing a change to its investment restrictions within its investment policy to remove the current investment restriction of no more than 60% of the portfolio's value being held in or exposed to China A-Shares and China related ADRs.

The proposed new investment restrictions in the investment policy are set out in full in the Appendix on page 81 of this annual report, with the amendment highlighted for ease of reference. The new investment restrictions in the investment policy, if approved, shall come into effect from 28th January 2019.

Recommendation

The Board considers that resolutions 10 to 13 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 21,470 Ordinary shares representing approximately 0.03% of the voting rights of the Company.

Corporate Governance Statement

Compliance

The Company is committed to high standards of Corporate Governance. This statement, together with the Statement of Directors' Responsibilities on page 40, indicates how the Company has applied the principles of good governance of the Financial Reporting Council 2016 UK Corporate Governance Code (the 'UK Corporate Governance Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the UK Corporate Governance 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 UK Corporate Governance Code, insofar as they are relevant to the Company's business, and with the best practice provisions of the AIC Code throughout the year under review and up to the date of approval of the Annual Report and Financial Statements.

Role of the Board

The management agreement between the Company and JPMF sets out the matters which have been delegated to the Manager. 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.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company which arose during the year.

The Board has procedures in place to deal with potential conflicts of interest and, following the introduction of the Bribery Act 2010, has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

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, JPMF, 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 John Misselbrook, consists of five Non-Executive Directors as at the year end, all of whom are regarded by the Board as independent of the Company's Manager, 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 25.

John Misselbrook resigned from the Board of Aviva Investors Holdings Ltd, in November 2017. There have been no other changes to the Chairman's other significant commitments during the year under review.

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 Senior Independent Director, Kathryn Matthews, 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. It has been agreed that David Graham will take over as Senior Independent Director following the retirement of Kathryn Matthews at the AGM in 2019.

Tenure

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 reappointment but, when making a recommendation, the Board will take into account the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. The Board has adopted corporate governance best practice and hence all Directors must stand for annual reappointment.

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 AGM.

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

Meetings and Committees

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

The table details the number of Board and Committee meetings attended by each Director. During the year there were four Board meetings, two Audit Committee meetings and one Nomination and Remuneration Committee meeting. The Board holds four full Board meetings each year and any additional ad hoc meetings as and when required to deal with various corporate initiatives, procedural matters and formal approvals. In addition, there is regular contact between the Directors and the Manager and Company Secretary throughout the year.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination and Remuneration Committee Meetings Attended
David Graham	4	2	1
William Knight[1]	2	1	–
Kathryn Matthews	4	2	1
John Misselbrook	4	2	1
Oscar Wong	4	2	1
Alexandra Mackesy[2]	1	1	–

[1] Retired 26th January 2018.

[2] Appointed 27th July 2018.

Board Committees

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, chaired by John Misselbrook, consists of all of 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. The appointment process takes account of the benefits of diversity, including gender.

The Board's policy on diversity, including gender, is to take account of the benefits of these during the appointment process.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together.

Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chairman. The Senior Independent Director, Kathryn Matthews, leads the evaluation of the Chairman's performance.

The Committee also reviews Directors' fees and makes recommendations to the Board as and when appropriate in relation to remuneration policy. This takes into account the level of fees paid to the directors of the Company's peers and within the investment trust industry generally to ensure that high quality people are attracted and retained.

Audit Committee

The report of the Audit Committee is set out on pages 33 and 34.

Terms of Reference

The Nomination and Remuneration 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 and for inspection, on request at the Company's registered office and at the Company's AGM.

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 half yearly by way of the Half Year report and Annual Report and Financial Statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's Ordinary shares and the Company's level of gearing.

All shareholders have the opportunity, and are encouraged, to attend the Company's AGM at which the Directors and representatives of the Managers are available in person to meet with 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 broker and the Manager held regular discussions with larger shareholders. The Directors are made fully aware of their views. In addition, on a regular basis the Board invites the Company's brokers, who are independent of the manager, to present to the Directors and also asks them to canvass shareholder views when appropriate. Through them, the Board not only receives an independent and well informed report on shareholder views, but also is able to offer shareholders meetings with the Chairman or the Directors as and when required to address any queries. The Directors may be contacted through the Company Secretary whose details are shown on page 87 or via the Company's website. All communications from shareholders that are intended for the Board are forwarded in full directly to the Chairman for his response.

The Company's Annual Report and Financial Statements are published in time to give shareholders at least 20 working days notice of the AGM. 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 87.

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

Risk Management and Internal Control

The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and 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 risk management and 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 risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on pages 21 and 22). This process has been in place for the year under review and up to the date of the approval of the Annual Report and Financial Statements, and it accords with the Financial Reporting Council's guidance. The Company does not have an internal audit function of its own, but relies on the Internal Audit department of the Manager which reports any material failings or weaknesses. This arrangement is kept under review.

The key elements designed to provide effective risk management and 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, depositary and custodian regulated by the FCA whose responsibilities are clearly defined in a written agreement.

- **Management Systems**

  The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by the Manager's Compliance department which regularly monitors compliance with FCA 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 risk management and internal control by monitoring the operation of the key operating controls of JPMAM and its associates as follows:

  - reviews the terms of the management agreement and receives regular reports from the Manager's Compliance department;
  - reviews reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed;
  - reviews independent reports on the internal controls and the operations of JPMAM; and
  - reviews quarterly reports from the Company's depositary.

- **Depositary**

  The Board has appointed Bank of New York Mellon (International) Limited as depositary, with responsibilities for safe keeping of custodial assets and oversight of the records and cash flows.

Through the procedures set out above, the Board confirms that it has reviewed, and is satisfied with, the effectiveness of the Company's system of internal control for the year ended 30th September 2018 and to the date of approval of this Annual Report and Financial Statements.

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. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM through the Manager. The following, as highlighted in italics, is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on pages 20 and 21.

Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

Proxy Voting

JPMAM manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of 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.

Stewardship/Engagement

JPMAM recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- *publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;*
- *disclose their policy on managing conflicts of interest;*
- *monitor their investee companies;*
- *establish clear guidelines on how they escalate engagement;*
- *be willing to act collectively with other investors where appropriate;*
- *have a clear policy on proxy voting and disclose their voting record; and*
- *report to clients.*

JPMAM endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website:
http://www.jpmorganinvestmenttrusts.co.uk/governance, which also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

Audit Committee Report

Composition and Role

The Audit Committee, chaired by David Graham and whose membership is set out on page 25, 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. At least one member of the 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 UK Corporate Governance Code. It examines the effectiveness of the Company's internal control systems. It monitors the Company's key risks and controls relating to those risks. It receives controls reports on the Manager and the custodian and monitors the controls and service levels at the Company's other key third party suppliers. It also receives information from the Manager's Compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditor. The Audit Committee has reviewed the independence and objectivity of the auditor and is satisfied that the auditor is independent. The Audit Committee also has the primary responsibility for making recommendations to the Board on the reappointment and the removal of the external auditor.

