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# Fidelity Asian Values PLC

Annual Report

For the year ended 31 July 2008

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Managed by



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### To achieve long term capital growth through investment principally in the stockmarkets of the Asian Region (excluding Japan)

Sir Victor Garland

“Over the 12 months to 31 July 2008 the net asset value per share of Fidelity Asian Values PLC declined by 15.6%. In comparison the benchmark MSCI All Countries (Combined) Far East Free ex Japan Index fell by 10.7%. The share price declined by 13.0% over the period. This underperformance against the benchmark should be seen against the background of a more encouraging longer term record.”

Performance	Year ended 31 July 2008
Net Asset Value (“NAV”) Total Return	-15.6%
Share Price Total Return	-13.0%
MSCI All Countries (Combined) Far East Free ex Japan Index Total Return – sterling adjusted	-10.7%
Equity Shareholders’ Funds	£135.9m
Market Capitalisation	£122.8m
Ordinary shares of 25p in issue at 31 July 2008	103,157,200

#### Standardised Performance (on a total return basis) % change

	31/7/2003 to 31/7/2004	31/7/2004 to 31/7/2005	31/7/2005 to 31/7/2006	31/7/2006 to 31/7/2007	31/7/2007 to 31/7/2008
NAV – Undiluted	+2.6	+46.8	+11.7	+47.4	-15.6
NAV – Diluted	+2.6	+46.8	+10.6	+48.9	n/a
Share price	-3.5	+58.2	+11.8	+40.6	-13.0

Sources: Fidelity and Datastream  
Past performance is not a guide to future returns

# Financial Summary

	2008	2007	% change
<b>Assets at 31 July</b>			
Total assets employed	£145.0m	£179.6m	-19.3
Shareholders' funds	£135.9m	£170.7m	-20.4
NAV per share	131.78p	156.13p	-15.6
Borrowings as % of shareholders' funds	6.7%	5.2%	
Borrowings less cash as % of shareholders' funds	0.1%	2.4%	
<b>Results for the year to 31 July</b>			
Capital (loss)/return per ordinary share (basic)	(25.57p)	53.37p	
Capital return per ordinary share (diluted)	n/a	53.35p	
Revenue return per ordinary share (basic)	1.43p	0.63p	
Revenue return per ordinary share (diluted)	n/a	0.62p	
Dividend proposed for the year	0.81p <sup>1</sup>	–	
<b>Stockmarket data at 31 July</b>			
MSCI AC (Combined) Far East Free ex Japan Index <sup>2</sup>	226.14	259.12	-12.7
Share price year end	119.00p	136.75p	-13.0
high	171.00p	143.75p	
low	108.50p	94.00p	
Discount year end	9.70%	12.41%	
high	12.87%	14.45%	
low	2.62%	8.21%	
<b>Total returns (includes reinvested income) for the year to 31 July (%)</b>			
NAV per share	-15.6	+47.4	
Diluted NAV	n/a	+48.9	
Share price	-13.0	+40.6	
MSCI AC (Combined) Far East Free ex Japan Index <sup>2</sup>	-10.7	+41.3	
<b>Total expense ratios for the year to 31 July<sup>3</sup></b>			
As a % of shareholders' funds (cost of running the Company)	1.34	1.51	

<sup>1</sup> the 2008 final dividend proposed is based on a distribution of £496,000 (see note 7 on page 37)

<sup>2</sup> sterling adjusted price return – total return decrease is 10.7%

<sup>3</sup> operating expenses (excluding interest and tax) based on average daily shareholders' funds

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

## PERFORMANCE

Over the 12 months to 31 July 2008 the net asset value per share of Fidelity Asian Values PLC declined by 15.6%. In comparison the benchmark MSCI All Countries (Combined) Far East Free ex Japan Index fell by 10.7%. The share price declined by 13.0% over the period. (All figures in sterling terms and on a total return basis.) This underperformance against the benchmark should be seen against the background of a more encouraging longer term record. Over the three and five years to 31 July 2008 the Company's net asset value rose by 38.9% and 109.7 % respectively against rises of 37.8% and 99.6% by the benchmark.

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*"After a sharp fall in the early summer of 2007 Asian equities started the review period on a positive note. They ended the financial year in negative territory, having succumbed to a series of global issues that led markets down."*

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A revenue surplus of £499,000 has been made over the year. Subject to shareholders' approval at the 2008 Annual General Meeting the Directors recommend that a final dividend in respect of the year to 31 July 2008 of 0.81 pence per share be paid to shareholders on the register at close of business on 10 October 2008 (ex dividend date 8 October 2008). As the Company's objective is long term capital growth any revenue surplus is a function of a particular year's business and it should not be assumed that dividends will ordinarily be payable.

## MARKETS

After a sharp fall in the early summer of 2007 Asian equities started the review period on a positive note. They ended the financial year in negative territory having succumbed to a series of global issues that led markets down. Record oil prices and rising inflation were the key concerns in Asia. Increased write downs by international financial institutions also eroded investor confidence. Fears that Asian exports would not remain immune to a US slowdown added to the general malaise. There was a sharp increase in the number of earnings downgrades while redemptions from the region rose as increasingly risk averse overseas investors withdrew funds.

Against this backdrop investors favoured the lower risk developed markets of Australia, Singapore and Hong Kong over their counterparts in emerging Asia and moved into sectors seen to benefit from robust domestic demand. Interest rate cuts in the US in the first half of

the review period, aimed at stimulating growth in the world's largest economy, also had a positive impact.

Economic activity remained relatively robust, albeit moderated from 2007 levels, but inflation increased more than anticipated. Central banks in the region, including the People's Bank of China, raised their key interest rates and took other policy initiatives to regulate their financial markets. The higher cost of borrowing dampened the outlook for property, retail, financial and industrial companies although rising commodity prices were supportive of profits at mining and oil firms, particularly in Indonesia and Australia.

## OUTLOOK FOR THE REGION

Though the events of the past year have largely put paid to theories of "decoupling", the Asia Pacific region has so far held up well in the face of slowing growth in more advanced economies and increased stress in financial markets. Continuing high oil and commodity prices are likely to put pressure on domestic consumption and corporate profitability in the region. The trade balances of countries with significant oil imports will also suffer, and corporate profit margins will be squeezed by inflationary pressures. Conversely, recent strong investment and infrastructure trends should continue and thereby help to sustain growth in the region. And market volatility should throw up stock picking opportunities for adroit managers.

I write this statement against the background of a deepening banking crisis, markets around the world have fallen heavily. In the short term the outlook is very cloudy but there are grounds for optimism that Asian economies and markets will emerge less damaged than those of the developed world.

## TENDER OFFER AND REDUCTION OF CAPITAL

After the end of the year under review a tender offer was made for up to 40% of the Company's issued share capital. The Board took this action to avoid the potentially destabilising effect on the share price of

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*"Though the events of the past year have largely put paid to theories of "decoupling", the Asia Pacific region has so far held up well in the face of slowing growth in more advanced economies and increased stress in financial markets."*

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# Chairman's Statement

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certain shareholders wishing to realise their holdings. Following shareholders' approval at an Extraordinary General Meeting of the Company held on 5 September 2008 and completion of the tender offer a total of 41,262,764 ordinary shares have been cancelled from the Register of Members. This equates to 40% of the issued share capital immediately prior to the offer being made. Exiting shareholders bore the costs involved and the remaining shareholders received the benefit of an uplift to the net asset value of some 2% on the day the tender offer was completed.

As agreed by shareholders at the 5 September EGM the Company has applied to the Court to confirm a reduction of capital by way of the cancellation of the share premium account and capital redemption reserve, including the capital redemption reserve arising on the implementation of the tender offer. This was done in order to ensure that the Company will have sufficient distributable reserves to continue to implement share repurchases.

## GEARING

The amount of the US\$18 million short term loan available to gear the portfolio was reduced pro rata to the reduced size of the Company following the tender offer. Currently the loan stands at US\$11 million. During the period under review the portfolio manager was given greater flexibility to maintain gearing than in prior years because of the increased volatility of the markets. Currently the net gearing parameters set by the Board are between 0 and 10%.

## VAT ON MANAGEMENT FEES

The Board has noted the final judgment from the European Court of Justice in favour of the claim by JPMorgan Claverhouse plc that Her Majesty's Revenue and Customs had been wrong in requiring UK investment trusts to pay VAT on their management fees. As the Company has recovered virtually all the VAT it has been charged it does not expect further significant recovery of VAT. Hence no further VAT refund has been accounted for in the accompanying financial statements. The Company is no longer paying VAT on management fees.

## ANNUAL GENERAL MEETING

The 2008 Annual General Meeting will be held on Friday 5 December 2008 at Fidelity's Cannon Street office commencing at 11.00 am. All shareholders and Fidelity Savings Plan and ISA Scheme investors are invited to attend. The portfolio manager will be making a presentation on the year under review and immediate prospects for the Company.



**Sir Victor Garland**

**Chairman**

30 September 2008

# Manager's Review



## FIL INVESTMENTS INTERNATIONAL

The Company is managed by FIL Investments International (which is authorised and regulated by the Financial Services Authority), in conjunction with FIL Investment Management (Hong Kong) Limited. Both are part of the FIL Limited group, which, at 30 June 2008, had total assets under management exceeding £129.5 billion. Fidelity was one of the first Western groups to establish a research presence in the Asian region.



## JOHN LO (age 40)

is a portfolio manager with FIL Investment Management (Singapore) Limited. He joined Fidelity in 1993 having worked previously as a consultant with General Portfolio until 1991 and then with Ernst and Young. He gained an MBA (distinction) at Manchester Business School in 1993. John is also involved with the portfolio management of a number of Fidelity funds investing in Asia.

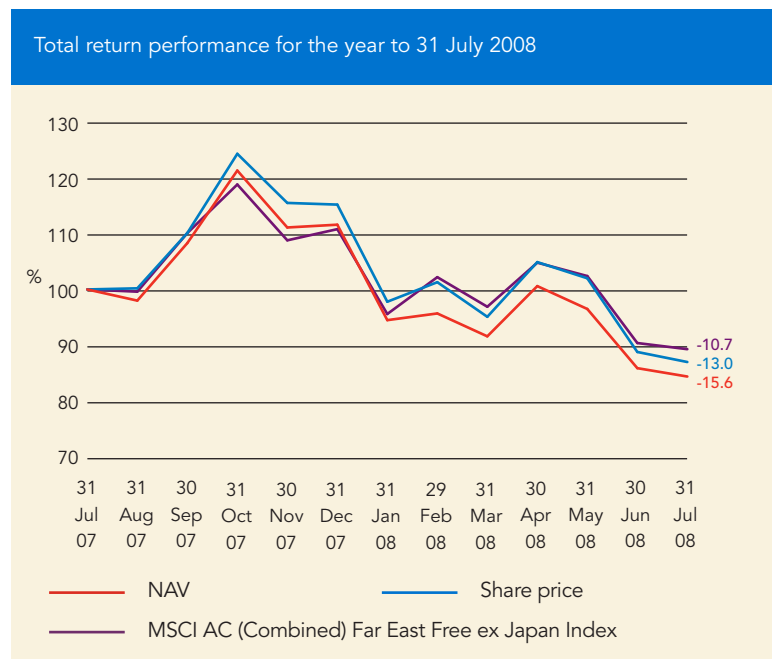
## MARKETS

Asia Pacific stockmarkets, weighed down by concerns related to global economic growth and rising inflation, retreated over the twelve month review period. The likely impact of a slowdown in the US economy, Asia's key customer, on South East Asian exports and the reduced availability of finance had a negative impact on investor confidence. As a further complication spiralling oil prices led to heightened volatility in this energy intensive region.

Not without reason investors favoured defensive sectors. Consequently shares in the health care and telecommunication services sectors advanced. Rising coal and metal prices were supportive of profits at mining firms. Despite some moderation economic activity in the region remained robust but inflation continued to climb higher than expectations. The Chinese economy moved from strength to strength recording double digit expansion despite the implementation of a number of monetary tightening measures. Other central banks in the region also raised their key interest rates and adopted a more stringent monetary policy.

Strong consumption trends arising from low unemployment and rising salaries supported retail stocks in Hong Kong although signs of weakness emerged towards the end of the review period. Interest rate cuts in the US, to which rates in Hong Kong are tied, also bolstered investor sentiment.

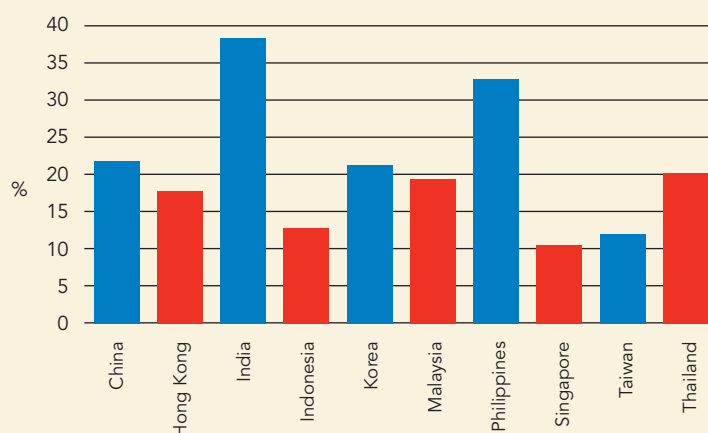
Stock indices in China corrected sharply after natural disasters in many parts of the mainland caused widespread disruptions and exacerbated inflationary pressures. Elsewhere in the region, Korean construction companies faced headwinds in terms of strikes, rising raw material costs and accrual of inventory in the domestic construction market. Technology stocks also lagged despite a weaker currency while a slowdown in consumer spending inhibited the retail sector. In Taiwan a lack of support from foreign institutional investors and profit taking erased gains made during the period before the elections held in March 2008.



Sources: Fidelity and Datastream  
 Past performance is not a reliable indicator of future results  
 Share price high and low during the year not shown above

# Manager's Review

Local Market Returns for the year to 31 July 2008



Sources: Fidelity and Datastream

## PORTFOLIO REVIEW

The Company's underweight position in comparison to the benchmark Index in the materials sector, particularly in steel names, eroded returns as stocks benefited from higher output prices. Concerns about the rising costs faced by the industry continue to justify the underweight. For example, an exposure to China's two largest paper manufacturers hurt performance after the half year profits of these companies fell short of analysts' estimates due to increased costs of imported recycled paper, their main raw material. These holdings were sold over the review period.

Positions in Taiwanese technology hardware manufacturers, such as Hon Hai Precision, proved detrimental. Such firms were especially hit by concerns about demand for consumer electronics from the US. Their holding is retained due to their strong market positions, attractive valuations and high dividend yields. In contrast, the underweight exposure to Taiwanese financials hurt relative returns after the positive sentiment surrounding the increasing ties with China on the election of the new government in March saw asset plays and banking stocks perform well. The portfolio remains underweight given factors such as poor asset quality and the fact that it is the only banking sector in the region that has not substantially reformed since the Asian crisis.

In Malaysia the ruling coalition's worst election result in decades weakened business sentiment and hence saw the markets underperform. Although this is seen as a positive in the longer term, as it encourages increased transparency and government reforms, holdings in Malaysia were reduced mainly through the liquidation of construction and engineering stocks. Names such as Zelan and UEM among others were sold not only to take profits but in view of rising cost pressures that were eroding these companies' margins.