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 30th September 2018, the Audit Committee considered the following significant issues, including those communicated by the Auditor during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in and accordance with the accounting policies, disclosed in note 1(b) to the accounts. Controls are in place to ensure that valuations are appropriate and existence is verified through custodian reconciliations. The Company has appointed Bank of New York Mellon (International) Limited ('BNYM') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A., as the Company's custodian. BNY remains responsible for the oversight of the custody of the Company's assets.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on page 53. The Board regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st October 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored by the Board on a regular basis.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 18), risk management policies (see pages 64 to 70), capital management policies and procedures (page 70), the nature of the portfolio and expenditure projections, 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 consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

Risk Management and Internal Control

The Directors' statement on the Company's system of internal control is set out on pages 30 and 31.

Auditor Appointment and Tenure

Representatives of the Company's auditor attended the Audit Committee meeting at which the draft Annual Report and Financial Statements were considered and also engaged the Directors as and when required.

The Audit Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external auditors. PricewaterhouseCoopers LLP was appointed at the Company's launch in 1993. The audit engagement partner rotates every five years in accordance with ethical guidelines and 2015 was the first year for the current audit partner. Under the new EU audit reform, given that the Company's Auditors have been in place for over 20 years, the Company must rotate their audit firm by 2020 at the latest.

Having reviewed the performance of the external Auditors and assessed their effectiveness, including assessing the quality of work, timing of communications and work with JPMF, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Board reviews and approves the Auditors' fees and any non-audit services provided by the independent Auditors and assesses the impact of any non-audit work on the ability of the Auditors to remain independent. No such work was undertaken by the Auditors during the year under review. Details of the Auditors' fees are disclosed in note 6 on page 57.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the Annual Report and Financial Statements with the AIFM, the Investment Managers, the Company Secretary and other third party service providers, the Committee has concluded that the Annual Report and Financial Statements for the year ended 30th September 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 40.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited
Company Secretary

6th December 2018

Directors’ Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 30th September 2018, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

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 its report on pages 42 to 47.

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

Directors' Remuneration Policy

The Directors' Remuneration Policy is subject to a triennial binding vote. However, the Board has resolved that for good governance purposes, the policy vote will be put to shareholders every year. Accordingly, a resolution to approve this policy will be put to shareholders at the 2019 AGM. The policy subject to the vote is set out in full below and is currently in force.

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 other Directors, reflecting the greater time commitment involved in fulfilling those roles.

The Nomination and Remuneration Committee, comprising all Directors, reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, and includes 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 involvement of remuneration consultants has not been deemed necessary as part of this review.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award 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 granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

During the year under review, Directors' fees were paid at a fixed rate of £34,000 per annum for the Chairman, £29,000 per annum for the Chairman of the Audit Committee and £23,000 per annum for each other Director. Fees were increased with effect from 26th January 2018 to the following levels: £35,000 for the Chairman, £30,000 for the Audit Committee Chairman and £24,000 for each other Director.

The Company's Articles of Association stipulate that aggregate fees must not exceed £150,000 per annum. Any increase in this the maximum aggregate amount requires both Board and shareholder approval.

The Company has no Chief Executive Officer and no employees and therefore there was no consultation of employees, and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

The Company has not sought shareholder views on its remuneration policy. The Nomination and Remuneration Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and will take account of these views if appropriate.

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 which are available for review at the Company's AGM and the Company's registered office. Details of the Board's policy on tenure are set out on page 29.

The Company's Remuneration policy also applies to new Directors.

Directors' Remuneration Policy Implementation Report

The Directors' Remuneration Policy Implementation Report which includes details of the Directors' Remuneration Policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM. There have been no changes to the policy compared with the year ended 30th September 2017 and no changes are proposed for the year ending 30th September 2019.

At the Annual General Meeting held on 26th January 2018, of votes cast in respect of the Remuneration Policy, 99.3% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration policy and

0.7% voted against. In respect of the Remuneration Report, 99.3% of votes were cast in favour and 0.7% against.

Details of voting on both the Remuneration Policy and Remuneration Policy Implementation Reports from the 2019 AGM will be given in the annual report for the year ending 30th September 2019.

Details of the implementation of the Company's remuneration policy are given below. No advice from remuneration consultants was received during the year under review.

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 30th September 2018 was £123,427. The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

There are no performance targets in place for the Directors of the Company and there are no benefits for any of the Directors which will vest in the future. There are no benefits, pension, bonus, long term incentive plans, exit payments or arrangements in place on which to report.

Single total figure table[1]

	Total fees	
Directors' Name	2018 £	2017 £
William Knight[2]	10,956	34,000
John Misselbrook	33,067	29,000
David Graham[3]	27,744	9,604
Alexandra Mackesy[4]	4,304	–
Kathryn Matthews	23,678	23,000
Oscar Wong	23,678	23,000
Total	123,427	118,604

[1] Audited information. Other subject headings for the single figure table as prescribed by regulations are not included because there is nothing to disclose in relation thereto.

[2] Retired 26th January 2018.

[3] Appointed 1st May 2017.

[4] Appointed 27th July 2018.

A table showing the total remuneration for the Chairman over the five years ended 30th September 2018 is below:

Remuneration for the Chairman over the five years ended 30th September 2018

Year ended 30th September	Fees £	Performance related benefits received as a percentage of maximum payable[1]
2018	35,000	n/a
2017	34,000	n/a
2016	34,000	n/a
2015	30,000	n/a
2014	27,000	n/a

[1] In respect of one year period and periods of more than one year.

Directors' Shareholdings[1]

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors' beneficial shareholdings, including any shares held by connected persons, are detailed below.

Directors' Name	30th September 2018	30th September 2017 or as at date of appointment
William Knight[2]	6,400	4,400
David Graham	12,470	8,000
Kathryn Matthews	3,000	3,000
John Misselbrook	6,000	6,000
Oscar Wong	–	–
Alexandra Mackesy[3]	–	–
Total	27,870	21,400

[1] Audited information.

[2] As at 26th January 2018, his date of retirement.

[3] Appointed 27th July 2018.

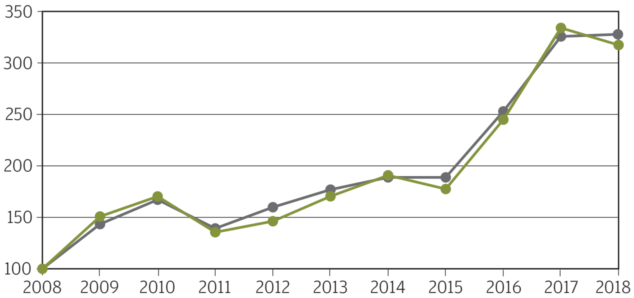
As at the latest practicable date before the publication of this document, there have been no changes to the Directors' shareholdings.

The Directors have no other share interests or share options in the Company and no share schemes are available.

No amounts (2017: nil) were paid to third parties for making available the services of Directors.

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, the MSCI China Index[1] with dividends reinvested, in sterling terms, over the last ten years is shown below. The Board believes this Index is the most representative comparator for the Company, as it includes China securities and non-domestic China securities listed in Hong Kong and the United States.

Ten Year Share Price and Benchmark Total Return[1] Performance to 30th September 2018



Source: Morningstar/J.P.Morgan/MSCI.

Share price total return.

Benchmark total return.

[1] Prior to 26th January 2016, the benchmark was the MSCI Golden Dragon Index.