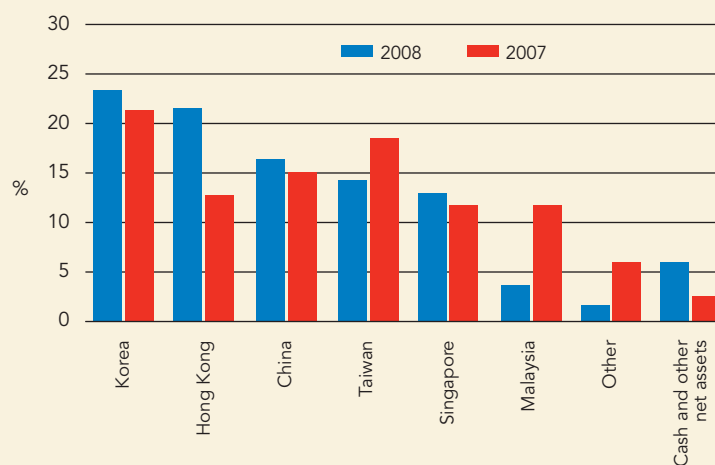
Security selection in Korea contributed to the Company's returns. In particular an exposure to household and personal products company LG Household & Health Care proved beneficial because investors favoured sectors providing stable returns in periods of high volatility. Holdings in Hong Kong's second largest lender by assets, Hang Seng Bank, were also rewarding due to healthy growth in its credit loans despite a moderation in the industry. Increased margins and demand for new oil rigs aided energy equipment providers such as Malaysia based KNM Group.

Over the year the Company's exposure to retail names, which gained from robust domestic demand in the region, was significantly increased. Compelling opportunities in Hong Kong retailers, particularly in Belle International and Esprit Holdings, were identified. Belle's share price is expected to rise in the light of positive merger and acquisition activity and Esprit is favoured because of solid growth and its market share gains in Asia and Europe.

The overweight exposure to Singapore was boosted over the period. Singaporean banks, such as United Overseas Bank, are in favour because of their defensive nature. These banks have a strong deposit franchise, conservative balance sheets and are beneficiaries of widening lending spreads. A stake in Singapore's largest publicly traded electronics manufacturer, Venture Corporation, was also added in light of healthy growth in all its segments other than retail store solutions. An appreciating local currency and a challenging end demand environment notwithstanding, this company's margins have remained strong and are among the highest in the industry. The mark to market write downs in debt instruments could be offset by an increase in high margin original design manufacture activities and a better product mix.



## Geographical Portfolio Allocation as at 31 July 2008 and 2007



The exposure to telecommunications stocks was gradually raised as they offer stable growth and healthy dividend yield in this volatile market. A position was initiated in Singapore Telecom because of its diversified operations, exposure to growth markets such as India, Indonesia and Thailand, and a stable dividend policy. The political situation in Thailand and Malaysia is being closely monitored.

### OUTLOOK

Equities are likely to remain volatile in the near term. Inflation could squeeze the profit margins of firms that are unable to pass on rising costs. Asia Pacific ex Japan markets could outperform their global counterparts on the strength of their superior corporate performance and better economic fundamentals. Investments with strong balance sheets and healthy valuations, notably in selected stocks in China where more attractive valuations are emerging, have merit. In an unsteady global milieu, the favourable policy conditions and productivity growth associated with the region's modernisation and structural transformation should continue to sustain strong growth. Consequently, economists believe that GDP growth in Asia Pacific ex Japan will surpass that of all other regions in 2008 even though it will be much slower than in 2007.

Although the prevailing market conditions have necessitated the slightly more defensive tilt of the Company's investments, short term corrections can present good buying opportunities. At the end of the review period the portfolio demonstrated a bias towards firms that have defensive characteristics but that also provide strong growth opportunities.

**FIL Investments International**  
30 September 2008

# Ten Largest Investments as at 31 July 2008

Ten Largest Investments as at 31 July 2008 (the full portfolio is set out on pages 46 and 47 )		Market Value	
		£'000	% <sup>1</sup>
CHINA	<b>China Mobile</b> Formerly China Mobile (Hong Kong) Limited, China Mobile is an investment holding company. It provides mobile telecommunications and related services in 31 provinces, autonomous regions and directly administered municipalities in mainland China and Hong Kong through 32 subsidiaries.	7,321	5.0
	<b>China National Offshore Oil Corporation</b> CNOOC is 70.6% owned by the PRC government and manages China's offshore oil and gas exploration and production activities in partnership with international oil and gas firms.	4,698	3.2
	<b>China Merchants Bank</b> A commercial bank that offers financial services to both corporate and individual clients. The company is headquartered in Shenzhen.	4,486	3.1
HONG KONG	<b>Hang Seng Bank</b> The second largest bank incorporated in Hong Kong in which HSBC Group has a majority ownership. It has over 150 branches in Hong Kong and also has banking operations in mainland China. The bank serves more than one third of Hong Kong's people.	5,415	3.7
	<b>Hutchison Whampoa</b> Hutchison Whampoa Limited (HWL) is an international corporation whose activities are focused on five core businesses: ports and related services; property and hotels; retail; energy, infrastructure, finance and investments; and telecommunications.	4,199	2.9
	<b>Samsung Electronics</b> A Korea based company that specialises in the provision of communication products. The company operates its business through five business divisions: communications, semiconductors, digital media, liquid crystal display (LCD) and home appliances.	6,896	4.8
KOREA	<b>NHN Corporation</b> An online media industry company, which owns the biggest internet search portal in Korea called Naver. The company also operates websites in Korea.	4,273	2.9
	<b>LG Household and Health Care</b> The largest home and personal care product company in Korea with 35% market share. The home and personal care sales accounts for 70% of sales while cosmetics account for 30%.	4,168	2.9
	<b>Hon Hai Precision</b> HH Precision is principally engaged in the production and sale of electronic products. Based in Taiwan, the company provides its products under three categories: electronic interconnections, such as connectors and cable assemblies for computers and peripherals; modules, including mechanic modules and electronic modules, and assembled electronic products. The products are applied in computer, communication and consumer electronics (3C) products.	6,664	4.6
TAIWAN	<b>Taiwan Semiconductor Manufacturing Company</b> TSMC is engaged in the manufacturing, selling, packaging, testing and computer-aided designing of integrated circuits (ICs) and other semiconductor devices, and the manufacturing of masks. The company manufactures semiconductors for customers based on their own or third parties' IC designs.	5,736	4.0
Ten largest investments (2007: 34.0%)		53,856	37.1
Other holdings (44) (2007: 63.5%)		82,500	56.9
		136,356	94.0
Cash & other net current assets (2007: 2.5%)		8,672	6.0
		145,028	100.0

<sup>1</sup> % of total assets less liabilities, excluding loan liability

# Summary of Performance

Historical record as at July	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Total assets employed	£145.0m	£179.6m	£108.7m	£99.0m	£78.1m	£78.8m	£81.2m	£84.6m	£123.6m	£94.2m	£55.6m
Shareholders' funds	£135.9m	£170.7m	£99.1m	£88.7m	£60.4m	£58.9m	£60.7m	£62.2m	£102.3m	£94.2m	£55.6m
NAV – undiluted	131.78p	156.13p	105.95p	94.86p	64.63p	63.02p	64.95p	64.50p	101.83p	93.00p	54.10p
NAV – diluted	n/a	156.13p	104.88p	94.86p	64.63p	63.02p	64.95p	64.50p	101.83p	93.00p	54.10p
Share price	119.00p	136.75p	97.25p	87.00p	55.00p	57.00p	59.75p	52.25p	90.25p	81.75p	45.50p
Warrant price	n/a	n/a	4.50p	6.37p	2.25p	7.75p	10.00p	8.75p	28.00p	28.75p	14.25p
Discount – undiluted	9.7%	12.4%	8.2%	8.3%	14.9%	9.6%	8.0%	19.0%	11.4%	12.1%	15.9%
Discount – diluted	n/a	12.4%	7.3%	8.3%	14.9%	9.6%	8.0%	19.0%	11.4%	12.1%	15.9%
Revenue return/(loss) per ordinary share	1.43p	0.63p	(0.06p)	0.58p	(0.18p)	(0.36p)	(0.85p)	(1.31p)	(1.22p)	0.64p	1.10p <sup>1</sup>
Dividend per ordinary share	0.81p	nil	nil	nil	nil	nil	nil	nil	nil	0.42p	nil
Cost of running the Company (total expense ratio)	1.34%	1.51%	1.71%	1.76%	1.68%	1.86%	1.77%	1.76%	1.64%	1.59%	1.57% <sup>2</sup>
Actual gearing ratio – net of cash	0.1%	2.4%	8.0%	10.1%	6.0%	20.4%	14.3%	30.5%	19.9%	nil	nil
NAV – undiluted total return	-15.6%	+47.4%	+11.7%	+46.8%	+2.6%	-3.0%	+0.7%	-36.7%	+10.0%	+71.9%	-47.6% <sup>1</sup>
NAV – diluted total return	n/a	+48.9%	+10.6%	+46.8%	+2.6%	-3.0%	+0.7%	-36.7%	+10.0%	+71.9%	-47.6% <sup>1</sup>
Share price total return	-13.0%	+40.6%	+11.8%	+58.2%	-3.5%	-4.6%	+14.4%	-42.1%	+10.9%	+79.7%	-52.4% <sup>1</sup>
Index total return	-10.7%	+41.3%	+9.2%	+41.2%	+2.7%	+3.2%	-0.34%	-27.5%	+8.4%	+86.0%	-57.8% <sup>1</sup>

<sup>1</sup> for the 15 months to July 1998

<sup>2</sup> annualised

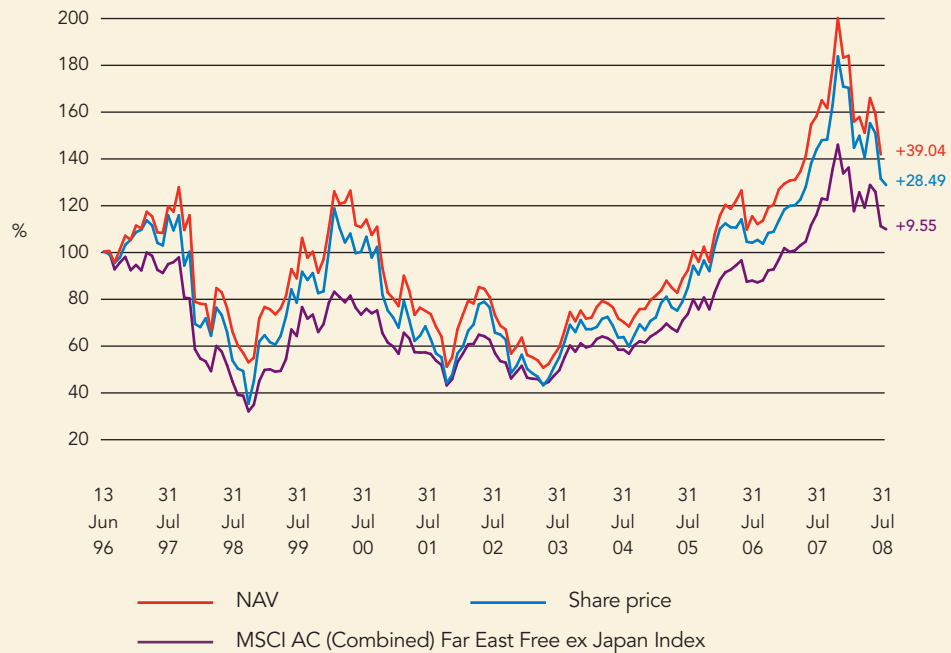
NAV information to 2007 is shown both diluted and undiluted. In December 2006, the final exercise of all warrants took place and thereafter no dilution was relevant. In the following graphs the pre 2007 NAV figures are those previously shown as undiluted.

Sources: Fidelity and Datastream

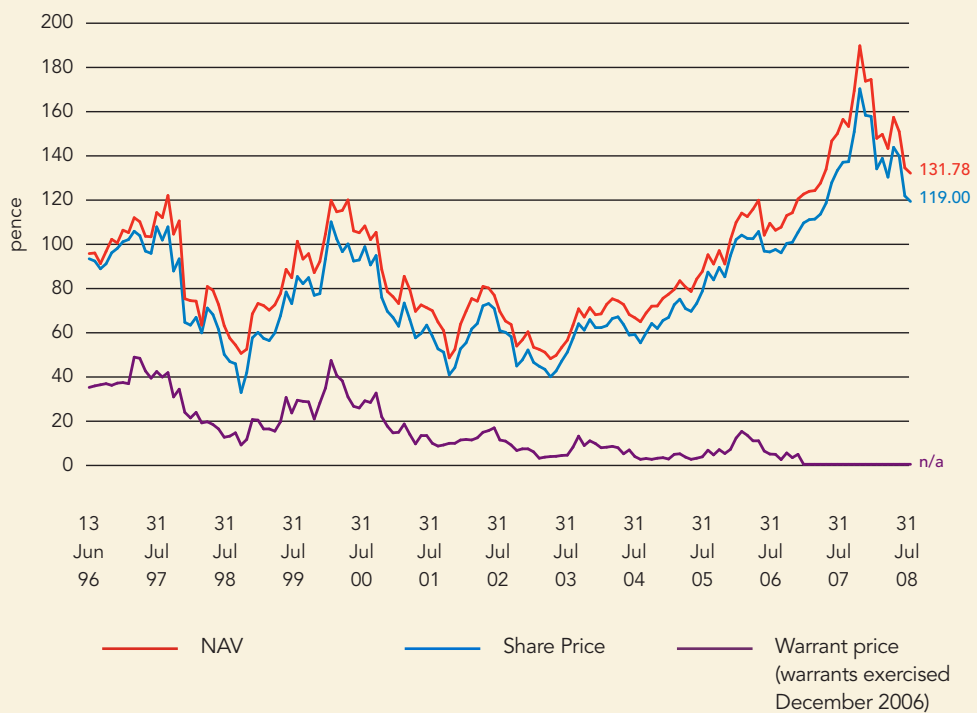
Past performance is not a guide to future returns

# Summary of Performance

Total return performance from launch to 31 July 2008



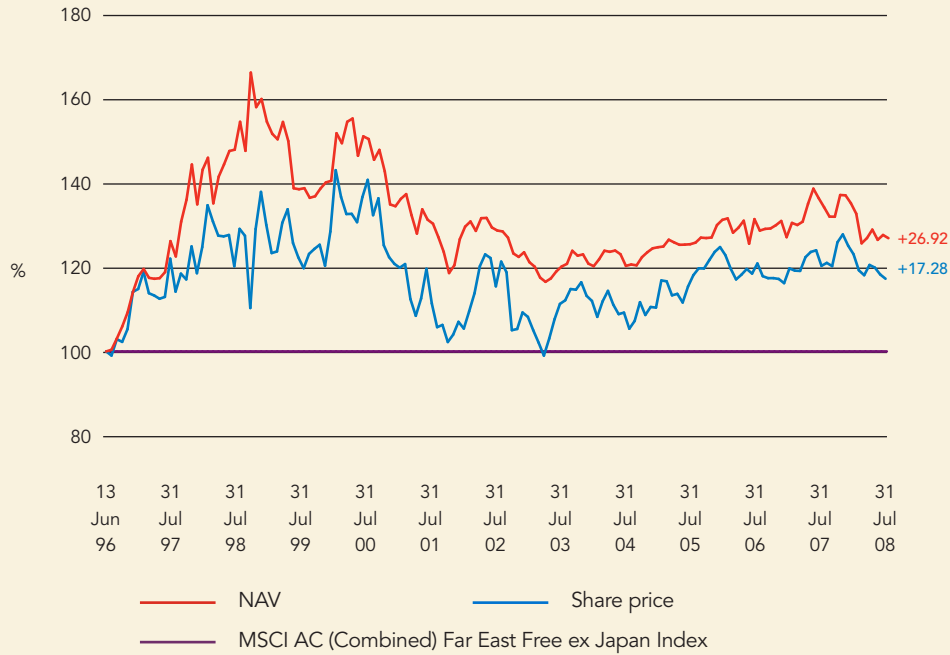
NAV, share price and warrant price from launch to 31 July 2008