A table showing actual expenditure by the Company on remuneration and distributions to shareholders for the year and the prior year can be seen on the following table:

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 30th September 2018	2017
Remuneration paid to all Directors	£123,427	£118,604
Distribution to shareholders		
– by way of dividend	£1,167,000	£1,178,000
– by way of share repurchases	£664,000	£2,420,000
Total distribution to shareholders	**£1,831,000**	**£3,598,000**

For and on behalf of the Board
John Misselbrook
Chairman

6th December 2018

Statement of Directors’ Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, the annual report and accounts are fair, balanced and understandable; provide the information necessary for shareholders to assess the Company's performance, business model and strategy; and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 a 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. The work carried out by the auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, a Directors' Report and a Directors' Remuneration Report that comply with that law. The Strategic Report and the Directors' report include a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Each of the Directors, whose names and functions are listed in Directors' Report confirm that, to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' Report and the Strategic 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 it faces.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board
John Misselbrook
Chairman

6th December 2018

Independent Auditors' Report

Independent auditors' report to the members of JPMorgan Chinese Investment Trust plc

Report on the audit of the financial statements

Opinion

In our opinion, JPMorgan Chinese Investment Trust plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 30th September 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30th September 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1st October 2017 to 30th September 2018.

Our audit approach

Overview

- Overall materiality: £2.2 million (2017: £2.3 million), based on 1% of net assets.

- The Company is a standalone Investment Trust Company and engages JPMorgan Funds Limited (the 'Manager') to manage its assets.
- We conducted our audit of the financial statements using information provided by JPMorgan Corporate & Investment Bank (the 'Administrator') to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at both the Manager and the Administrator, and adopted a fully substantive testing approach using reports obtained from the Administrator.

- Dividend income.
- Valuation and existence of investments.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, Companies Act 2006 and section 1158 of the Corporation Tax Act 2010. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, enquiries with those charged with governance and testing the Company's compliance with section 1158 in the current year. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Dividend income *Refer to page 33 (Audit Committee Report), page 53 (Accounting Policies) and page 53 (Notes to the Financial Statements).* We focused on the occurrence, accuracy and completeness of dividend income recognition and its presentation in the Statement of Comprehensive Income as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP').This is because non-occurrence, incomplete or inaccurate income could have a material impact on the Company's net assets value.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. To test for completeness, we tested that for investment holdings in the portfolio, all dividends recorded in the year had been declared in the market, and that all dividends declared in the market by investment holdings had been recorded. We tested occurrence by tracing a sample of dividends received to bank statements. We tested the allocation and presentation of dividend income between the revenue and capital return columns in the Statement of Comprehensive Income in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our testing did not identify any material misstatements.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments *Refer to page 33 (Audit Committee Report), page 53 (Accounting Policies) and page 53 (Notes to the Financial Statements).* The investment portfolio at the year-end principally comprised of listed equity investments. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.	We tested the valuation of the listed investment portfolio by agreeing the prices used in the valuation to independent third party sources. We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian or depository confirmation from JPMorgan Chase Bank, N.A or Bank of New York Mellon (International) Limited. Our testing did not identify any material misstatements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company's accounting is delegated to the Administrator who maintains the Company's accounting records and who has implemented controls over those accounting records.

We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant control reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£2.2 million (2017: £2.3 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe that this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £110,000 (2017: £113,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30th September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

The directors' assessment of the prospects of the company and of the principal risks that would threaten the solvency or liquidity of the company

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 21 of the Annual Report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 23 of the Annual Report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the company and statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the company and its environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions
We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 40, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit.
- The section of the Annual Report on page 33 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 40, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 19th October 1993 to audit the financial statements for the year ended 30th September 1994 and subsequent financial periods. The period of total uninterrupted engagement is 25 years, covering the years ended 30th September 1994 to 30 September 2018.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6th December 2018

Financial Statements

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

	Notes	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
(Losses)/gains on investments held at fair value through profit or loss	3	–	(1,330)	(1,330)	–	48,152	48,152
Net foreign currency (losses)/gains[1]		–	(2,091)	(2,091)	–	763	763
Income from investments	4	4,625	–	4,625	3,480	–	3,480
Interest receivable and similar income	4	299	–	299	207	–	207
Gross return		**4,924**	**(3,421)**	**1,503**	**3,687**	**48,915**	**52,602**
Management fee	5	(713)	(2,139)	(2,852)	(2,092)	–	(2,092)
Other administrative expenses	6	(500)	–	(500)	(595)	–	(595)
Net return/(loss) on ordinary activities before finance costs and taxation		**3,711**	**(5,560)**	**(1,849)**	**1,000**	**48,915**	**49,915**
Finance costs	7	(254)	(761)	(1,015)	(352)	–	(352)
Net return/(loss) on ordinary activities before taxation		**3,457**	**(6,321)**	**(2,864)**	**648**	**48,915**	**49,563**
Taxation (charges)/credit	8	(305)	–	(305)	202	–	202
Net return/(loss) on ordinary activities after taxation		**3,152**	**(6,321)**	**(3,169)**	**850**	**48,915**	**49,765**
Return/(loss) per share	9	**4.32p**	**(8.67)p**	**(4.35)p**	**1.16p**	**66.78p**	**67.94p**

[1] (£1,857,000) due to an exchange loss on the loan which is denominated in US dollar. (£234,000) due to net exchange losses on cash and cash equivalents, (2017: £718,000 due to an exchange gain on the loan which is denominated in US dollar, £45,000 due to net exchange gains on cash and cash equivalents).

A final dividend of 3.5p (2017: 1.6p) has been proposed in respect of the year ended 30th September 2018, totalling £2,545,000 (2017: £1,167,000). Further details are given in note 10 on page 59.

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. Net return on ordinary activities after taxation represents the profit for the year and also total comprehensive income.

The notes on pages 53 to 70 form an integral part of these financial statements.

FOR THE YEAR ENDED 30TH SEPTEMBER 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[1] £'000	Total £'000
At 30th September 2016	**19,481**	**13,321**	**3**	**581**	**37,392**	**106,641**	**2,376**	**179,795**
Repurchase of shares into Treasury	–	–	–	–	–	(2,420)	–	(2,420)
Net return from ordinary activities	–	–	–	–	–	48,915	850	49,765
Dividends paid in the year (note 10)	–	–	–	–	–	–	(1,178)	(1,178)
At 30th September 2017	**19,481**	**13,321**	**3**	**581**	**37,392**	**153,136**	**2,048**	**225,962**
Repurchase of shares into Treasury	–	–	–	–	–	(664)	–	(664)
Net (loss)/return from ordinary activities	–	–	–	–	–	(6,321)	3,152	(3,169)
Dividends paid in the year (note 10)	–	–	–	–	–	–	(1,167)	(1,167)
At 30th September 2018	**19,481**	**13,321**	**3**	**581**	**37,392**	**146,151**	**4,033**	**220,962**

[1] This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

The notes on pages 53 to 70 form an integral part of these financial statements.

AS AT 30TH SEPTEMBER 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	**260,541**	**246,881**
Current assets	12		
Debtors		785	1,781
Cash and cash equivalents		7,174	1,890
		7,959	3,671
Current liabilities	13		
Creditors: amounts falling due within one year		(47,538)	(24,590)
Net current liabilities		**(39,579)**	**(20,919)**
Total assets less current liabilities		**220,962**	**225,962**
Net assets		**220,962**	**225,962**
Capital and reserves			
Called up share capital	14	19,481	19,481
Share premium	15	13,321	13,321
Exercised warrant reserve	15	3	3
Capital redemption reserve	15	581	581
Other reserve	15	37,392	37,392
Capital reserves	15	146,151	153,136
Revenue reserve	15	4,033	2,048
Total shareholders' funds		**220,962**	**225,962**
Net asset value per share	16	**303.9p**	**309.8p**

The financial statements on pages 49 to 70 were approved and authorised for issue by the Directors on 6th December 2018 and signed on their behalf by:

John Misselbrook
Director

The notes on pages 53 to 70 form an integral part of these financial statements.

The Company is registered in England and Wales No. 02853893.

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

	Notes	2018 £'000	2017 £'000
Net cash outflow from operations before dividends and interest	17	(3,307)	(2,394)
Dividends received		4,363	3,018
Interest received		11	6
Overseas tax recovered		45	431
Interest paid		(909)	(310)
Net cash inflow from operating activities		**203**	**751**
Purchases of investments		(187,015)	(156,348)
Sales of investments		172,261	152,898
Settlement of foreign currency contracts		10	(30)
Net cash outflow from investing activities		**(14,744)**	**(3,480)**
Repurchase of shares into Treasury		(664)	(2,525)
Dividends paid		(1,167)	(1,178)
Repayment of bank loan		(2,544)	(1,860)
Drawdown of bank loan		24,209	9,667
Net cash inflow from financing activities		**19,834**	**4,104**
Increase in cash and cash equivalents		**5,293**	**1,375**
Cash and cash equivalents at start of year		1,890	515
Exchange movements		(9)	–
Cash and cash equivalents at end of year		7,174	1,890
Increase in cash and cash equivalents		**5,293**	**1,375**
Cash and cash equivalents consist of:			
Cash at bank		464	1,890
Cash held in JPMorgan US Dollar Liquidity Fund		6,710	–
		7,174	**1,890**

The notes on pages 53 to 70 form an integral part of these financial statements.

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014, and updated in February 2018.

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

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 33 of the Directors' Report form part of these financial statements.

The policies applied in these financial statements are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's 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 purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments including the related foreign exchange gains and losses, and any other capital charges, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Gains and losses on sales of investments'.

Increases and decreases in the valuation of investments held at the year end including the related foreign exchange gains and losses, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Investment holding gains and losses'.

(d) 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 included in capital.

Overseas dividends are included gross of any withholding tax.

Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as revenue or capital.

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

Securities lending income is taken to revenue on an accruals basis. In all cases securities lent continue to be recognised in the statement of Financial Position.

1. Accounting policies *continued*

(e) Expenses

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

- the management fee is allocated 25% to revenue and 75% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio. Prior to 1st October 2017, the management fee was allocated wholly to revenue.
- 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 brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 60.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method.

Finance costs are allocated 25% to revenue and 75% to capital, in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio. Prior to 1st October 2017, finance costs were allocated wholly to revenue.

(g) Financial instruments

Cash and cash equivalents may comprise cash including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Liquidity funds are considered cash equivalents as they are held for cash management purposes as an alternative to cash, are short term, and readily convertible to a known amount of cash.

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

Bank loans are classified as financial liabilities measured at amortised cost. They are initially measured as proceeds net of direct issue costs and subsequently measured at amortised cost. Interest payable on the bank loan is accounted for on an accruals basis in the Statement of Comprehensive Income.

(h) Taxation

Current tax is provided at the amounts expected to be paid or recovered.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax 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.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

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) Value Added Tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

(j) Foreign currency

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company 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 that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value, 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 from a change in exchange rates subsequent to the date of the transaction is included in the Statement of Comprehensive Income as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

(k) Dividends payable

Dividends are included in the financial statements in the year in which they are approved by shareholders.

(l) Repurchases of ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to 'Capital reserves' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

(m) Repurchase of shares to hold in Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to 'Capital reserves' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of called up share capital and into capital redemption reserve.

Should shares held in Treasury be reissued, the sales proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any significant accounting judgements or estimates have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. (Losses)/gains on investments held at fair value through profit or loss

	2018 £'000	2017 £'000
Gains on investments held at fair value through profit or loss based on historic cost	20,669	23,095
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(23,215)	(20,809)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(2,546)	2,286
Net movement in investment holding gains and losses	1,256	45,924
Other capital charges	(40)	(58)
Total capital (losses)/gains on investments held at fair value through profit or loss	**(1,330)**	**48,152**

4. Income

	2018 £'000	2017 £'000
Income from investments:		
Overseas dividends	4,625	3,480
Interest receivable and similar income:		
Securities lending fees	279	201
Interest from liquidity fund	19	4
Deposit interest	1	2
	299	**207**
Total income	**4,924**	**3,687**

5. Management fee

		2018			2017	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	713	2,139	2,852	2,092	–	2,092

Details of the management fee is given in the Directors' Report on page 26.

Management Fee is allocated 75% to capital and 25% to revenue with effect from 1st October 2017.

6. Other administrative expenses

	2018 £'000	2017 £'000
Administration expenses	260	368
Directors' fees[1]	123	119
Safe custody fees	54	48
Depository fees[2]	35	33
Auditors' remuneration for audit services[3]	28	27
	500	**595**

[1] Full disclosure is given in the Directors' Remuneration Report on page 37.

[2] Includes £1,000 (2017: £1,000) irrecoverable VAT.

[3] Includes £1,000 (2017: £1,000) irrecoverable VAT.

7. Finance costs

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Interest on bank loans and overdrafts	254	761	1,015	352	–	352

Finance costs are allocated 75% to capital and 25% to revenue with effect from 1st October 2017.

8. Taxation

(a) Analysis of tax charge/(credit) in the year

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Overseas withholding tax	305	–	305	(202)	–	(202)
Total tax charge/(credit) for the year	**305**	**–**	**305**	**(202)**	**–**	**(202)**

8. Taxation

(b) Factors affecting total tax charge/(credit) for the year

The tax charge/(credit) for the year is higher (2017: lower) than the Company's applicable rate of corporation tax of 19.0% (2017: 19.5%).

The factors affecting the current tax charge/(credit) for the year are as follows:

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Net return/(losses) on ordinary activities before taxation	3,457	(6,321)	(2,864)	648	48,915	49,563
Net return/(losses) on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 19.0% (2017: 19.5%)	657	(1,201)	(544)	126	9,539	9,665
Effects of:						
Non taxable capital losses/(gains)	–	650	650	–	(9,539)	(9,539)
Non taxable overseas dividends	(879)	–	(879)	(678)	–	(678)
Tax attributable to expenses and finance costs charged to capital	(551)	551	–	–	–	–
Unrelieved expenses	773	–	773	552	–	552
Overseas withholding tax	305	–	305	(202)	–	(202)
Total tax charge/(credit) for the year	**305**	**–**	**305**	**(202)**	**–**	**(202)**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £4,367,391 (2017: £3,675,784) based on a prospective corporation tax rate of 17% (2017: 17%). The UK Government announced in July 2015 that the corporation tax rate is set to be cut to 19% in 2017 and 18% in 2020. In March 2016 a further cut to 17% in 2020 was announced. These reductions in the standard rate of corporation tax were substantively enacted on 15th September 2016 and became effective from 1st April 2017. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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 for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

9. (Loss)/return per share

	2018 £'000	2017 £'000
Revenue return	3,152	850
Capital (loss)/return	(6,321)	48,915
Total (loss)/return	**(3,169)**	**49,765**
Weighted average number of shares in issue during the year	72,887,822	73,253,728
Revenue return per share	4.32p	1.16p
Capital (loss)/return per share	(8.67)p	66.78p
Total (loss)/return per share	**(4.35)p**	**67.94p**

10. Dividends

(a) Dividends paid and proposed

	2018 £'000	2017 £'000
Dividend paid		
2017 final dividend paid of 1.6p (2016: 1.6p) per share	1,167	1,178
Dividend proposed		
2018 final dividend proposed of 3.5p (2017: 1.6p) per share	2,545	1,167

The dividend proposed in respect of the year ended 30th September 2018 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 financial statements for the year ending 30th September 2019.