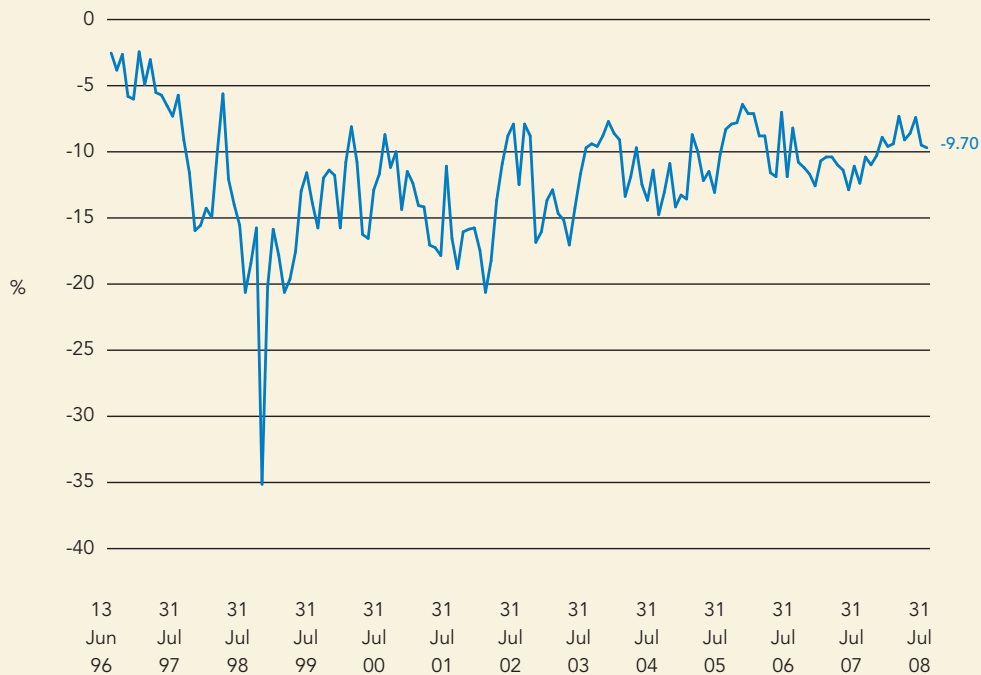
Sources: Fidelity and Datastream  
Past performance is not a guide to future returns

# Summary of Performance

Total return performance relative to the benchmark Index from launch to 31 July 2008



Share price discount to NAV from launch to 31 July 2008



Sources: Fidelity and Datastream  
Past performance is not a guide to future returns

# Corporate Information

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## Manager, Secretary and Registered Office

FIL Investments International  
Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey KT20 6RB

## Financial Advisers and Stockbrokers

JP Morgan Cazenove  
20 Moorgate  
London EC2R 6DA

## Independent Auditor

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2P 2YU

## Bankers and Custodian

JPMorgan Chase Bank (London Branch)  
125 London Wall  
London EC2Y 5AJ

## Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## Lawyers

Slaughter and May  
One Bunhill Row  
London EC1Y 8YY



## The Hon Sir Victor Garland KBE<sup>1</sup>

(age 74, date of appointment: 11.04.96) was formerly on the board of many companies and investment trusts including being non-executive chairman of Henderson Far East Income Trust plc, director of the

Prudential Corporation plc of the UK and vice-chairman of the South Bank Board (the Royal Festival Hall complex). Before that he held various ministerial offices in Australian governments and was High Commissioner for Australia in the UK.



## Hugh Bolland<sup>2</sup>

(age 62, date of appointment: 11.03.04) An economist, his 30 year career with Schroders began in 1970 after working in Australia in the financial services industry. During the 1980s he was Managing Director of Schroders Asia in Hong Kong,

and then Chief Executive of Schroders Australia. During the 1990s he was head of Schroders' UK institutional business, and later, Chief Executive of Schroder Investment Management, a business with worldwide assets under management of £120 billion. He is a director of JPMorgan Indian Investment Trust plc and Alliance Trust plc.

## Board of Directors



### William Knight<sup>3</sup>

(age 65, date of appointment: 09.02.05) is a founder member and director of Emerisque Capital an "east west" private equity management "buy-in" company. During an eighteen year period with Lloyds Bank International he worked in

project finance, was head of global syndicated lending and then head of its investment banking activities for Asia. He was a founding director of Lloyds Merchant Bank and then managing director of Lloyds Bank Fund Management. In recent years he has acted as adviser to companies and governments on investment and development strategy and his directorships include JPMorgan Chinese Investment Trust plc. In 2007 he was appointed a non-executive director of Axis Private Equity Limited, the asset management subsidiary of Axis Bank (formerly UTI Bank) in India which raises and manages Indian private equity funds.



### Sir Robin McLaren KCMG<sup>3</sup>

(age 74, date of appointment: 10.09.97; appointed Senior Independent Director 16.06.04) is currently a non-executive director of Aberdeen All Asia Investment Trust plc and Invesco Asia Investment Trust plc. He retired from the Diplomatic

Service in 1994. Much of his official career was spent in, or dealing with, the Asia Pacific region, particularly China and Hong Kong. His last post was as Ambassador to China (1991-94); he was also Ambassador to the Philippines in the mid 1980s. Among other appointments, he was Chairman of the Council of Royal Holloway, University of London from 1999 to 2004.



### Kathryn Matthews<sup>4</sup>

(age 48, date of appointment: 09.02.05) is Chief Investment Officer for Asia Pacific of Fidelity International. Over sixteen years at Baring Asset Management she worked in several senior positions including head of institutional business

in Europe, rising to be a main board director. She was a founding partner and Chief Investment Officer of Santander Global Advisors. From 2000 she headed the global institutional business of AXA Investment Managers and then was an asset management consultant with Mercer Manager Advisory Services before joining Fidelity in 2003 as head of Global Equities and Portfolio Strategies. She has been Chief Investment Officer Asia ex Japan equities since September 2005 and is based in Hong Kong.

All the Directors are non-executive and, with the exception of Kathryn Matthews, are also independent.

<sup>1</sup> Chairman of the Management Engagement Committee and Nomination and Remuneration Committee, member of the Audit Committee

<sup>2</sup> Chairman of the Audit Committee, member of the Management Engagement Committee and Nomination and Remuneration Committee

<sup>3</sup> Member of the Audit Committee, Management Engagement Committee and Nomination and Remuneration Committee

<sup>4</sup> Member of the Nomination and Remuneration Committee

# Directors' Report

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The Directors present their report together with the audited financial statements of the Company for the year ended 31 July 2008.

The Company was incorporated in England and Wales as a public limited company on 2 April 1996 with the registered number 3183919 and commenced business as an investment trust on 13 June 1996.

## BUSINESS AND STATUS

The Company carries on business as an investment trust and was approved as such by HM Revenue and Customs under Section 842 of the Income and Corporation Taxes Act 1988 ("ICTA") for the year ended 31 July 2006. HM Revenue and Customs has granted provisional approval for the year ended 31 July 2007, although this approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has conducted its affairs in a manner which will enable it to satisfy the conditions for approval as an investment trust in respect of the year ended 31 July 2008 and which will satisfy the conditions for continued approval as an investment trust under that section.

The Company is registered as an investment company under Section 833 of the Companies Act 2006 and operates as such. It is not a close company and has no employees.

## BUSINESS REVIEW INTRODUCTION

This section of the Directors' Report provides a fair review and description of the Company's business and describes the principal risks and uncertainties it faces. An analysis of the performance of the Company during the financial year and at the year end is included taking into account its objective, strategy and risks and how these are measured using key performance indicators ("KPIs").

## OBJECTIVE AND STRATEGY

The Company's objective is to enhance shareholder value through long term capital growth. The Company aims to achieve this with an actively managed portfolio of investments principally in the stockmarkets of the Asian region, excluding Japan. The Board has delegated the management of the portfolio and certain other services to FIL Investments International. The Manager seeks to achieve a capital return on the Company's total assets over the long term in excess of the MSCI All Countries (Combined) Far East Free ex Japan Index as expressed in sterling.

## ACTIVITY

The Company pursues the objective through operating as an investment trust company. A review of the year's activities and an indication of likely future developments are given in the Chairman's Statement on pages 3 and 4 and in the Manager's Review on pages 5 to 7.

Both the objective and principal activity have remained unchanged throughout the year ended 31 July 2008.

## INVESTMENT POLICY

The Company primarily invests in a diversified portfolio of companies listed on stockmarkets in the Asian Region, but investments may be made in companies listed elsewhere which, in the opinion of the portfolio manager, have significant interests in the Asian Region.

In order to diversify the Company's portfolio the Board has set broad guidelines for the Manager, which the Board reserves the right to amend as it sees fit, in respect of the country weightings of the portfolio. Investment of up to 15% of the Company's total assets less current liabilities, excluding the fixed term loan liability (referred to as total assets in this section) is permitted in any one company or other investment entity.

The Company principally invests in equities but may also invest a maximum of 15% of total assets in equity related instruments (such as convertible bonds or warrants) and 35% in debt or money market instruments or money market funds. The Company may invest up to 5% of total assets of the Company in securities which are not listed on any stock exchange but the portfolio manager will not normally make any such investment, except where it is expected that the securities will become listed on a stock exchange in the foreseeable future. In addition, the Company may invest up to 10% of total assets of the Company in other investment funds (whether listed or unlisted) where such funds offer the only practicable means of gaining exposure to a particular market in the Asian Region.

Investment in Non-Voting Depository Receipts, American Deposit Receipts, Global Deposit Receipts and Equity Linked Notes is permitted by the Board, any such investment being included in the aggregate relevant country weighting. While it is not expected that the Company will undertake any foreign exchange hedging of its portfolio, it reserves the right to do so.

The current investment approach is detailed in the Manager's Review on pages 5 to 7.

A breakdown of the current distribution of the Company's portfolio is detailed on pages 48 and 49.



## BORROWING

It is the policy of the Company that the total amount of borrowings will not exceed an amount equal to 30% of the value of the Company's net assets at the date on which the borrowing is incurred. As detailed in the Chairman's Statement, the portfolio manager is currently permitted by the Board to maintain net gearing between 0% and 10% depending on the strength or weakness of the markets.

## KEY PERFORMANCE INDICATORS

The Key Performance Indicators ("KPIs") used to determine the progress and performance of the Company over time and which are comparable to those reported by other investment trusts are set out below.

	2008	2007
Undiluted NAV <sup>1</sup>	-15.6%	+47.4%
Diluted NAV	n/a	+48.9%
Share price <sup>2</sup>	-13.0%	+40.6%
MSCI All Countries (Combined)		
Far East Free ex Japan Index	-10.7%	+41.3%
Discount to undiluted NAV	9.70%	12.41%
Discount to diluted NAV	n/a	12.41%
Revenue return per share	1.43p	0.63p
Actual gearing ratio	0.1%	2.4%
Total expense ratio	1.34%	1.51%

All figures are calculated on a total return basis (ie cum income)

<sup>1</sup> Calculated in accordance with AIC guidelines

<sup>2</sup> Calculated on a mid to mid basis with income reinvested  
Source: Datastream

The Summary of Performance table and graphs on pages 9 to 11 indicate the relative historic performance of the Company since its launch relative to its benchmark Index.

Some of the KPIs are beyond the Board's control but they are measures of the Company's absolute and relative performance and the Board monitors them regularly. Indices and ratios which assist in managing performance and compliance are regularly reviewed including the total expense ratio. Expenses themselves are reviewed at each Board meeting enabling the Board, amongst other things, to review costs and consider any expenditure outside that of its normal operations. Apart from the KPIs set out above the Board also regularly reviews the performance of the Company against its peer group of eleven investment trusts.

The principal risks and uncertainties section below includes descriptions of other performance indicators and their monitoring and management which are key to the business of the Company. Long term performance is also monitored and the total return performance graph on page 10 shows this information.

The Board also monitors the various factors contributing to investment results as in the attribution analysis below.

## ATTRIBUTION ANALYSIS

The attribution analysis table enables the contributions from various sources of income and costs to be determined.

Analysis of change in NAV during the year (pence per share)	
NAV as at 31 July 2007	156.13
Impact of :	
Change in the MSCI AC (Combined) Far East Free ex Japan Index	-16.70
UK Tax	+ 0.80
Stock Selection	-4.64
Gearing	-1.40
Share Repurchases	+ 0.79
Charges	-1.87
Cash	-0.27
Other	-1.06
NAV as at 31 July 2008	131.78

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks which fall under the general headings of strategic, business and operational risks. This process is regularly reviewed by the Board in accordance with the Financial Reporting Council's document Internal Control: Revised Guidance for Directors on the Combined Code.

An internal controls report, which includes a risk matrix and the assessment of risks applicable to the Company, is prepared by the Manager and considered by the Audit Committee. Risks are identified, introduced and graded and this process, together with the policies and procedures for the mitigation of risks, is updated and the report is reviewed twice a year.

# Directors' Report

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The Board reviews and agrees policies, which have remained unchanged since the beginning of the accounting period, for managing risks and summaries of these are set out below.

## 1. Market risks

The inevitable uncertainty about prices and the portfolio manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued justification. Other factors affected by market forces, such as exchange and bond rates, contribute to risks which have to be taken as part of the Company's normal business.

## 2. Performance risk

The achievement of the Company's performance objective relative to the market involves risk. Strategy, asset allocation and stock selection might lead to under performance of the benchmark Index and target. Management of these risks is carried out by the Board which, at each Board meeting, considers the asset allocation of the portfolio and the risks associated with particular countries and industry sectors within the parameters of the investment objective. The portfolio manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk-reward profile. The net asset value of the Company is published each working day.

## 3. Income risk – dividends

The Company's objective of long term capital growth relies less on income to support dividends than investment trust companies with a more income oriented target. Nevertheless, generating income to meet expenses and provide adequate reserves is subject to the risk that income generation from its investments fails to meet the level required. The Board monitors this risk through the receipt of detailed income reports and forecasts which are considered at each meeting.

## 4. Share price risk

The price of the Company's shares relative to the benchmark Index and in absolute terms, as well as its discount to NAV, are not factors the Company is able to control. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices.

The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.

## 5. Gearing risk

The Company has the option to invest up to the total of its loan facilities in equities. In a rising market the Company would benefit but in a falling market the impact would be detrimental.

In order to manage the level of gearing the Board regularly considers this item and sets gearing limits accordingly. The portfolio manager follows these and may invest part of the loan facility in Fidelity Institutional Cash Fund plc and short term cash deposits to control the level of net gearing.

## 6. Control systems risk

The Company is dependent on the Manager's control systems and those of its Custodian and Registrars, both of which are monitored and managed by the Manager in the context of the Company's assets and interests on behalf of the Board. The security of the Company's assets, dealing procedures and the maintenance of investment trust status under s842 of ICTA, among other things, rely on the effective operation of such systems. These are regularly tested and a programme of internal audits is carried out by the Manager to maintain standards.

## Other risks

Other risks to which the Company is exposed and which form part of the Market risks referred to above are included in note 18 to the financial statements together with the summaries of the policies for managing these risks. These comprise: market price risk, foreign currency risk, interest rate risk, liquidity risk and credit risk.

## DIRECTORS' REPORT – GENERAL NET ASSET VALUE

Investments were valued at £136,356,000 as at 31 July 2008. Shareholders' funds amounted to £135,941,000 resulting in a NAV per share of 131.78p. Changes to investments are shown in note 9 to the financial statements on page 38.