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of the dividend proposed in respect of the financial year, shown below. The revenue available for distribution by way of dividend for the year is £3,152,000 (2017: £850,000).

	2018 £'000	2017 £'000
Final dividend proposed of 3.5p (2017: 1.6p) per share	2,545	1,167

All dividends paid and proposed in the period are and will be funded from the revenue reserve.

The revenue reserve after payment of the final dividend will amount to £1,488,000 (2017: £881,000).

11. Investments

	2018 £'000	2017 £'000
Investments listed on a recognised stock exchange	260,541	246,881
Opening book cost	170,382	143,773
Opening investment holding gains	76,499	51,384
Opening valuation	246,881	195,157
Movements in the year:		
Purchases at cost	186,356	156,405
Sales proceeds	(171,406)	(152,891)
(Losses)/Gains on sales of investments based on the carrying value at the previous balance sheet date	(2,546)	2,286
Net movement in investment holding gains and losses	1,256	45,924
	260,541	246,881
Closing book cost	206,001	170,382
Closing investment holding gains	54,540	76,499
Total investments held at fair value through profit or loss	**260,541**	**246,881**

Transaction costs on purchases during the year amounted to £380,000 (2017: £354,000) and on sales during the year amounted to £266,000 (2017: £269,000). These costs comprise mainly brokerage commission.

During the year, prior year investment holding gains amounting to £23,215,000 have been transferred to gains and losses on sales of investments as disclosed in note 15.

12. Current assets

	2018 £'000	2017 £'000
Debtors		
Securities sold awaiting settlement	397	1,296
Dividends and interest receivable	375	454
Other debtors	13	31
	785	**1,781**

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

Cash and cash equivalents
Cash and cash equivalents comprise bank balances, short term deposits and liquidity funds. The carrying amount of these represents their fair value.

13. Current liabilities

	2018 £'000	2017 £'000
Creditors amounts falling due within one year		
Bank loan	46,777	23,255
Securities purchased awaiting settlement	503	1,162
Loan interest payable	157	51
Other creditors and accruals	101	122
	47,538	24,590

On 27th January 2012, the Company arranged a £20 million unsecured 364 day multicurrency revolving loan facility with Scotiabank (Ireland) Designated Activity Company. This facility was renewed for a further 364 days each year in January up till January 2018; when it was renewed for a further 91 days. This facility was further renewed for 364 days in April 2018. On 14th February 2018, the £30 million facility was increased to £50 million. On 19th April 2018 the Board renewed the loan facility of £50 million for a further 364 days.

Under the terms of this agreement, the Company may draw down up to £50 million, or its foreign currency equivalent, at an interest rate of LIBOR as offered in the market for the relevant currency and loan period, plus a margin of 0.80% (2017: 0.75%) and plus 'Mandatory Costs', which are the lender's costs of complying with certain regulatory requirements of the Bank of England and the Financial Conduct Authority. The facility is subject to covenants and restrictions which are customary for a credit facility of this nature, all of which have been met during the year and continue to be met.

At 30th September 2018, the Company had drawn down US$61.0 million (2017: US$31.2 million) at an interest rate of 3.00% (2017: 2.03%).

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

14. Called up share capital

	2018 £'000	2017 £'000
Issued and fully paid share capital:		
Ordinary shares of 25p each[1]		
Opening balance of 72,928,162 (2017: 74,074,935) shares	18,234	18,521
Repurchase of 224,974 (2017: 1,146,773) shares into Treasury	(56)	(287)
Sub total of 72,703,188 (2017: 72,928,162)	18,178	18,234
5,211,777 (2017: 4,986,803) shares held in Treasury	1,303	1,247
Closing balance of 77,914,965 (2017: 77,914,965) including shares held in Treasury	**19,481**	**19,481**

[1] Fully paid ordinary shares, which have a par value of 25p each, carry one vote per share and carry a right to receive dividends.

Further details of transactions in the Company's shares are given in the Business Review on page 20.

15. Capital and reserves

	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve[1] £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Revenue reserve[2] £'000	Total £'000
Opening balance	19,481	13,321	3	581	37,392	78,293	74,843	2,048	225,962
Net exchange losses on cash and cash equivalents	–	–	–	–	–	(234)	–	–	(234)
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	–	(2,546)	–	–	(2,546)
Net movement in investment holding gains and losses	–	–	–	–	–	–	1,256	–	1,256
Transfer on disposal of investments	–	–	–	–	–	23,215	(23,215)	–	–
Repurchase of shares into Treasury	–	–	–	–	–	(664)	–	–	(664)
Unrealised exchange losses on foreign currency loan	–	–	–	–	–	–	(1,856)	–	(1,856)
Realised exchange loss on repayment of foreign currency loan	–	–	–	–	–	(1)	–	–	(1)
Unrealised exchange losses on foreign currency loan now realised	–	–	–	–	–	(151)	151	–	–
Finance costs charged to capital	–	–	–	–	–	(761)	–	–	(761)
Management fee charged to capital	–	–	–	–	–	(2,139)	–	–	(2,139)
Other capital charges	–	–	–	–	–	(40)	–	–	(40)
Dividend paid in the year	–	–	–	–	–	–	–	(1,167)	(1,167)
Retained revenue for the year	–	–	–	–	–	–	–	3,152	3,152
Closing balance	**19,481**	**13,321**	**3**	**581**	**37,392**	**94,972**	**51,179**	**4,033**	**220,962**

[1] Created during the year ended 30th September 1999 following a cancellation of the share premium account.

[2] This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

16. Net asset value per share

	2018	2017
Net assets (£'000)	220,962	225,962
Number of shares in issue	72,703,188	72,928,162
Net asset value per share	**303.9p**	**309.8p**

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

	2018 £'000	2017 £'000
Net (loss)/return on ordinary activities before finance costs and taxation	(1,849)	49,915
Add capital loss/(less capital return) on ordinary activities before finance costs and taxation	5,560	(48,915)
Decrease/(increase) in accrued income and other debtors	97	(236)
(Decrease)/increase in accrued expenses	(17)	20
Tax on unfranked investment income	(350)	(229)
Management fee charged to capital	(2,139)	–
Dividends received	(4,363)	(3,018)
Interest received	(11)	(6)
Realised (losses)/gain on foreign exchange transactions	(252)	12
Exchange gain on liquidity fund	17	63
Net cash outflow operations before dividends and interest	**(3,307)**	**(2,394)**

18. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2017: same).

19. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 26. The management fee payable to the Manager for the year was £2,852,000 (2017: £2,092,000) of which £nil (2017: £nil) was outstanding at the year end.