## RESULTS AND DIVIDEND

The Income Statement shows a revenue surplus after taxation for the year of £1,489,000. After allowing for the deficit carried forward from the prior year 31 July 2008 revenue reserves were positive and, subject to shareholder approval, the Directors recommend that a final dividend of 0.81 pence per share be paid to shareholders on the Register of Members at the close of business on 10 October 2008 (ex dividend date 8 October 2008).

## SHARE CAPITAL

The Company's authorised share capital comprises 200,000,000 ordinary shares of 25 pence each. As at 31 July 2008 the issued share capital was 103,157,200 shares (2007: 109,347,200 shares). Each share in issue carries one vote. Deadlines for the exercise of voting rights in respect of this year's Annual General Meeting are detailed in the Notes to the Notice of Meeting on pages 52 and 53.

## SHARE REPURCHASES

Shares may be repurchased when, in the opinion of

the Directors, the discount appears high or further from the peer group average than desired and shares are available on the market. The principal purpose of share repurchases is to enhance net asset value for remaining shareholders. Additionally, they address the imbalance between the supply of and demand for the Company's shares and thereby reduce the scale and volatility of the discount at which the shares trade in relation to the underlying net asset value.

At the Annual General Meeting held on 7 December 2007 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 15,463,264 ordinary shares in the market for cancellation. During the year under review 6,190,000 shares were repurchased and cancelled under this authority at an aggregate cost of £9,606,000 (6.0% of the issued share capital on 7 December 2007). The authority expires on 5 December 2008 and a special resolution to renew the authority in respect of 14.99% of the issued share capital of the Company at the date of the resolution will be put to shareholders for approval at the forthcoming Annual General Meeting. Since the year end a further 650,106 shares have been repurchased. Details of the shares cancelled following the Tender Offer carried out in September 2008 are set out in the Chairman's Statement on pages 3 and 4.

## GEARING

A three year facility with Lloyds TSB Bank PLC was arranged in 2006 at 5.60% pa and is due for repayment on 25 September 2009. Initially for US\$18 million, US\$7 million of the facility was repaid and cancelled on 12 September 2008 under the tender offer. The Company's approach to gearing is explained in the Chairman's Statement on page 4 and the gearing risk is outlined on page 16.

## PAYMENT OF CREDITORS

The Company's principal supplier is the Manager which is paid in the month following the end of each calendar quarter in accordance with the terms of the Management Agreement (see below). The Company's policy for the years to 31 July 2008 and 31 July 2009, for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. The Company did not have any trade creditors in the year under review and there are none to date in the current year.

## MANAGEMENT COMPANY

A management and secretarial services agreement (the "Management Agreement") was agreed by the Company and Fidelity Investments International, now FIL Investments International, (the "Manager") on 6 February 2006. The Manager has agreed to provide investment management, accounting, administrative and secretarial services to the Company for a quarterly

fee of an amount equal to 0.25 per cent of the value of the Company's assets under management (as defined in the Management Agreement, which excludes investments in other funds managed by the Manager – with the exception of the Fidelity Institutional Cash Fund plc where a reduced fee of 0.2125% per quarter is payable). The fee is payable quarterly in arrear and calculated as of the last business day of March, June, September and December in each year. In addition the Company has agreed to pay to the Manager a fee for secretarial and administration services, payable quarterly in arrear, at the rate of £25,000 per annum subject, as from 1 January 1997, to annual indexation. For the year to 31 July 2008 £33,000 was paid in this regard (2007: £32,000).

The Management Agreement will continue unless and until terminated by either party giving to the other not less than six months' notice in writing. However, it may be terminated without compensation if the Company is liquidated in 2009, or in any subsequent year thereafter, pursuant to the procedures laid down in the Articles of Association of the Company. The Management Agreement may also be terminated forthwith as a result of a material breach of the Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Management Agreement by 60 days' notice if the Manager ceases to be a subsidiary of FIL Limited.

The Manager also provides certain services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account ("ISA") under an agreement dated 15 May 1996. The amount payable under this agreement for the year to 31 July 2008 was £69,000 (2007: £52,000).

An amount of £535,000 (2007: £337,000) was due to the Manager under the above agreements at 31 July 2008 and is included in creditors.

Fidelity actively manages commission through both commission recapture and commission sharing arrangements with "core" brokers in each trading location. Fidelity's traders are not required to deal solely or mainly with core brokers but experience has shown that because of their trading ability the majority of trades will naturally gravitate towards these core brokers and offer the best service in terms of overall execution. In accordance with applicable law, Fidelity may use a percentage of trading commission to pay for certain independent research services that assist in the investment decision making process. This is done under commission sharing or similar arrangements. The proprietary commission recapture program allows the Company to recapture a portion of commission paid to participating brokers, where the overall commission payment to a core broker exceeds the value attributed

# Directors' Report

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to research paid out of commission plus the value of execution provided. Amounts received by the Company under this arrangement are credited to capital. In the year to 31 July 2008 £85,000 was received (2007: £56,000). Fidelity adopts a best execution policy that applies to all transactions in all instruments, regardless of the fund or account or location of the trading desk.

The Company participates in the Manager's interfund programme whereby Fidelity's traders, on occasion, identify situations where one fund managed by Fidelity is buying the same security that another fund is selling. If a trader can confirm that it would be in the interests of both accounts to execute a transaction between them rather than in the market then an interfund transaction is executed.

There is a regulatory requirement on the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement.

FIL Limited, the ultimate parent company of the Manager, currently has an interest of 1,739,700 shares (2.81%) in the Company.

## RESPONSIBILITY AS AN INSTITUTIONAL SHAREHOLDER

The Board has adopted the Manager's Principles of Ownership in relation to investments. These principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. The Manager, in its Principles of Ownership, expressly declares that it supports the Statement of Principles drawn up by the Institutional Shareholders' Committee setting out the responsibilities of institutional shareholders and agents.

## SOCIALLY RESPONSIBLE INVESTMENT

The Manager's primary objective is to produce superior financial returns to investors. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, its investment process takes social, environmental and ethical issues into account when, in its view, these have a material impact on either investment risk or return.

The Manager recognises and supports the view that social, environmental and ethical best practice should be encouraged so long as the potential for financial return is not reduced. It favours companies committed to high standards of CSR and the principles of sustainable development. The Manager does not screen out companies from its investment universe purely on the grounds of poor social, environmental or subjective ethical records. Instead it adopts a positive engagement approach whereby social, environmental and ethical matters are discussed with management with the aim

of improving procedures and attitudes. The Manager believes that this is the most effective way to improve the attitude of business towards CSR and the Board endorses this approach.

## ARTICLES OF ASSOCIATION

At the Extraordinary General Meeting of the Company held on 5 September 2008 shareholders approved the adoption of new Articles of Association of the Company, required largely to reflect the implementation of the Companies Act 2006.

## DIRECTORS

The Directors who served during the year to 31 July 2008 are listed on pages 12 and 13 together with a brief description of their careers, each of which indicates their qualifications for Board membership. All Directors served throughout the year and there were no changes to the Board during the year. Any changes to the Board of Directors must be made in accordance with the Companies Act and the Company's Articles of Association.

Kathryn Matthews is Chief Investment Officer for South East Asia of FIL Limited. As such she is subject to annual re-appointment.

Sir Victor Garland, the Chairman, and Sir Robin McLaren, the Senior Independent Director, are subject to annual re-appointment having served as Directors for over nine years since their appointments on 11 April 1996 and 10 September 1997 respectively.

No Director is under a contract of service with the Company and no contracts existed during or at the end of the financial period in which any Director was materially interested and which was significant in relation to the Company's business, except as disclosed above in relation to Kathryn Matthews's interests in the Management Agreement. There have been no other related party transactions requiring disclosure under Financial Reporting Standard ("FRS") 8.

The names of the Directors and their holdings in the Company's shares as at 31 July 2008 and 2007 are set out in the table on page 19. There were no changes to the Directors' holdings during the year under review nor have there been any changes since the year end.

Information on the appointment and replacement of Directors is included in the Corporate Governance Statement on pages 22 to 26.

	Held at 31 July 2008 Ordinary shares	Held at 31 July 2007 Ordinary shares
Sir Victor Garland	5,000	5,000
Hugh Bolland	10,000	10,000
William Knight	3,300	3,300
Kathryn Matthews	–	–
Sir Robin McLaren	4,500	4,500

## DIRECTORS' FEES

The Articles of Association of the Company prescribe that the maximum aggregate annual fees paid to Directors shall be limited to £100,000. From 1 August 2007, £17,000 pa was paid to each Director, the Chairman of the Audit Committee received £19,000 pa and the Chairman £22,000 pa. With effect from 1 August 2008 an additional £1,000 pa will be paid to each Director. Kathryn Matthews has confirmed that her fees will continue to be waived.

## DIRECTORS AND OFFICERS' LIABILITY INSURANCE

In addition to benefits enjoyed under the Manager's global Directors and Officers' liability insurance arrangements, the Company maintained insurance cover for its Directors and Officers under its own policy as permitted by the Companies Act 2006.

## SUBSTANTIAL SHARE INTERESTS

At the date of this report notification had been received that the shareholder listed in the table below holds more than 3% of the voting rights of the Company.

Shareholder	Number of ordinary shares	%
City of London Investment Management Company Limited <sup>1</sup>	5,755,202	9.40

<sup>1</sup> All voting rights controlled by shareholder

20.81% of the issued share capital was held in aggregate by investors in the Fidelity ISA Scheme and the Fidelity Investment Trust Share Plan.

Analysis of Ordinary Shareholders as at 31 July 2008 % of issued share capital	
Private Investors <sup>1</sup>	17.12
Stockbrokers, Asset Managers and Private Banks	23.80
Institutions	55.84
Market Makers	3.24
Total	100.00

<sup>1</sup> Includes Share Plan and ISA investors

## POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations in the year (2007: nil).

## ANNUAL GENERAL MEETING

**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 adviser authorised under the Financial Services and Markets Act 2000.**

At the 2008 Annual General Meeting resolutions will be proposed to renew the Directors' authority to allot securities in the Company. The authorities sought by these resolutions are to replace the existing powers of the Directors which expire on the date of the Annual General Meeting and to provide the Directors with the flexibility to issue further ordinary shares if they deem it appropriate to do so. Up to the date of this report no shares have been allotted but your Directors consider that the reasons for asking shareholders for such authority still apply.

Resolution 9 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £764,000. If passed, this resolution will enable the Directors to allot a maximum of 3,056,000 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 30 September 2008.

# Directors' Report

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This authority provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares should any favourable opportunities arise to the advantage of shareholders. If new ordinary shares are allotted for cash, Section 89(1) of the Companies Act 1985 requires such new shares to be offered to existing holders of ordinary shares ("pre-emption rights"). In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 1985 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 10 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash up to an aggregate nominal value of £764,000 (approximately 5%).

The Directors would not issue ordinary shares pursuant to this power at less than the then current net asset value per share.

The authority to issue ordinary shares for cash under Resolution 9 will enable the Directors to issue additional new ordinary shares to participants in the Fidelity Investment Trust Share Plan and the Fidelity ISA in the event that the ordinary shares are trading at a premium to their net asset value. The Directors would not intend to use this power unless such a premium were in excess of 2% and unless they considered that it was in the interests of shareholders to do so.

Resolution 11 is a special resolution which renews the Directors' authority to repurchase the Company's shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 14.99% of ordinary shares in issue at the date of the resolution. By utilising the power to repurchase shares when they are trading at a discount to net asset value the Company will increase the resulting net asset value per share for remaining shareholders. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share. Further details may be found in the section on Share Repurchases above.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 50 and 51.

**Recommendation:** The Board considers that resolutions 9 to 11 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 and they intend to do in respect of their own beneficial holdings which amount in aggregate to 22,800 shares representing approximately 0.04% of the existing issued ordinary share capital of the Company.

## ARTICLES OF ASSOCIATION

At the Extraordinary General Meeting held on 5 September 2008 shareholders approved the adoption of new Articles of Association largely to reflect the Companies Act 2006. As it is expected that the Companies Act 2006 will not be fully in force until October 2009 there may be changes required to the new Articles at the Company's annual general meeting in 2009. Any changes to the Articles must be made by special resolution.

## CONTINUATION VOTE

A continuation vote is required only if the average discount has exceeded 15% of the net asset value over the twelve months leading up to the Board meeting at which the annual financial statements and notice of Annual General Meeting are approved. The average discount for the year to 30 September 2008, did not exceed 15% of the net asset value. Accordingly, there will be no vote on the continuation of the Company at the AGM this year. In accordance with the Company's Articles of Association a continuation vote will be required in any event in 2011.

## CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 22 to 26.

## AUDITOR'S RIGHT TO INFORMATION

The Directors in office as at the date of approval of this Directors' Report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

## RE-APPOINTMENT OF AUDITOR

Resolutions will be put to this year's AGM for the re-appointment of Grant Thornton UK LLP as auditor to the Company and to authorise the Directors to determine the auditor's remuneration.

By order of the Board

## FIL Investments International

Secretary  
30 September 2008

# Statement of Directors' Responsibilities

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The Directors are responsible for preparing the annual report and the 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 they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, including a Business Review, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge: the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the Directors' 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 it faces.

Approved by the Board on 30 September 2008 and signed on its behalf by



**Sir Victor Garland**  
Chairman

# Corporate Governance Statement

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The Company is committed to high standards of corporate governance. Accordingly, the Board has put in place a framework for corporate governance which it believes is appropriate for an investment trust company.

## AIC CODE

The Board has considered the principles and recommendations of the Association of Investment Companies ("AIC") Code of Corporate Governance ("the AIC Code") by reference to the AIC Corporate Governance Guide ("the AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Board is accountable to the Company's shareholders for good governance and considers that the Company has complied with the recommendations of the AIC Code and therefore has met its obligations in relation to the Combined Code and associated disclosure requirements of the Listing Rules except as set out below.

- The Nomination and Remuneration Committee is chaired by the Chairman of the Board.
- The Combined Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function.

For the reasons set out in the AIC Guide, and the preamble to the Combined Code, the Board considers that these issues are not relevant to the position of Fidelity Asian Values PLC being an externally managed investment company.

## DIRECTORS

The Board of Directors has overall responsibility for the Company's affairs. It delegates through the Management Agreement and through specific instructions the day to day management of the Company to the Manager, FIL Investments International. The Company has no executives or employees.

All matters not delegated to the Manager are reserved for the Board's decision. These include, inter alia, decisions on strategy, management, gearing, Company structure, financial reporting, risk management, investment performance, share price discount, corporate governance, communication with shareholders, Board appointments and the appointment of the Manager and the Company Secretary.

In common with most investment trusts there is no Chief Executive as the management function has been delegated as set out above and is supervised by the Chairman and the Board.

The Board currently consists of five non-executive Directors, four of whom are independent of the Manager; Kathryn Matthews is an employee of the Manager and therefore not independent. The Board believes it to be an important aspect of the corporate governance of an investment trust company that the Manager should be represented on the Board and be party to the responsibility, authority and accountability of the Board to the shareholders.

The Senior Independent Director is Sir Robin McLaren.

In considering the independence of the Chairman and Sir Robin McLaren, each of whom has served as a Director for more than nine years, the Board has concluded that lengthy service on a board does not of itself compromise their independence and their experience and knowledge is of positive benefit to the Board. The Board considers that their continuity of service as Directors is a benefit to the Company. All of the Directors are considered by the Board to be independent of management other than Kathryn Matthews as detailed above and all are considered to be free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board does not limit the time a Director may serve. Nonetheless, in the light of the provisions of the AIC Code the Chairman and Sir Robin McLaren seek annual re-appointment.

The independent Directors form the membership of the Audit Committee and the Management Engagement Committee. All the Directors form the Nomination and Remuneration Committee. The Directors believe that the Board has a balance of skills, experience, age and length of service to provide effective strategic leadership and proper governance of the Company. In particular they have a wide knowledge and experience of fund management, investment trust management and business in Asia. Biographical details of all the Directors are given on pages 12 and 13 of this report.

The Board meets formally at least five times a year and between these meetings there is regular contact with the Manager. Other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred from the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 23 gives the attendance record for the formal meetings held in the year. The Board ensures that at all times it conducts its business with the interests of all shareholders in mind and in accord with Directors' duties.



# Corporate Governance Statement

	Board Meetings	Nomination and Remuneration Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Sir Victor Garland	6/6	1/1	2/2	1/1
Hugh Bolland	6/6	1/1	2/2	1/1
William Knight	6/6	1/1	2/2	1/1
Kathryn Matthews	6/6	1/1	n/a	n/a
Sir Robin McLaren	5/6	1/1	2/2	1/1

Regular meetings

Figures indicate those meetings for which each Director was eligible to attend and attended in the year. In addition there were five meetings of Board Committees constituted for specific purposes during the year. Regular Board meetings exclude procedural meetings held to discharge, for example, formal approvals.

The Company Secretary is a corporate secretary. The appointment of the Company Secretary is a matter for the Board as a whole. The Directors have access to the advice and services of the Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Each of the Directors of the Company is entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

## Supply of Information

The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information. The Board receives in due time information in a form and of a quality appropriate to enable it to discharge its duties. The Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company. Key representatives of the Manager attend each Board meeting, enabling the Board to probe further on matters of concern or seek clarification on certain issues.

The Board has delegated its corporate governance responsibilities to the Audit, Management Engagement and Nomination and Remuneration Committees, membership of which is set out on pages 12 and 13. Key representatives of the Manager attend meetings by invitation, enabling Directors to probe further on matters of concern or to seek clarification if required.

## Nomination and Remuneration Committee

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act and the Company's Articles of Association. The Company complies with the AIC Code in respect of appointments to the Board.

There is a formal and transparent procedure for the appointment of new Directors to the Board. The Nomination and Remuneration Committee consists of all the Directors (as there is no reason to exclude any Director) and is chaired by Sir Victor Garland.

The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference and is responsible, amongst other things, for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies taking into account the need to maintain a balanced Board. Only the independent Directors on the Committee vote on the recommendation of candidates for appointment as new independent Directors. Care is taken to ensure that appointees have enough time to devote to the role. External consultants may be used to identify future potential candidates. The Committee also considers whether Directors should be recommended for re-appointment by shareholders and the level of Directors' remuneration.

The Committee's terms of reference are available on the Company's website [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its). Letters of appointment, which specify the terms of appointment, are issued to new Directors on appointment and include details of the time commitment required and expected duration of appointment. The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the forthcoming Annual General Meeting.

## Training

When a new Director is appointed to the Board, he or she is provided with all relevant information regarding the Company and his or her duties and responsibilities as a Director. In addition, a new Director will also spend some time with representatives of the Manager whereby he or she will become familiar with the various processes which the Manager considers necessary for the performance of its duties and responsibilities to the Company. The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. The Directors also receive regular briefings from, among others, the AIC, the Auditor and the Company Secretary regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

# Corporate Governance Statement

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## Re-appointment

A Director appointed during the year is required to retire and seek appointment by shareholders at the next annual general meeting. Any non-independent Director or a Director who has served on the Board for over nine years is subject to annual re-appointment. A Director who held office at the time of the two preceding annual general meetings and who did not retire at either of them is required to do so at the next annual general meeting.

The names of Directors submitted for appointment or reappointment are accompanied by sufficient biographical details to enable shareholders to make an informed decision.

The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the forthcoming Annual General Meeting.

## Directors' Remuneration

Levels of remuneration are competitive and sufficient to attract and retain the standard of Directors needed to manage the Company successfully. The level of Directors' fees is considered by the Nomination and Remuneration Committee within the limit governed by the Articles of Association and any changes are recommended to the Board for its determination.

Directors' fees are disclosed fully in the annual report (see the Directors' Remuneration Report on pages 27 and 28). The limit on aggregate fees is governed by the Company's Articles of Association. Shareholdings by Directors are encouraged and the Directors' share interests are disclosed in the Directors' Report on page 19.

## Performance Evaluation

An annual process for the evaluation of the Board, its Committees, its Directors and their independence is in place. This takes the form of written questionnaires and, if appropriate, interviews. The performance of the Chairman is evaluated by the other Directors on an annual basis. The Company Secretary and Manager also participate in these processes to provide all round feedback to the Board. The results of these evaluations are issued to and discussed by the Board. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board.

The Nomination and Remuneration Committee has considered the performance and contribution to the Company of each Director and concluded that in each case they have been effective and that they continue to demonstrate commitment to their roles. Accordingly, the Committee has recommended their continued service and this has been endorsed by the Board as

a whole which commends the re-appointment of those Directors so standing at the forthcoming Annual General Meeting to shareholders.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors explain their responsibility for preparing the financial statements in the Statement of Directors' Responsibilities on page 21 and the Auditor's reporting responsibilities are set out in the Independent Auditor's Report on page 29.

The Board has a responsibility to present a balanced and understandable assessment of annual and half yearly reports, interim management statements, other price sensitive public reports and reports to regulators, as well as to provide information required to be presented by statutory requirements. All such reports are reviewed and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

### Going Concern

The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the Company's principal business and operational risks, that it has been in place for the year ended 31 July 2008 and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Board and accords with the FRC's Internal Control: Revised Guidance.

The Board is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company although these tasks have been delegated on a day to day basis to the Manager. The system extends to operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager and regular reports on controls and compliance issues are provided to the Audit Committee. In carrying out its review, the Audit Committee has had regard to the activities of the Manager, the Manager's compliance and risk functions and the external Auditor. The Audit Committee's review also includes consideration of internal controls and similar reports issued by the Manager and other service providers.

# Corporate Governance Statement

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager, including its internal audit function and the work carried out by the Company's external Auditor, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investments and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee meets the Manager's Head of Internal Audit twice yearly. The Chairman of the Audit Committee has direct access to the Manager's Head of Internal Audit and vice versa.

By the means of the procedures set out above the Directors have maintained their review of the effectiveness of the Manager's internal controls systems throughout the period.

## Whistle-blowing Procedure

Part of the Manager's role in ensuring the provision of a good service pursuant to the Management Agreement includes the ability for employees of Fidelity to raise concerns through a workplace concerns escalation policy (or "whistle-blowing procedure"). Fidelity is committed to providing the highest level of service to its customers and to applying the highest standards of quality, honesty, integrity and probity. The aim of the policy is to encourage employees and others working for Fidelity to assist the Company in tackling fraud, corruption and other malpractice within the organisation and in setting standards of ethical conduct. This policy has been endorsed accordingly.

## Audit Committee and Auditor

The Audit Committee is chaired by Hugh Bolland and comprises all the independent Directors. The qualifications of the members of the Audit Committee are included in their biographies on pages 12 and 13. The Committee considers that collectively its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

The Committee meets at least twice a year and its authority and duties are clearly defined in its written terms of reference which are available on the Company's website. These duties include: discussing with the external Auditor the nature and scope of the audit and reviewing the external Auditor's quality control procedures; considering the scope of work undertaken by the Manager's internal audit department; reviewing the Company's procedures for detecting fraud; monitoring the integrity of the financial statements of the Company; reviewing the half yearly and annual financial statements of the Company prior to their submission to the Board; and reviewing the effectiveness of the internal control systems (including financial, operational and compliance controls and risk management). They also include responsibility for

reviewing and monitoring the effectiveness of the audit process and the external Auditor's independence and objectivity with particular regard to the provision of non-audit services. The provision of non-audit services is also subject to prior Board approval.

Shareholders have the opportunity at each Annual General Meeting to vote on the re-appointment of the external Auditor for the forthcoming year and to authorise the Directors to determine the level of Auditor's remuneration.

The Committee also reviews corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Section 842 status), and the relationship with and the performance of third party service providers (such as the registrars and custodians).

In the year to 31 July 2008 the Audit Committee discharged its responsibilities by, among other things:

- Reviewing the Company's draft annual and half yearly financial statements prior to Board approval and reviewing the external Auditor's reports thereon
- Reviewing the appropriateness of the Company's accounting policies
- Reviewing the potential impact of any new Financial Reporting Standards
- Reviewing and approving the audit fee and reviewing any non-audit fees payable to the Company's external Auditor
- Reviewing the external Auditor's terms of engagement
- Reviewing the external Auditor's plan for the audit of the Company's financial statements
- Reviewing the external Auditor's quality control procedures
- Reviewing and monitoring the effectiveness of the external audit process and the external Auditor's independence and objectivity
- Considering the scope of work undertaken by the Manager's internal audit department
- Reviewing a semi-annual report on internal controls and reporting to the Board as described opposite
- Recommending the re-appointment of the external Auditor

# Corporate Governance Statement

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## Management Engagement Committee

The Management Engagement Committee was established in 1997 and meets at least once a year. The Committee's terms of reference are available on the Company's website. The Committee consists of all the independent Directors and is chaired by Sir Victor Garland. The Committee meets at least annually and reports to the Board of Directors making recommendations where appropriate.

Details of the Management Agreement are set out in the Directors' Report on pages 17 and 18.

The Committee met on 5 June 2008 and the Board, upon the recommendation of the Committee, is of the opinion that the continued appointment of FIL Investments International as Investment Manager and Secretary, on the terms agreed in the Management Agreement, is in the interests of the shareholders as a whole and the Company.

The criteria which are taken into consideration in reviewing the performance of the Manager are set out below:

- Quality of the team – the skills and particularly the experience of the team involved in managing all aspects of the Company's business
- Commitment of the Manager to the investment trust business generally and to the Company in particular
- Managing the Company – in running and controlling the administration, the accounting and the secretaryship of the Company
- Investment management – portfolio management skills, experience and track record and other investment related considerations
- Shareholders – shareholder consciousness and relations, discount management and commitment to the Company's goals
- Management Agreement – consideration of fees, notice period and duties

## RELATIONS WITH SHAREHOLDERS

The shareholder profile of the Company is regularly monitored and the Board liaises with the Manager and the Company's broker to canvass shareholder opinion and communicate views to shareholders. The Company is concerned to provide the maximum opportunity for dialogue between the Company and shareholders. It is believed that shareholders have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on page 12. All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there will be a presentation of the past year's results and the forthcoming year's prospects, followed by the opportunity to meet representatives of the Manager and the Board.

At general meetings all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. Proxy votes are disclosed on the Company's website.

The Notice of Meeting on pages 50 and 51 sets out the business of the meeting and the special resolutions are explained more fully in the Directors' Report on pages 19 and 20. A separate resolution is proposed on each substantially separate issue including the annual report and financial statements.

The Chairman of the Board, the Chairman of the Audit Committee and other Directors will be available to answer questions at the Annual General Meeting.

The Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting.

On behalf of the Board



**Sir Victor Garland**  
30 September 2008

# Directors' Remuneration Report

This report has been prepared in accordance with the requirements of Chapter 6 of the Companies Act 1985 in respect of the year ended 31 July 2008. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in their report on page 29.

## REMUNERATION POLICY

The Nomination and Remuneration Committee was constituted on 16 June 2004 and makes recommendations for the determination of Directors' fees by the Board as a whole. The remuneration policy is that the level of remuneration of the non-executive Directors should be fair and sufficient to attract and retain the Directors needed to oversee the Company properly, to fulfil the duties and responsibilities of Directors, to reflect the Company's specific circumstances and to provide value for the amount of time committed to the Company's affairs. The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £100,000 pa. Subject to this overall limit, the determination of fees takes regard of the matters set out above and the level of fees payable to non-executive directors in the industry generally.

Non-executive Directors are not eligible for participation in any performance related fees, bonuses, pension benefits, share options, long term incentive schemes or other benefits. It is intended that this policy will continue for the year ending 31 July 2009 and for subsequent years.

## DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with the Company. New Directors are provided with a letter of appointment which, amongst other things, provides that their appointment is subject to the Companies Acts and the Articles of Association of the Company. The Company does not make payments to Directors on termination or compensation upon early termination of appointment.

No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 July 2008, the year ended 31 July 2007 or for any previous period.

## COMPANY PERFORMANCE

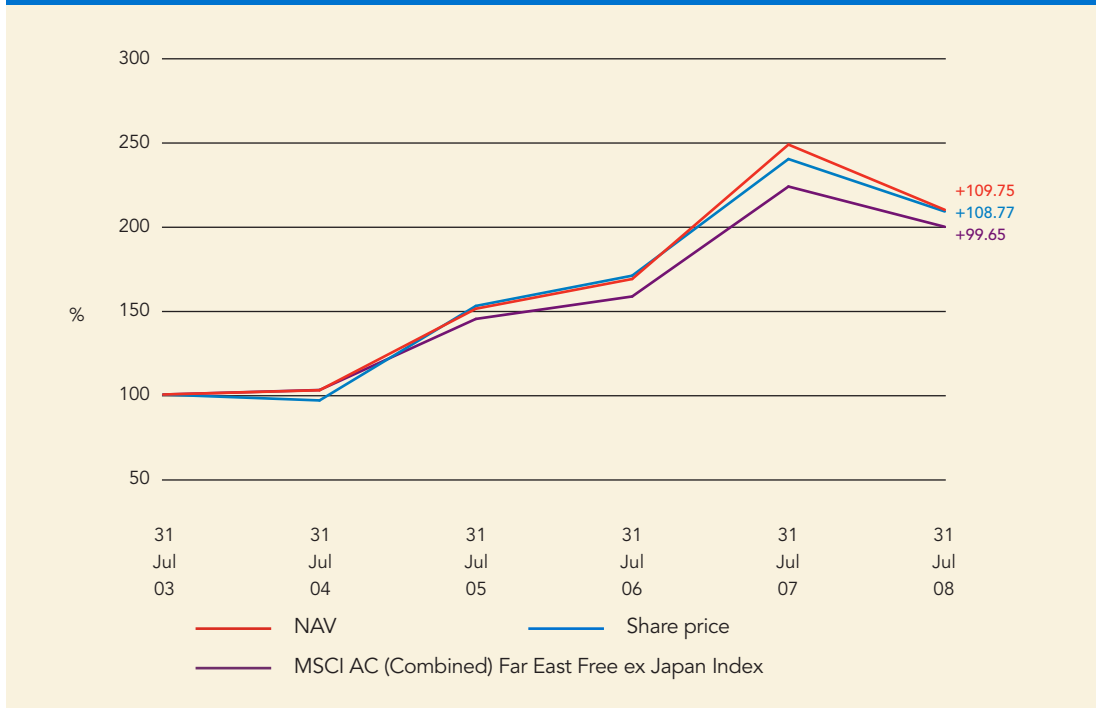
The Company's performance is measured against the MSCI All Countries (Combined) Far East Free ex Japan Index as this is the most appropriate in respect of its asset allocation and reflects the stated objective of the Company as set out on page 1.

Directors' Emoluments for the year (audited)	2008 £	2007 £
Sir Victor Garland	22,000	21,000
Hugh Bolland	19,000	18,000
William Knight	17,000	16,000
Kathryn Matthews <sup>1</sup>	–	–
Sir Robin McLaren	17,000	16,000
<b>Total</b>	<b>75,000</b>	<b>71,000</b>

<sup>1</sup> Kathryn Matthews has agreed to waive her fees for the year under review: £17,000 (2007: £16,000 waived).