Safe custody fees amounting to £54,000 (2017: £48,000) were payable to JPMorgan Chase Bank N.A. during the year of which £8,000 (2017: £13,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £2,000 (2017: £22,000) of which £nil (2017: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £40,000 (2017: £58,000) were payable to JPMorgan Chase Bank N.A. during the year of which £10,000 (2017: £14,000) was outstanding at the year end.

The Company also holds cash in the JPMorgan US Dollar Liquidity Fund, which is managed by JPMorgan. At the year end this was valued at £6,710,000 (2017: £nil). Interest amounting to £19,000 (2017: £4,000) was receivable during the year of which £nil (2017: £nil) was outstanding at the year end.

Fees amounting to £279,000 (2017: £201,000) were receivable from securities lending transactions during the year. JPMorgan Investor Services Limited commissions in respect of such transactions amounted to £49,000 (2017: £35,000).

At the year end, total cash of £464,000 (2017: £1,890,000) was held with JPMorgan Chase Bank, N.A.. A net amount of interest of £1,000 (2017: £2,000) was receivable by the Company during the year of which £nil (2017: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 37 and in note 6 on page 57.

20. Disclosures regarding financial instruments measured at fair value

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

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio and derivative financial instruments.

The investments are categorised into a hierarchy consisting of the following three levels:

(1) The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date

(2) Inputs other than quoted prices included within Level 1 that are observable (i.e.: developed using market data) for the asset or liability, either directly or indirectly

(3) Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b) on page 53.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 30th September.

	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	258,469	–	246,881	–
Level 2[1]	2,072	–	–	–
Total	**260,541**	**–**	**246,881**	**–**

[1] Consists of the holding of Midea. Trading in the shares of Midea was temporarily suspended between 10th September and 26th October 2018 inclusive. During this period, the valuation of Midea was based upon its last available closing price taken at 7th September 2018 and adjusted in line with the movement of the Shenzhen Stock Exchange index. The valuation of Midea as at 30th September 2018 was based upon this method. Trading in Midea shares resumed on 29th October 2018.

There were no transfers between Level 1, 2 or 3 during the year (2017: same).

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

As an investment trust, the Company invests in equities for the long term so as to secure its investment objective stated on the 'Features' page. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial 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 policy.

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 classes of financial instruments are as follows:

- investments in equity shares, with exposure to 'Greater China' companies and which are held in accordance with the Company's investment objective;
- cash held within a liquidity fund;
- short term debtors, creditors and cash arising directly from its operations; and
- a loan facility.

(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 and these 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.

(i) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling which is the Company's functional currency and presentation currency. 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 this exposure by considering the effect on the Company’s net asset value and income of a movement in 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. It is currently not the Company’s policy to hedge against foreign currency risk.

Foreign currency exposure

The fair value of the Company’s monetary items that have foreign currency exposure at 30th September are shown below. Not withstanding the exposure being shown in the table as US Dollar and HK Dollar, the predominant currency exposure of these investments will be to the Chinese Yuan. 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.

			2018		
	US Dollar £’000	Hong Kong Dollar £’000	Taiwan Dollar £’000	Chinese Yuan £’000	Total £’000
Current assets	7,114	744	2	20	7,880
Creditors	(46,994)	(286)	–	–	(47,280)
Net current (liabilities)/assets	(39,880)	458	2	20	(39,400)
Investments held at fair value through profit or loss	51,457	134,995	2,958	71,131	260,541
Total net foreign currency exposure	**11,577**	**135,453**	**2,960**	**71,151**	**221,141**

			2017		
	US Dollar £’000	Hong Kong Dollar £’000	Taiwan Dollar £’000	Chinese Yuan £’000	Total £’000
Current assets	1,816	1,769	1	15	3,601
Creditors	(24,468)	–	–	–	(24,468)
Net current (liabilities)/assets	(22,652)	1,769	1	15	(20,867)
Investments held at fair value through profit or loss	48,769	143,979	7,473	46,660	246,881
Total net foreign currency exposure	**26,117**	**145,748**	**7,474**	**46,675**	**226,014**

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

(a) Market risk *continued*

(i) Currency risk *continued*

Foreign currency exposure *continued*

In the opinion of the Directors, the above year end amounts are broadly representative of the exposure to foreign currency risk during the year.

Foreign currency sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets 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 the income receivable in foreign currency and assumes a 10% (2017: 10%) appreciation or depreciation in sterling against the currencies to which the Company is exposed to, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

	2018		2017	
	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(461)	461	(348)	348
Capital return	3,940	(3,940)	2,087	(2,087)
Total return after taxation	3,479	(3,479)	1,739	(1,739)
Net assets	**3,479**	**(3,479)**	**1,739**	**(1,739)**

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 liquidity fund 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 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 using the year end figures, giving cash flow interest rate risk when rates are reset, is shown below.

	2018 £'000	2017 £'000
Exposure to floating interest rates:		
Cash and short term deposits	464	1,890
JPMorgan US Dollar Liquidity Fund	6,710	–
Bank loan	(46,777)	(23,255)
Total exposure	**(39,603)**	**(21,365)**

Interest receivable on cash balances, or payable on overdrafts, is at a margin below or above LIBOR respectively (2017: same).

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2017: 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 a reasonable illustration 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.

	2018		2017	
	1% Increase in rate £'000	1% Decrease in rate £'000	1% Increase in rate £'000	1% Decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(45)	45	(214)	214
Capital return	(351)	351	–	–
Total return after taxation for the year	(396)	396	(214)	214
Net assets	**(396)**	**396**	**(214)**	**214**

With effect from 1st October 2017, Finance costs are allocated 75% to capital and 25% to revenue.

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances, cash held in the liquidity fund and amounts drawn down on the loan.

(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 equity 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.

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

(a) Market risk *continued*

(iii) Other price risk *continued*

Other price risk exposure

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

	2018 £'000	2017 £'000
Investments held at fair value through profit or loss	260,541	246,881

The above data is broadly representative of the exposure to other price risk during the current and comparative year.

Concentration of exposure to other price risk

An analysis of the Company's investments is given on page 15. 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 also be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2017: 10%) in the market value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2018		2017	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(65)	65	(247)	247
Capital return	25,859	(25,859)	24,688	(24,688)
Total return after taxation	25,794	(25,794)	24,441	(24,441)
Net assets	**25,794**	**(25,794)**	**24,441**	**(24,441)**

With effect from 1st October 2017, the management fee is allocated 75% to capital and 25% to revenue.

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly 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 note 13 on page 61.

Liquidity risk exposure

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

	2018 Three months or less £'000	2018 More than three months but not more than one year £'000	2018 Total £'000	2017 Three months or less £'000	2017 More than three months but not more than one year £'000	2017 Total £'000
Creditors:						
Securities purchased awaiting settlement	503	–	503	1,162	–	1,162
Bank loan – including interest	505	47,202	47,707	168	23,283	23,451
Other creditors and accruals	101	–	101	122	–	122
	1,109	**47,202**	**48,311**	**1,452**	**23,283**	**24,735**

The liabilities in the table above represent future contractual payments and therefore may differ from the amounts shown in the Statement of Financial Position.

(c) Credit risk

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

Management of credit risk

Portfolio dealing

The Company invests in markets that operate Delivery Versus Payment ('DVP') settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. However, the Company's holdings in Participatory Notes and Warrants are subject to counterparty risk associated with each issuer. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash and cash equivalents

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group and the Board.