# Directors' Remuneration Report

Comparison of NAV and Share Price Total Return Performance against the Benchmark Index from 1 August 2003 to 31 July 2008



**Sir Victor Garland**  
30 September 2008

# Independent Auditor's Report to the Shareholders of Fidelity Asian Values PLC

We have audited the financial statements (the 'financial statements') of Fidelity Asian Values PLC for the year ended 31 July 2008, which comprise the income statement, the balance sheet, the cash flow statement, the reconciliation of movements in shareholders' funds and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

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

of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only Objective and Highlights, Financial Summary, Chairman's Statement, the unaudited part of the Directors' Remuneration Report, Full Portfolio Listing and Distribution of the Portfolio. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## BASIS OF AUDIT OPINION

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

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

## OPINION

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 July 2008 and of its loss for the year then ended;
- The financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the financial statements.

## Grant Thornton UK LLP

Registered Auditor  
Chartered Accountants  
London  
30 September 2008

# Income Statement

for the year ended 31 July 2008

	notes	revenue £'000	2008 capital £'000	total £'000	revenue £'000	2007 capital £'000	total £'000
(Losses)/gains on investments	9	–	(26,390)	(26,390)	–	55,516	55,516
Income	2	4,579	–	4,579	3,669	–	3,669
Investment management fee	3	(1,688)	–	(1,688)	(1,528)	–	(1,528)
Other expenses	4	(474)	–	(474)	(498)	–	(498)
Exchange losses on other net assets		(14)	(26)	(40)	(5)	(238)	(243)
Exchange (losses)/gains on loans	14	–	(247)	(247)	–	815	815
<b>Net return/(loss) before finance costs and taxation</b>		<b>2,403</b>	<b>(26,663)</b>	<b>(24,260)</b>	<b>1,638</b>	<b>56,093</b>	<b>57,731</b>
Interest payable	5	(516)	–	(516)	(519)	–	(519)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>1,887</b>	<b>(26,663)</b>	<b>(24,776)</b>	<b>1,119</b>	<b>56,093</b>	<b>57,212</b>
Taxation on return on ordinary activities	6	(398)	–	(398)	(461)	(35)	(496)
Net return/(loss) on ordinary activities after taxation for the year		<b>1,489</b>	<b>(26,663)</b>	<b>(25,174)</b>	<b>658</b>	<b>56,058</b>	<b>56,716</b>
<b>Return/(loss) per ordinary share</b>							
Basic	8	1.43p	(25.57p)	(24.14p)	0.63p	53.37p	54.00p
Diluted	8	–	–	–	0.62p	53.35p	53.97p

A Statement of Total Recognised Gains and Losses has not been prepared as there are no gains and losses other than those reported in this Income Statement. The total column of the Income Statement is the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The notes on pages 34 to 45 form an integral part of these financial statements.



# Reconciliation of Movements in Shareholders' Funds

for the year ended 31 July 2008

	notes	called up share capital £'000	share premium account £'000	capital redemption reserve £'000	other non- distributable reserve £'000	other reserve £'000	warrant reserve £'000	capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000	total equity £'000
<b>Opening shareholders' funds: 1 August 2006</b>		23,377	12	2,330	–	59,284	7,367	(9,110)	17,465	(1,648)	99,077
Net recognised capital gains for the year		–	–	–	–	–	–	19,908	36,150	–	56,058
Repurchase of ordinary shares		(1,157)	–	1,157	–	(5,535)	–	–	–	–	(5,535)
Revenue after taxation		–	–	–	–	–	–	–	–	658	658
Exercise of warrants		5,116	15,347	–	7,367	–	(7,367)	–	–	–	20,463
<b>Closing shareholders' funds: 31 July 2007</b>		27,336	15,359	3,487	7,367	53,749	–	10,798	53,615	(990)	170,721
Transfer between reserves*		–	–	–	–	–	–	52,787	(52,787)	–	–
Net recognised capital losses for the year	14	–	–	–	–	–	–	(26,432)	(231)	–	(26,663)
Repurchase of ordinary shares	14	(1,547)	–	1,547	–	(9,606)	–	–	–	–	(9,606)
Revenue after taxation	14	–	–	–	–	–	–	–	–	1,489	1,489
<b>Closing shareholders' funds: 31 July 2008</b>		25,789	15,359	5,034	7,367	44,143	–	37,153	597	499	135,941

\*See note 14 on page 40.

The notes on pages 34 to 45 form an integral part of these financial statements.

# Balance Sheet

as at 31 July 2008

	notes	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	9	136,356	175,057
<b>Current assets</b>			
Debtors	10	634	5,949
Cash at bank		8,954	4,696
		9,588	10,645
<b>Creditors – amounts falling due within one year</b>			
Other creditors	11	(916)	(6,141)
		(916)	(6,141)
<b>Net current assets</b>			
		8,672	4,504
<b>Total assets less current liabilities</b>			
		145,028	179,561
<b>Creditors – amounts falling due after more than one year</b>			
Fixed rate unsecured loan	12	(9,087)	(8,840)
<b>Total net assets</b>			
		135,941	170,721
<b>Capital and reserves</b>			
Called up share capital	13	25,789	27,336
Share premium account	14	15,359	15,359
Capital redemption reserve	14	5,034	3,487
Other non-distributable reserve	14	7,367	7,367
Other reserve	14	44,143	53,749
Capital reserve – realised	14	37,153	10,798
Capital reserve – unrealised	14	597	53,615
Revenue reserve	14	499	(990)
<b>Total equity shareholders' funds</b>			
		135,941	170,721
<b>Net asset value per ordinary share</b>			
	15	131.78p	156.13p

The financial statements on pages 30 to 45 were approved by the Board of Directors on 30 September 2008 and were signed on its behalf by:



**Sir Victor Garland**  
Chairman

The notes on pages 34 to 45 form an integral part of these financial statements.

## Cash Flow Statement for the year ended 31 July 2008

	notes	2008 £'000	2007 £'000
<b>Operating activities</b>			
Investment income received		3,546	2,713
Deposit interest received		154	144
Investment management fee paid		(1,272)	(1,447)
Directors' fees paid		(60)	(71)
Other cash payments		(566)	(379)
<b>Net cash inflow from operating activities</b>	16	<u>1,802</u>	<u>960</u>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(511)	(403)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(511)</u>	<u>(403)</u>
<b>Financial investment</b>			
Purchase of investments		(84,344)	(123,551)
Disposal of investments		96,901	111,301
<b>Net cash inflow/(outflow) from financial investment</b>		<u>12,557</u>	<u>(12,250)</u>
<b>Net cash inflow/(outflow) before financing</b>		<u>13,848</u>	<u>(11,693)</u>
<b>Financing</b>			
Repurchase of ordinary shares		(9,606)	(5,535)
Exercise of warrants		–	20,463
5.60% fixed rate unsecured loan drawn down		–	9,541
6.28% fixed rate unsecured loan repaid		–	(9,541)
<b>Net cash (outflow)/inflow from financing</b>		<u>(9,606)</u>	<u>14,928</u>
<b>Increase in cash</b>	17	<u>4,242</u>	<u>3,235</u>

The notes on pages 34 to 45 form an integral part of these financial statements.

# Notes to the Financial Statements

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## 1. ACCOUNTING POLICIES

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The Company has prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and the AIC Statement of Recommended Practice ("SORP") for Investment Trusts dated January 2003 and revised in December 2005.

a) **Basis of accounting** – The financial statements have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of fixed asset investments at fair value and on the assumption that approval as an investment trust will be granted.

b) **Income** – Income from equity investments is credited to the Income Statement on the date on which the right to receive the payment is established. Interest receivable on fixed interest securities is accounted for on an accruals basis so as to reflect the effective interest rate on the security. Franked dividends are accounted for net of any tax credit. Unfranked investment income includes tax deducted at source. Interest receivable on short term loans and deposits is dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital column of the Income Statement.

c) **Special dividends** – Special dividends are treated as a capital receipt or a revenue receipt depending on the facts and circumstances of each particular case.

d) **Expenses and finance costs** – All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement. Finance costs are accounted for using the effective interest method and in accordance with the provisions of Financial Reporting Standard ("FRS") 26 "Financial Instruments: Measurement".

e) **Taxation** – Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred. A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable.

f) **Foreign currency** – The Directors, having regard to the currency of the Company's share capital and the predominant currency in which its investors operate, have determined the functional currency to be sterling. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling as at the date of transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Realised and unrealised capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserves – realised and unrealised.

g) **Valuation of investments** – 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. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors and other key personnel. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially at fair value, which is taken to be their cost, and subsequently the investments are valued at "fair value", which is measured as follows:

- Listed investments are valued at bid prices, where the bid price is available, or otherwise at fair value based on published price quotations;
- Unlisted investments where there is not an active market are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the balance sheet date.

**Transaction costs** – FRS26: "Financial Instruments: Measurement" requires that the cost of purchasing investments be recognised and accounted for as a separate item from investment gains. However in accordance with the AIC SORP the Company includes these costs in the cost of investments purchased and has disclosed them in note 9.

h) **Loans** – Loans are initially included in the financial statements at cost, being the fair value of the consideration received, net of any issue costs relating to the borrowing. After initial recognition, the loans are measured at amortised cost using the effective interest method. The amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

i) **Capital reserve - realised** – Gains and losses on the realisation of investments, changes in fair value of investments which are readily convertible to cash without accepting adverse terms and realised exchange differences of a capital nature are accounted for in the capital reserve – realised.

# Notes to the Financial Statements

**Capital reserve - unrealised** – Changes in the fair value of investments held at the year end that are not readily convertible to cash without accepting adverse terms and unrealised exchange differences of a capital nature are accounted for in the capital reserve - unrealised.

j) **Dividends** – In accordance with FRS21: “Events after the Balance Sheet Date” dividends declared and approved by the Company after the balance sheet date have not been recognised as a liability of the Company at the balance sheet date.

2008  
£'000

2007  
£'000

## 2. INCOME

Income from financial assets designated at fair value through profit and loss

Overseas dividends	4,188	3,350
Overseas scrip dividends	241	164
Overseas interest	–	16
	<u>4,429</u>	<u>3,530</u>

Other income from financial assets not at fair value through profit and loss

Deposit interest	150	139
<b>Total income</b>	<u>4,579</u>	<u>3,669</u>

2008  
£'000

2007  
£'000

## 3. INVESTMENT MANAGEMENT FEE

Investment management fee	<u>1,688</u>	<u>1,528</u>
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A summary of the terms of the Management Agreement is given in the Directors' Report on pages 17 and 18.

2008  
£'000

2007  
£'000

## 4. OTHER EXPENSES

Directors' fees	75	71
Directors' expenses*	(7)	30
Registrars' fees	35	45
Custody fees	142	132
Printing and publication expenses	65	58
Marketing expenses	69	52
Legal and professional fees	23	44
Other expenses	55	48
Fees payable to the Company's Auditor for the audit of the annual financial statements	17	18
	<u>474</u>	<u>498</u>

\* The directors' expenses are a credit balance due to the release of prior year accruals.

Details of the breakdown of Directors' fees are provided on page 27 within the Directors' Remuneration Report.

# Notes to the Financial Statements

	2008 £'000	2007 £'000
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## 5. INTEREST PAYABLE

Financial liabilities not at fair value through profit or loss

On loans repayable within five years

Fixed rate unsecured loan	516	519
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	revenue £'000	2008 capital £'000	total £'000	revenue £'000	2007 capital £'000	total £'000
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## 6. TAXATION ON RETURN ON ORDINARY ACTIVITIES

a) Analysis of charge in the year

Corporation tax	144	–	144	210	35	245
Double taxation relief	(144)	–	(144)	(210)	(35)	(245)
	–	–	–	–	–	–
Overseas taxation suffered	398	–	398	496	–	496
Taxation (credit)/charge for the use of revenue expenses	–	–	–	(35)	35	–
Total current taxation for the year (see note 6b)	398	–	398	461	35	496

b) Factors affecting the taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an investment trust company of 29.33% (2007: 30%).

The differences are explained below.

	2008 £'000	2007 £'000
Revenue return on ordinary activities before taxation	1,887	1,119
Revenue return on ordinary activities multiplied by the standard rate of corporation tax of 29.33% (2007: 30%)	554	336
Effects of:		
Income not included for taxation purposes	(71)	(49)
Non-trading deficit (utilised)/not utilised	(304)	1
Double taxation relief	(144)	(245)
Overseas taxation expensed	(35)	(71)
Excess management expenses not utilised in the year	–	(19)
Special dividends in capital	–	47
Overseas taxation	398	461
Current taxation charge (Note 6a)	398	461

Investment trust companies are exempt from taxation on capital gains if they meet the HM Revenue & Customs criteria set out in S842 Income and Corporation Taxes Act 1988 for a given period. Therefore, any capital return is not included in the above reconciliation.

# Notes to the Financial Statements

Overseas taxation is made up as follows:

	2008 £'000	2007 £'000
Taxation on ordinary activities	350	428
Taiwan scrip dividends	48	33
	<u>398</u>	<u>461</u>

c) The deferred tax assets of £664,000 in respect of unutilised expenses and non-trade deficits at 31 July 2008 (2007: £1,005,800) have not been recognised as it is unlikely that these assets will be utilised.

2008 £'000	2007 £'000
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## 7. DIVIDENDS

The Directors have proposed a final dividend of 0.81 pence per share which is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total dividend payable in respect of the year ended 31 July 2008, which is the basis on which the requirements of s842 Income and Corporation Taxes Act 1988 are considered, is stated below:

	2008 £'000	2007 £'000
Proposed final dividend of 0.81 pence per share for the year ended 31 July 2008 (2007: nil) based on the number of shares in issue as at the date of the Annual Reports	496	–
	<u>496</u>	<u>–</u>

## 8. RETURN/(LOSS) PER ORDINARY SHARE

	revenue	2008 capital	total	revenue	2007 capital	total
Basic	<u>1.43p</u>	<u>(25.57p)</u>	<u>(24.14p)</u>	<u>0.63p</u>	<u>53.37p</u>	<u>54.00p</u>
Diluted	<u>–</u>	<u>–</u>	<u>–</u>	<u>0.62p</u>	<u>53.35p</u>	<u>53.97p</u>

Returns/(losses) per ordinary share are based on the net revenue return on ordinary activities after taxation of £1,489,000 (2007: £658,000), the capital loss in the year of £26,663,000 (2007: return £56,058,000) and the total loss in the year of £25,174,000 (2007: return £56,716,000) and on 104,262,596 ordinary shares (2007: 105,041,064) being the weighted average number of ordinary shares in issue during the year.

In accordance with the provisions of FRS14, the prior year diluted returns have been calculated on the assumption that the warrants in issue were converted on the first day of the financial period on a weighted average basis for the period over which they were outstanding and that the proceeds from the conversion have been used by the Company to purchase its own shares at a fair market price. There are no diluted returns for 2008 as all warrants had been exercised prior to the commencement of the current reporting period.

# Notes to the Financial Statements

	2008 £'000	2007 £'000
<b>9. INVESTMENTS</b>		
Listed overseas	<u>136,356</u>	<u>175,057</u>
	2008 listed overseas £'000	
Opening book cost	122,270	
Opening fair value adjustment	<u>52,787</u>	
<b>Opening fair value of investments</b>	<b>175,057</b>	
<b>Movements in the year</b>		
Purchases at cost	83,296	
Sales – proceeds	(95,607)	
Sales – realised gains on sales	10,530	
Changes in fair value	<u>(36,920)</u>	
<b>Closing fair value of investments</b>	<b><u>136,356</u></b>	
Closing book cost	120,489	
Closing fair value adjustment	<u>15,867</u>	
<b>Closing fair value of investments</b>	<b><u>136,356</u></b>	
	2008 £'000	2007 £'000
<b>Net gains on investments</b>		
Gains on sales	10,530	17,624
Changes in fair value	<u>(36,920)</u>	<u>37,892</u>
	<u>(26,390)</u>	<u>55,516</u>
The portfolio turnover rate for the year was 50.4% (2007: 75.1%).		
	2008 £'000	2007 £'000
<b>Costs of investment transactions</b> (These are included in net gains on investments)		
Purchase expenses	162	286
Sales expenses	<u>250</u>	<u>362</u>
	<u>412</u>	<u>648</u>



## Notes to the Financial Statements

	2008 £'000	2007 £'000
<b>10. DEBTORS</b>		
Securities sold for future settlement	17	1,333
Currency receivable	82	4,235
Accrued income	492	264
Other debtors	43	117
	<u>634</u>	<u>5,949</u>

	2008 £'000	2007 £'000
<b>11. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Securities purchased for future settlement	–	1,270
Currency payable	82	4,234
Loan interest payable	181	175
Other creditors	653	462
	<u>916</u>	<u>6,141</u>

	2008 £'000	2007 £'000
<b>12. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR</b>		
Fixed rate unsecured loan @ 5.60% per annum	<u>9,087</u>	<u>8,840</u>

A fixed rate unsecured loan from Lloyds TSB Bank PLC of US\$18,000,000 was drawn down on 27 September 2006 for a period of three years at a rate of 5.60% per annum. The loan is repayable on 25 September 2009.

The Company has entered into an agreement with Lloyds TSB Bank PLC whereby if total borrowings exceed 49% of the Company's assets, sufficient money will be placed in a charged account with the bank to reduce borrowings to below 50%.

	2008 £'000	2007 £'000
<b>13. CALLED UP SHARE CAPITAL</b>		
<b>Authorised:</b>		
200,000,000 (2007: 200,000,000) ordinary shares of 25 pence each	<u>50,000</u>	<u>50,000</u>
<b>Issued, allotted and fully paid:</b>		
<b>Beginning of year</b>		
109,347,200 (2006: 93,511,465) ordinary shares of 25 pence each	27,336	23,377
Exercise of 20,462,735 warrants	–	5,116
1 August 2007 to 31 July 2008: repurchase of 6,190,000 shares (2007: 4,627,000)	<u>(1,547)</u>	<u>(1,157)</u>
<b>End of year</b>		
103,157,200 (2007: 109,347,200) ordinary shares of 25 pence each	<u>25,789</u>	<u>27,336</u>

# Notes to the Financial Statements

	share premium account £'000	capital redemption reserve £'000	other non- distributable reserve £0,000	other reserve £'000	capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000
<b>14. RESERVES</b>							
Beginning of year	15,359	3,487	7,367	53,749	10,798	53,615	(990)
Transfer between reserves*	-	-	-	-	52,787	(52,787)	-
Exchange (losses)/gains on other net assets	-	-	-	-	(42)	16	-
Net loss on realisation of investments	-	-	-	-	(26,390)	-	-
Exchange losses on loans	-	-	-	-	-	(247)	-
Repurchase of ordinary shares	-	1,547	-	(9,606)	-	-	-
Net revenue for the year	-	-	-	-	-	-	1,489
<b>End of year</b>	<b>15,359</b>	<b>5,034</b>	<b>7,367</b>	<b>44,143</b>	<b>37,153</b>	<b>597</b>	<b>499</b>

\* In accordance with TECH 01/08: Distributable Profits – with effect from 1 August 2007 changes in fair value of investments which are readily convertible to cash without accepting adverse terms at the balance sheet date are included in realised rather than unrealised capital reserves. The balances on both reserves at 1 August 2007 have been amended by a reserve transfer to reflect this change.

## 15. NET ASSET VALUE PER SHARE

The basic net asset value per ordinary share is based on net assets of £135,941,000 (2007: £170,721,000) and on 103,157,200 (2007: 109,347,200) ordinary shares, being the number of ordinary shares in issue at the year end.

2008	2007
£'000	£'000

## 16. RECONCILIATION OF NET RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Net (loss)/return before finance costs and taxation	(24,260)	57,731
Capital (loss)/return for the year	26,663	(56,093)
Net revenue return before finance costs and taxation	2,403	1,638
Scrip dividends	(241)	(164)
(Decrease)/increase in other creditors	(3,961)	1,470
Decrease/(increase) in other debtors	3,999	(1,523)
Taxation on investment income	(398)	(461)
<b>Net cash inflow from operating activities</b>	<b>1,802</b>	<b>960</b>

# Notes to the Financial Statements

	2008 £'000	2007 £'000
<b>17. RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET DEBT</b>		
Net debt at the beginning of the year	(4,144)	(8,342)
Net cash inflow	4,242	3,235
5.60% fixed rate unsecured loan drawn down	–	(9,541)
6.28% fixed rate unsecured loan repaid	–	9,541
Unrealised foreign exchange movement on other assets	16	148
Foreign exchange movement on fixed rate unsecured loan	(247)	815
<b>Change in net debt</b>	<b>4,011</b>	<b>4,198</b>
Net debt at the end of the year	(133)	(4,144)

	2008 £'000	cash flows £'000	exchange movements £'000	2007 £'000
<b>Analysis of balances</b>				
Cash at bank	8,954	4,242	16	4,696
Fixed rate unsecured loan	(9,087)	–	(247)	(8,840)
<b>End of year</b>	<b>(133)</b>	<b>4,242</b>	<b>(231)</b>	<b>(4,144)</b>

## 18. FINANCIAL INSTRUMENTS

### Management of risk

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Business Review on pages 15 and 16. This note is incorporated in accordance with FRS29 and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments comprise:

- Equity shares held in accordance with the Company's investment objective and policies
- Cash, liquid resources and short term debtors and creditors that arise from its operations
- US dollar borrowings to finance operations

The risks arising from the Company's financial instruments are market price risk (which comprises equity price risk, interest rate risk and foreign currency exposure), liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

### Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and changes in exchange rates. The Board meets quarterly to consider the asset allocation of the portfolio and the risks associated with particular industry sectors within the parameters of the investment objective. The Investment Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile.

# Notes to the Financial Statements

## Foreign currency risk

The Company's total return and balance sheet can be affected by foreign exchange movements because the Company has assets and income which are denominated in currencies other than the Company's base currency (sterling).

The Board has identified three principal areas where foreign currency risk could impact the Company:

- Movements in rates affecting the value of investments
- Movements in rates affecting short term timing differences
- Movements in rates affecting the income received

The Company does not hedge the sterling value of investments or other net assets priced in other currencies by the use of derivatives.

The Company might also be subject to short term exposure from exchange rate movements, for example between the date when an investment is bought or sold and the date when settlement of the transaction occurs. Income denominated in foreign currencies is converted to sterling on receipt.

## Interest rate risk

The Company finances its operations through share capital raised. In addition financing has been obtained through a US dollar denominated fixed rate unsecured bank loan, which falls due for repayment in 25 September 2009. The Company is exposed, therefore, to a fair value risk if US dollar interest rates change. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

## Liquidity risk

The Company's assets comprise readily realisable securities which can be easily sold to meet funding commitments if necessary. Short term flexibility is achieved by the use of overdraft facilities as required. Details of the Company's borrowing commitments are explained in note 12 to the financial statements.

## Credit risk

Counterparty credit risk is not judged to be significant as transactions are carried out with a large number of brokers, all transactions are settled on a delivery versus payment basis and limits are set on the amount that may be due from any one broker.

Investments may be adversely affected if any of the institutions with which money is deposited or the Company's custodian suffer insolvency or other financial difficulties. All security transactions are through brokers which have been approved as acceptable counterparties. This is reviewed on an ongoing basis.

## Financial Assets

The Company's financial assets comprise equity investments, short term debtors and cash. The currency cash flow profile of these financial assets is shown below:

2008	investments at fair value through profit or loss £'000	short term debtors book value £'000	cash at bank £'000	total £'000
Hong Kong dollar	54,178	50	–	54,228
Indian rupee	2,313	–	135	2,448
Korean won	34,191	5	–	34,196
Malaysian ringgit	5,193	33	–	5,226
Singapore dollar	19,840	17	–	19,857
Taiwan dollar	20,641	436	1	21,078
US dollar	–	81	8,748	8,829
UK sterling	–	12	70	82
	<u>136,356</u>	<u>634</u>	<u>8,954</u>	<u>145,944</u>

## Notes to the Financial Statements

2007	investments at fair value through profit or loss £'000	short term debtors book value £'000	cash at bank £'000	total £'000
Australian dollar	985	–	–	985
Hong Kong dollar	55,488	1,206	–	56,694
Indian rupee	–	–	139	139
Korean won	45,155	6	–	45,161
Malaysian ringgit	22,329	496	–	22,825
Philippine peso	20	–	–	20
Singapore dollar	20,620	1,835	–	22,455
Taiwan dollar	30,036	156	–	30,192
Thai baht	424	–	–	424
US dollar	–	2,118	4,460	6,578
UK sterling	–	132	97	229
	<u>175,057</u>	<u>5,949</u>	<u>4,696</u>	<u>185,702</u>

### Financial Liabilities

The Company finances its investment activities through its ordinary share capital, reserves and borrowings. The Company's financial liabilities comprise its US dollar denominated loan and other short term creditors. The currency cash flow profile of these financial liabilities is shown below.

	2008			2007		
	US dollar denominated unsecured loan £'000	short term creditors £'000	total £'000	US dollar denominated unsecured loan £'000	short term creditors £'000	total £'000
Hong Kong dollar	–	–	–	–	2,363	2,363
Malaysian ringgit	–	–	–	–	52	52
Singapore dollar	–	17	17	–	972	972
Taiwan dollar	–	3	3	–	–	–
US dollar	9,087	244	9,331	8,840	2,291	11,131
UK sterling	–	652	652	–	463	463
	<u>9,087</u>	<u>916</u>	<u>10,003</u>	<u>8,840</u>	<u>6,141</u>	<u>14,981</u>

# Notes to the Financial Statements

## Foreign currency risk sensitivity analysis

At 31 July 2008, if sterling had strengthened by 5% in relation to the larger currency exposures, with all other variables held constant, total return on ordinary activities and total net assets would have decreased by the amounts shown below. A 5% weakening of sterling against the main currency exposures, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts.

The analysis for 2007 is performed on the same basis.

	2008 £'000	2007 £'000
Hong Kong dollar	2,711	2,717
Korean won	1,710	2,258
Singapore dollar	992	1,074
Taiwan dollar	1,054	1,510

## Interest rate risk profile of financial assets and liabilities

The analysis below summarises the extent to which the Company's assets and liabilities are affected by changes in interest rates.

### 2008

	cash flow interest rate risk £'000	fair value interest rate risk £'000	no interest rate risk £'000	total £'000
Investments at fair value through profit or loss	–	–	136,356	136,356
Other debtors	–	–	634	634
Cash balances	8,954	–	–	8,954
<b>Total financial assets</b>	<b>8,954</b>	<b>–</b>	<b>136,990</b>	<b>145,944</b>
Creditors	–	–	(916)	(916)
Fixed rate unsecured loan	–	(9,087)	–	(9,087)
<b>Total financial liabilities</b>	<b>–</b>	<b>(9,087)</b>	<b>(916)</b>	<b>(10,003)</b>
<b>Total financial assets/(liabilities)</b>	<b>8,954</b>	<b>(9,087)</b>	<b>136,074</b>	<b>135,941</b>

### 2007

	cash flow interest rate risk £'000	fair value interest rate risk £'000	no interest rate risk £'000	total £'000
Investments at fair value through profit or loss	–	–	175,057	175,057
Other debtors	–	–	5,949	5,949
Cash balances	4,696	–	–	4,696
<b>Total financial assets</b>	<b>4,696</b>	<b>–</b>	<b>181,006</b>	<b>185,702</b>
Creditors	–	–	(6,141)	(6,141)
Fixed rate unsecured loan	–	(8,840)	–	(8,840)
<b>Total financial liabilities</b>	<b>–</b>	<b>(8,840)</b>	<b>(6,141)</b>	<b>(14,981)</b>
<b>Total financial assets/(liabilities)</b>	<b>4,696</b>	<b>(8,840)</b>	<b>174,865</b>	<b>170,721</b>

# Notes to the Financial Statements

## Interest rate risk sensitivity analysis

At 31 July 2008, if interest rates would have increased by 0.5% the total return on ordinary activities would have decreased by £45,000 (2007: £44,000). A decrease in the interest rates by 0.5% would have an equal but opposite effect.

## Other price risk

Changes in market prices other than those arising from interest rate risk may also affect the value of the Company's net assets. Details of how the Board sets risk parameters and performance objectives can be found on pages 15 and 16 of the Directors' Report.

## Other price risk sensitivity analysis

A full list of the Company's investments is shown on pages 46 and 47. In addition, a list of the ten largest investments is shown on page 8.

All of the Company's investments are invested in quoted equities. A 3% increase in the market value of these investments at 31 July 2008 would have increased total return on ordinary activities and total assets by £4,091,000 (2007: £5,252,000). A decrease of 3% would have had an equal but opposite effect.

## Fair value of financial assets and liabilities

Financial assets and liabilities are stated in the balance sheet at values which are not materially different to their fair values. As explained in note 1 investments are shown at fair value which is bid market price. In the case of cash, book value approximates to fair value due to the short maturity of the instruments. The exception is the unsecured term fixed rate loan, whose fair value as at 31 July 2008, given below, has been calculated by discounting future cash flows at current US dollar interest rates.

	2008		2007	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan @ 5.60% per annum	9,510	9,087	9,346	8,840

## Loans and borrowings

	effective	maturity	2008 £'000	2007 £'000
	interest rate %			
After more than one year				
Fixed rate unsecured loan: US dollar 18,000,000	5.60	25 Sep 2009	9,087	8,840

## Capital management

The Company does not have any externally imposed capital requirements. The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 14. The principal risks and their management are disclosed above.

## 19. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 July 2008 (2007: nil).

## 20. TRANSACTIONS WITH THE MANAGER

The Directors have complied with the provisions of FRS8 which require disclosure of related party transactions and balances. FIL Investments International is the Manager and Secretary of the Company and details of the services provided and fees paid are given on pages 17 and 18.

## 21. SUBSEQUENT EVENTS

After the year end, a tender offer was successfully made for 40% of the Company's issued share capital. The Chairman's Statement on pages 3 and 4 provides further details on the offer.