JPMorgan Chase Bank N.A. and the JPMorgan US Dollar Liquidity Fund have S+P credit ratings of A-1 and AAAm respectively.

Exposure to JPMorgan Chase

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading.

The Depositary, Bank of New York Mellon (International) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

The amounts shown in the Statement of Financial Position under debtors and cash and cash equivalents represent the maximum exposure to credit risk at the current and comparative year ends.

The value of securities on loan at 30th September 2018 amounted to £23.8 million (2017: £8.5 million) and the maximum value of stock on loan during the year amounted to £31.6 million (2017: £27.0 million). Collateral is obtained by JPMorgan Asset Management (UK) Limited ('JPMAM') and is called in on a daily basis to a value of 102% of the value of the securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% if it is denominated in a different currency.

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

(d) Fair values of financial assets and financial liabilities

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

22. Capital management policies and procedures

The Company's debt and equity structure comprises the following:

	2018 £'000	2017 £'000
Debt:		
Bank loan	46,777	23,255
	46,777	23,255
Equity:		
Called up share capital	19,481	19,481
Reserves	201,481	206,481
	220,962	225,962
Total debt and equity	**267,739**	**249,217**

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

The Company's actual gearing is not to exceed 20% without Board permission.

	2018 £'000	2017 £'000
Investments held at fair value through profit or loss	260,541	246,881
Net assets	220,962	225,962
Gearing	**17.9%**	**9.3%**

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. Subsequent events

The Directors have evaluated the period since the year end and have not noted any subsequent events.

Regulatory Disclosures

SECURITIES FINANCING TRANSACTIONS REGULATIONS ('SFTR') DISCLOSURES (UNAUDITED)

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to SFTR for the accounting year ended 30th September 2018 are detailed below.

Global Data

Amount of securities on loan

The total value of securities on loan as a proportion of the Company's total lendable assets, as at the balance sheet date, is 17.7%. Total lendable assets represents the aggregate value of assets types forming part of the Company's securities lending programme.

Amount of assets engaged in securities lending

The following table represents the total value of assets engaged in securities lending:

	Value £'000	% of AUM
Securities lending	23,799	10.8%

Concentration and Aggregate Transaction Data

Counterparties

The following table provides details of the counterparties (based on gross volume of outstanding transactions with exposure on a gross absolute basis) in respect of securities lending as at the balance sheet date:

Collateral	Country of Incorporation	Value £'000
UBS	Switzerland	15,864
Barclays	United Kingdom	2,506
Goldman Sachs	United States of America	2,238
Merrill Lynch, Pierce, Fenner & Smith	United States of America	1,791
Credit Suisse	Switzerland	1,400
Total		**23,799**

Maturity tenure of Security lending transactions

The Company's securities lending transactions have open maturity.

Collateral Issuers

The following table lists the issuers by value of non-cash collateral received by the Company by way of title transfer collateral arrangement across securities lending transactions, as at the balance sheet date:

Issuer	Collateral Value £'000
United Kingdom Treasury	11,393
United States of America Treasury	4,538
French Republic Government	4,259
Kingdom of Belgium Government	2,984
Federal Republic of Germany Government	989
Republic of Austria Government	893
Kingdom of Netherlands Government	259
Republic of Finland Government	1
	25,316

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

Type, quality and currency of collateral

The following table provides an analysis of the type, quality and currency of collateral received by the Company in respect of securities lending transactions as at the balance sheet date.

Type	Quality	Currency	Value £'000
Sovereign Debt	Investment Grade	GBP	11,393
Sovereign Debt	Investment Grade	EUR	9,385
Treasury Notes	Investment Grade	USD	4,364
Treasury Bills	Investment Grade	USD	174
Total			**25,316**

Maturity tenure of collateral

The following table provides an analysis of the maturity tenure of collateral received in relation to securities lending transactions as at the balance sheet date

Maturity	Value £'000
1 week to 1 month	159
1 to 3 months	15
3 to 12 months	816
more than 1 year	24,326
Total	**25,316**

Settlement and clearing

The Company's securities lending transactions including related collaterals are settled and cleared either bi-laterally, tri-party or through a central counterparty.

Re-use of collateral

Share of collateral received that is reused and reinvestment return

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

Cash collateral received in the context of securities lending transactions may be reused in accordance with the provisions contained within the Prospectus, however the Company does not currently reinvest cash collateral received in respect of securities lending transactions.

Safekeeping of collateral

All collateral received by the Company in respect of securities lending transactions as at the balance sheet date (£25,316,000) is held by the Depository.

Return and cost

JPMorgan Chase Bank, N.A (JPMCB), the lending agent, receives a fee of 15% of the gross revenue for its services related to the Stock Lending Transactions. The remainder of the revenue, 85%, is received by the Company i.e. for the benefit of Shareholders.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (‘AIFMD’) DISCLOSURES (UNAUDITED)

Leverage

For the purposes of the Alternative Investment Fund Managers’ Directive (the ‘AIFMD’), leverage is any method which increases the Company’s exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company’s exposure and its net asset value and is calculated on a gross and a commitment method, in accordance with the AIFMD. Under the gross method, exposure represents the sum of the Company’s positions without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD, as at 30th September, which gives the following figures:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	121%	121%

JPMorgan Funds Limited (the ‘**Management Company**’) is the authorised manager of JPMorgan Chinese Investment Trust plc (the ‘**Company**’) and is part of the J.P. Morgan Chase & Co. group of companies. In this section, the terms ‘J.P. Morgan’ or ‘Firm’ refer to that group, and each of the entities in that group globally, unless otherwise specified.

This section of the annual report has been prepared in accordance with the Alternative Investment Fund Managers’ Directive (the ‘AIFMD’), the European Commission Delegated Regulation supplementing the AIFMD, and the ‘Guidelines on sound remuneration policies’ issued by the European Securities and Markets Authority under the AIFMD.

This section has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5).

Remuneration Policy

A summary of the Remuneration Policy currently applying to the Management Company (the ‘**Remuneration Policy Statement**’) can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/per/legal/emea-remuneration-policy. This Remuneration Policy Statement includes details of how remuneration and benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm’s Compensation and Management Development Committee, and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company.

The Remuneration Policy applies to all employees of the Management Company, including individuals whose professional activities may have a material impact on the risk profile of the Management Company or the Alternative Investment Funds it manages (‘**AIFMD Identified Staff**’). The AIFMD Identified Staff include members of the Board of the Management Company (the ‘**Board**’), senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. As at 31st December 2017, the Board last reviewed and adopted the Remuneration Policy in June 2017 with no material changes and was satisfied with its implementation.

Quantitative Disclosures

The table below provides an overview of the aggregate 2017 total remuneration paid to staff of the Management Company and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an AUM weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 32 Alternative Investment Funds and 2 UCITS (with 38 sub-funds), with a combined Assets under Management ('AUM') as at 31st December 2017 of £13,204 million and £15,004 million respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff ($'000s)	14,845	9,801	24,646	117

The aggregate 2017 total remuneration paid to AIFMD Identified Staff was USD $65,309,308, of which USD $7,505,126 relates to Senior Management and USD $57,804,181 relates to other Identified Staff.

Shareholder Information

Notice is hereby given that the twenty-fourth Annual General Meeting of JPMorgan Chinese Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Monday, 28th January 2019 at 11.30 a.m. for the following purposes:

1. To receive the Directors' Report, the Annual Financial Statements and the Auditors' Report for the year ended 30th September 2018.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30th September 2018.
4. To approve a final dividend of 3.5p per share.
5. To reappoint John Misselbrook as a Director of the Company.
6. To reappoint Oscar Wong as a Director of the Company.
7. To reappoint David Graham a Director of the Company.
8. To appoint Alexandra Mackesy a Director of the Company.
9. To reappoint 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 allot new Ordinary shares – Ordinary Resolution

10. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot Ordinary shares in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary shares in the Company ('Rights') up to an aggregate nominal amount of £1,817,579 representing approximately 10% of the Company's issued Ordinary share capital (excluding shares held in Treasury, if any) as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2019 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require Ordinary shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot Ordinary shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of relevant securities – Special Resolution

11. THAT subject to the passing of Resolution 10 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 10 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £1,817,579 representing approximately 10% of the issued Ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 10 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

12. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of its issued Ordinary shares on such terms and in such manner as the Directors may from time to time determine.

PROVIDED ALWAYS THAT

(i) the maximum number of Ordinary shares hereby authorised to be purchased shall be 10,898,207, or if less, that number of Ordinary shares which is equal to 14.99% of the issued share capital (less shares held in Treasury, if any) as at the date of the passing of this Resolution;

(ii) the minimum price which may be paid for an Ordinary share shall be 25 pence;

(iii) the maximum price which may be paid for an Ordinary share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for an Ordinary 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 Ordinary share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

(iv) any purchase of Ordinary shares will be made in the market for cash at prices below the prevailing net asset value per Ordinary share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 27th July 2020 unless the authority is renewed at the Company's Annual General Meeting in 2020 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary shares pursuant to any such contract.

Investment Policy – Ordinary Resolution

13. THAT the new investment restrictions within the investment policy as set out in the Appendix to the Company's Annual Report and Financial Statements for the year ended 30th September 2018 and produced to the meeting, be and is hereby approved in substitution for the Company's existing investment restrictions within the investment policy.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

13th December 2018

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.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form, no later than 11.30 am two business days prior to the Meeting (ie. excluding weekends and bank holidays).
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments 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 received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. 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 6.30 p.m. two business 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 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.
6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.

7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

   Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.

10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

11. 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 cannot 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.

12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmchinese.co.uk.

13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are 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. No Director has any contract of service with the Company.

14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.

15. As an alternative to completing a hard copy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.

16. As at 3rd December 2018 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 72,703,188 Ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 72,703,188.

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 Form of Proxy.

Appendix

Proposed Changes to Investment Restrictions and Guidelines

The proposed new investment objective and policy for the Company, as proposed in resolution 13 on page 79 of this report, are set out below. Changes to the existing investment restrictions and guidelines at the time of publication of this document are marked in black-line.

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 China Index total return, with net dividends reinvested, in sterling terms.

Investment Policy

In order to achieve the investment objective, the Company's business model is to invest in a diversified portfolio and to employ 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. The number of investments held by the Company will normally range between 45 and ~~70~~ 85. The maximum permitted exposure to Hong Kong and Taiwan listed stocks not in the index is 30% of the portfolio. 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 closed-ended investment funds (including investment trusts), nor does it invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed closed-ended investment funds.

Investment Restrictions and Guidelines

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

- At the time of purchase, the maximum permitted exposure to each individual company is 10.0% of the Company's total assets.
- As a result of market growth, the maximum permitted exposure to each individual company is 12.5% of the Company's total assets.
- The maximum permitted exposure to group or related companies is 15% of the Company's total assets.
- The maximum permitted exposure to small-cap stocks (a stock with a market capitalisation of below US$500 million) is 45% (including market movement).
- ~~No more than 60% of the portfolio's value may be held in or exposed to China A-Shares and China related ADRs. This includes any exposure to China A-Shares through the use of derivative instruments for investment purposes in the form of P-Notes.~~
- The Company may use derivative instruments for the purpose of efficient portfolio management up to a value of 10%. The Company does not have a policy of hedging or otherwise seeking to mitigate foreign exchange risk but reserves the right to do so from time to time as part of the Company's efficient portfolio management.
- 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 20%.

Return to Shareholders (APM)

Total return to the shareholders, 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	Year ended 30th September 2018	Year ended 30th September 2017	
Opening share price (p)		278.3	205.8	
Closing share price (p)		263.0	278.3	(a)
Total dividend adjustment factor[1]		1.005311	1.008290	(b)
Adjusted closing share price (c = a x b)		264.4	280.6	(c)
Total return to shareholders		**–5.0%**	**36.4%**	

[1] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

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, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Page	Year ended 30th September 2018	Year ended 30th September 2017	
Opening cum-income NAV per share (p)		309.8	242.7	
Closing cum-income NAV per share (p)		303.9	309.8	(a)
Total dividend adjustment factor[2]		1.004684	1.007030	(b)
Adjusted closing cum-income NAV per share (c = a x b)		305.3	312.0	(c)
Total return on net assets		**–1.4%**	**28.5%**	

[2] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

Benchmark 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 follow or '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	30th September 2018	30th September 2017	
Investments held at fair value through profit or loss	51	260,541	246,881	(a)
Net assets	51	220,962	225,962	(b)
Gearing / (Net cash) (c = a / b – 1)		**17.9%**	**9.3%**	(c)

Ongoing charges (APM)
The ongoing charges represent 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.

Ongoing charges calculation	Page	30th September 2018	30th September 2017	
Management Fee	49	2,852	2,092	
Other administrative expenses	49	500	595	
Total management fee and other administrative expenses		3,352	2,687	(a)
Average daily cum-income net assets		250,763	194,789	(b)
Ongoing charges (c = a / b)		1.34%	1.38%	(c)

Share Price Discount / Premium to cum income 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 trust's shares to trade at a discount than at a premium (page 5).

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 which are not included in the benchmark.

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

Gearing/(Net Cash)
Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Dividends/Residual
Represents timing differences in respect of cash flows and dividends.

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

Share Buyback
Measures the enhancement to net asset value per share of buying back the Company's shares for cancellation at a price which is less than the Company's net asset value per share.

American Depositary Receipts (ADRs)
Certificates that are traded on US stock exchanges representing a specified number of shares in a non-US company. ADRs are denominated and pay dividends in US dollars and may be traded like regular shares of stock.

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, and currently, only Mainland Chinese Investors and selected Foreign Institutional Investors are allowed to trade A-Shares.

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.

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

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 shared 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 shared on the other market using their local brokers and clearing houses.

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

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

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

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

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.** 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

Find out more at www.fca.org.uk/scamsmart

FCA
FINANCIAL CONDUCT AUTHORITY

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	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 plc in December 2001 and adopted its present name on 14th December 2005.

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') 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 and on the J.P. Morgan website at www.jpmchinese.co.uk, where the Ordinary share price is updated every fifteen minutes during trading hours.

Website

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

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.

Depositary

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

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

Registrars

Equiniti Limited
Reference 1078
Aspect House
Spencer Road
West Sussex BN99 6DA
Telephone number: 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 their holdings on the internet by visiting 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: 020 310 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

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.

J.P.Morgan
Asset Management