## Full Portfolio Listing as at 31 July 2008

Holding	Market Value £'000	% <sup>1</sup>
China Mobile	7,321	5.0
Samsung Electronics	6,896	4.8
Hon Hai Precision	6,664	4.6
Taiwan Semiconductor Manufacturing Company	5,736	4.0
Hang Seng Bank	5,415	3.7
China National Offshore Oil Corporation	4,698	3.2
China Merchants Bank	4,486	3.1
NHN Corporation	4,273	2.9
Hutchison Whampoa	4,199	2.9
LG Household and Health Care	4,168	2.9
Swire Pacific	3,900	2.7
Belle International	3,403	2.4
Esprit Holdings	3,348	2.3
Li & Fung	3,297	2.3
Shinhan Financial	3,238	2.2
Media Tek	3,105	2.1
Kookmin Bank	3,092	2.1
China Life Insurance	2,978	2.1
Advanced Semiconductor Engineering	2,921	2.0
DBS Group	2,897	2.0
Cheung Kong Holdings	2,884	2.0
AmorePacific	2,706	1.9
Raffles Education	2,666	1.8
Reliance Industries	2,313	1.6
Venture Corporation	2,229	1.5
Keppel	2,147	1.5
CSE Systems & Engineering	1,906	1.3
Hong Kong Exchanges	1,880	1.3
Noble Group	1,784	1.2
Samsung Card	1,742	1.2
KNM Group	1,681	1.2
Doosan Heavy Industry & Construction	1,674	1.2
Shinsegae	1,671	1.2
United Overseas Bank	1,570	1.1
Singapore Telecom	1,564	1.1
China Dongxiang Group	1,543	1.1
Samsung C&T	1,523	1.0
China Communication Construction	1,409	1.0
First Financial Holdings	1,396	1.0
Parkway Holdings	1,370	0.9



## Full Portfolio Listing as at 31 July 2008

Holding	Market Value £'000	% <sup>1</sup>
China State Construction	1,223	0.8
Samsung Fire & Marine	1,192	0.8
Shui On Construction and Materials	1,105	0.8
Ports Design	1,087	0.7
Cheil Industries	1,082	0.7
Parkson Holdings	1,079	0.7
Public Bank	1,015	0.7
Gamuda	960	0.7
Hyundai Motor	934	0.6
China Hongxing Sports	853	0.6
Hyflux Water Trust	853	0.6
AU Optronics	820	0.6
Lingkaran Trans Kota Holdings	458	0.3
China State Warrants	2	–
<b>Total holdings</b>	<b>136,356</b>	<b>94.0</b>
<b>Cash &amp; other net current assets</b>	<b>8,672</b>	<b>6.0</b>
	<b>145,028</b>	<b>100.0</b>

<sup>1</sup> % of total assets less liabilities, excluding loan liability

# Distribution of the Portfolio<sup>1</sup> at 31 July 2008

Equities (including convertibles)	Korea	Hong Kong	China	Taiwan	Singapore	Other	Total	Index <sup>2</sup>	31 July 2007
<b>Financials</b>									
Banks	4.3	3.7	3.1	1.0	3.1	0.7	15.9	17.2	12.8
Real Estate Management & Development	–	4.7	–	–	–	–	4.7	7.5	5.4
Insurance	0.8	2.1	–	–	–	–	2.9	3.4	5.7
Diversified Financial Services	–	1.3	–	–	–	–	1.3	1.8	2.8
Consumer Finance	1.2	–	–	–	–	–	1.2	0.1	0.7
Capital Markets	–	–	–	–	–	–	–	0.9	1.1
Real Estate Investment Trusts	–	–	–	–	–	–	–	0.6	0.5
	<b>6.3</b>	<b>11.8</b>	<b>3.1</b>	<b>1.0</b>	<b>3.1</b>	<b>0.7</b>	<b>26.0</b>	<b>31.5</b>	<b>29.0</b>
<b>Information Technology</b>									
Semiconductor Equipment & Products	4.8	–	–	8.1	–	–	12.9	8.6	12.4
Electronic Equipment & Instruments	–	–	–	5.2	1.5	–	6.7	3.7	4.3
Internet Software & Services	2.9	–	–	–	–	–	2.9	0.9	2.2
IT Consulting & Services	–	–	–	–	1.3	–	1.3	–	1.3
Computer & Peripherals	–	–	–	–	–	–	–	2.6	1.1
Software	–	–	–	–	–	–	–	–	0.4
Communications Equipment	–	–	–	–	–	–	–	0.2	–
	<b>7.7</b>	<b>–</b>	<b>–</b>	<b>13.3</b>	<b>2.8</b>	<b>–</b>	<b>23.8</b>	<b>16.0</b>	<b>21.7</b>
<b>Consumer Discretionary</b>									
Specialty Retail	–	2.3	2.4	–	–	–	4.7	0.9	0.7
Textile & Apparel	0.7	0.7	1.7	–	–	–	3.1	0.4	–
Distributors	–	2.3	–	–	–	–	2.3	0.7	4.0
Diversified Consumer Services	–	–	–	–	1.8	–	1.8	–	0.8
Automobiles	0.6	–	–	–	–	–	0.6	1.3	–
Hotels, Restaurants & Leisure	–	–	–	–	–	–	–	0.8	1.5
Other	–	–	–	–	–	–	–	2.2	–
	<b>1.3</b>	<b>5.3</b>	<b>4.1</b>	<b>–</b>	<b>1.8</b>	<b>–</b>	<b>12.5</b>	<b>6.3</b>	<b>7.0</b>
<b>Industrials</b>									
Construction & Engineering	1.2	1.6	1.0	–	–	0.7	4.5	2.1	12.0
Industrial Conglomerates	–	2.9	–	–	1.5	–	4.4	3.9	4.6
Trading Companies & Distributors	1.0	–	–	–	1.2	–	2.2	0.8	2.3
Commercial Services & Supplies	–	–	–	–	0.6	–	0.6	–	–
Transportation Infrastructure	–	–	–	–	–	0.3	0.3	0.7	1.1
Machinery	–	–	–	–	–	–	–	2.1	0.4
Other	–	–	–	–	–	–	–	3.6	–
	<b>2.2</b>	<b>4.5</b>	<b>1.0</b>	<b>–</b>	<b>3.3</b>	<b>1.0</b>	<b>12.0</b>	<b>13.2</b>	<b>20.4</b>

## Distribution of the Portfolio<sup>1</sup> at 31 July 2008

Equities (including convertibles)	Korea	Hong Kong	China	Taiwan	Singapore	Other	Total	Index <sup>2</sup>	31 July 2007
<b>Telecommunications Services</b>									
Wireless Telecommunications Services	–	–	5.0	–	–	–	5.0	6.6	4.9
Diversified Telecommunications Services	–	–	–	–	1.1	–	1.1	3.7	–
	–	–	5.0	–	1.1	–	6.1	10.3	4.9
<b>Consumer Staples</b>									
Household Products	2.9	–	–	–	–	–	2.9	0.2	1.9
Personal Products	1.9	–	–	–	–	–	1.9	0.2	1.4
Food & Staples Retailing	1.2	–	–	–	–	–	1.2	0.6	2.1
Food Products	–	–	–	–	–	–	–	1.8	0.3
Other	–	–	–	–	–	–	–	0.8	–
	6.0	–	–	–	–	–	6.0	3.6	5.7
<b>Energy</b>									
Oil & Gas	–	–	3.2	–	–	1.6	4.8	7.9	2.3
Energy, Equipment & Services	–	–	–	–	–	1.2	1.2	0.2	1.1
	–	–	3.2	–	–	2.8	6.0	8.1	3.4
<b>Health Care</b>									
Health Care Providers & Services	–	–	–	–	0.9	–	0.9	0.1	0.8
	–	–	–	–	0.9	–	0.9	0.1	0.8
<b>Materials</b>									
Metals & Mining	–	–	–	–	–	0.7	0.7	4.0	–
Paper & Forest Products	–	–	–	–	–	–	–	0.1	3.0
Chemicals	–	–	–	–	–	–	–	2.4	1.1
Other	–	–	–	–	–	–	–	0.8	–
	–	–	–	–	–	0.7	0.7	7.3	4.1
<b>Utilities</b>									
Other	–	–	–	–	–	–	–	3.6	0.5
	–	–	–	–	–	–	–	3.6	0.5
<b>Total Equities – 2008</b>	<b>23.5</b>	<b>21.6</b>	<b>16.4</b>	<b>14.3</b>	<b>13.0</b>	<b>5.2</b>	<b>94.0</b>	<b>100.0</b>	<b>97.5</b>
<b>Cash &amp; Other Net Assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6.0</b>	<b>–</b>	<b>2.5</b>
<b>Total – 2008</b>	<b>23.5</b>	<b>21.6</b>	<b>16.4</b>	<b>14.3</b>	<b>13.0</b>	<b>5.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Index – 2008</b>	<b>23.4</b>	<b>20.1</b>	<b>19.8</b>	<b>10.4</b>	<b>8.9</b>	<b>17.4</b>	<b>100.0</b>	<b>100.0</b>	<b>–</b>
<b>Total Equities – 2007</b>	<b>21.4</b>	<b>12.8</b>	<b>15.1</b>	<b>18.6</b>	<b>11.8</b>	<b>17.8</b>	<b>97.5</b>	<b>–</b>	<b>100.0</b>

<sup>1</sup> % of total assets less current liabilities, excluding loan liability

<sup>2</sup> MSCI All Countries (Combined) Far East Free ex Japan Index

# Notice of Meeting

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Notice is hereby given that the Annual General Meeting of Fidelity Asian Values PLC will be held at 25 Cannon Street, London EC4M 5TA on Friday 5 December 2008 at 11.00 am for the following purposes:

## ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and financial statements for the year ended 31 July 2008.
2. To approve a final dividend on the ordinary shares.
3. To re-appoint Kathryn Matthews as a Director of the Company.
4. To re-appoint Sir Victor Garland as a Director of the Company.
5. To re-appoint Sir Robin McLaren as a Director of the Company.
6. To approve the Directors' Remuneration Report for the year ended 31 July 2008.
7. To re-appoint Grant Thornton UK LLP as Auditor of the Company, to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
8. To authorise the Directors to determine the Auditor's remuneration.

## SPECIAL BUSINESS

Resolution 9 will be proposed as an ordinary resolution. Resolutions 10 and 11 will be proposed as special resolutions.

Resolutions 9 and 10 will, if approved, authorise the Directors to allot a limited number of currently unissued ordinary shares for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company in issue on 30 September 2008. The Directors will only issue new shares under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

9. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £764,000 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 30 September 2008) such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers

or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

10. THAT, subject to the passing of Resolution 9 set out above, the Directors be and they are hereby authorised, pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority given by the said Resolution 9 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

- a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of relevant equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and

- b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £764,000 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 30 September 2008); and

- c) to the allotment of equity securities at a price of not less than the net asset value per share

and this power shall expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, save that this authority shall allow the Company to make offers or agreements before the expiry of this authority, and the Directors may allot equity securities in relation to such an offer or agreement as if the authority conferred by this resolution had not expired.

Resolution 11 is a special resolution which, if approved, will renew the Company's authority to purchase its shares for cancellation. The limit set by the Board is 14.99% of the number of ordinary shares in issue on the date of the resolution. Purchases of ordinary shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share, thereby resulting in an increased net asset value per share.

# Notice of Meeting

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11 THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of shares of 25p each in the capital of the Company (the "shares") provided that:

- a) the maximum number of shares hereby authorised to be purchased is 14.99% of the issued share capital of the Company as at the date of passing this resolution;
- b) the minimum price which may be paid for a share is 25p;
- c) the maximum price which may be paid for a share is an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased;
- d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
- e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

By order of the Board

**FIL Investments International**

Secretary  
10 October 2008

Registered office:  
Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey KT20 6RB

## Notes to Notice of Meeting

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1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 11.00 am on 3 December 2008. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority notarially certified or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Registrars, PO Box 25, Beckenham, Kent BR3 3BR not less than 48 business hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 business hours after it is demanded, not less than 24 business hours before the time appointed for the taking of the poll at which it is to be used.
4. In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
5. All members are entitled to attend and vote at the Annual General Meeting.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
7. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3 per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Services Authority.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members by 6.00 pm on 3 December 2008 or 48 hours before the time of any adjourned meeting. Changes to the entries in the register of members after 6.00 pm on 3 December 2008 or, in the event that the meeting is adjourned, to the register 48 hours before the time of the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions to the contrary in any enactment, the Company's Articles of Association or any other instrument.
9. As at 30 September 2008 (the latest practicable date prior to the publication of this document) the Company's issued share capital consists of 61,244,330 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 30 September 2008 is 61,244,330.
10. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more

## Notes to Notice of Meeting

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than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

11. Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.

12. No Director has a service contract with the Company.

Registered office:  
Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey KT20 6RB

## Financial Calendar

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The key dates in the Company's calendar are:

**31 July** – financial period end

**30 September** – announcement of results to 31 July 2008

**10 October** – publication of this report

**5 December** – Annual General Meeting 2008

**31 January** – half year end

**March** – announcement of half yearly results to 31 January 2009

**April** – publication of half yearly report

## Capital Gains Tax Information

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Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of shares and warrants, acquired at the time of the Company's launch, is 93.04p for ordinary shares. All UK individuals are permitted to have £9,600 of capital gains in the current tax year 2008/2009 (2007/2008 tax year: £9,200) before being liable for Capital Gains Tax ("CGT"). Whilst CGT up until 5 April 2008 was charged at an individual's marginal rate, from 6 April 2008 CGT will be charged at a flat rate of 18%.

# Investing in Fidelity Asian Values PLC

**The Manager of the Company – FIL Investments International – offers a range of options, so that you can invest in the way that is best for you. As Fidelity Asian Values PLC is a company listed on the London Stock Exchange you can also buy its shares through a stockbroker, share shop or bank.**

## INVESTING INSIDE AN ISA

You may invest in the Company's shares through the Fidelity ISA ("Individual Savings Account"). A Fidelity ISA can be an excellent way to get more from your investment, because you will not have to pay income or capital gains tax on your returns.

With effect from 6 April 2008 the distinction between Mini and Maxi ISAs was removed and the maximum investment in a stocks and shares ISA is £7,200.

The minimum investment in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up or £50 a month per company in a regular savings plan.

**Charges** – The standard initial charge for the Fidelity ISA is 3.5%. There are no other charges for the Fidelity ISA but the Company pays an annual management charge to Fidelity of 1.0% plus VAT as set out in the Annual Report. There is an additional annual charge of 0.5% + VAT when you invest through a Financial Adviser.

## MOVING MONEY FROM PREVIOUS PEPS AND ISAS

If you have opened ISAs with other investment companies, you can move them into the Fidelity ISA and invest in Fidelity Asian Values PLC without losing any tax benefits. This is known as a transfer and it can be a great way to give your portfolio a new focus, or to realign it with your current investment goals. Please note that during the transfer your money will not be invested in the stockmarket so you may miss out on any growth during this time.

**Charges** – The standard initial charge for a transfer is 3.5%. You will not have to pay any additional transfer costs. However, please bear in mind that your current ISA manager may ask you to pay an exit fee. The annual charge is as shown in the "Investing inside an ISA" section.

## INVESTING OUTSIDE AN ISA

If you prefer to invest outside an ISA, or have already used your full ISA allowance, the Fidelity Investment Trust Share Plan offers you a low-cost and convenient way to put money into Fidelity Asian Values PLC. The minimum investment is £1,000 as a lump sum, £250 as a top-up or £50 a month in a regular savings plan.

**Investing for children** – The Share Plan is a flexible and inexpensive way to invest on behalf of children. All you have to do is enter the initials or name of the child in the Designation Box on the Share Plan application form. A special leaflet on investing for children through investment trusts is available from Fidelity.

**Charges** – There are no charges for buying, selling or holding shares through the Fidelity Investment Trust Share Plan other than Stamp duty of 0.5%, which is currently payable on all share purchases. However, if you invest through an Independent Financial Adviser, there may be an initial charge of up to 3%.

**Holding shares directly** – If you have shares in Fidelity Asian Values PLC that you bought through a broker or share shop you can transfer them into the Fidelity Investment Trust Share Plan. Doing this allows you to reinvest your dividends and make further investments without having to pay brokerage fees. You will also be able to set up a monthly savings plan and receive statements and valuations twice a year.

## BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

With effect from 1 October 2007 registered shareholders of fully listed companies are able to nominate the underlying beneficial owners of their shares to receive information rights from 1 January 2008. You should contact your registered shareholder direct to request to receive your information rights. Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's Registrars, Capita Registrars, or to the Company direct.

## INVESTING ONLINE

You can invest online in Fidelity Asian Values PLC shares via [www.fidelity.co.uk/sharenetwork](http://www.fidelity.co.uk/sharenetwork). Fidelity ShareNetwork enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8am and 4.30pm any working day. Shares in ShareNetwork can either be held direct or in an ISA, subject to the normal ISA limits and restrictions. You will be shown a live price and be

## KEEPING YOU UPDATED

The share price of Fidelity Asian Values PLC appears daily in The Financial Times. Price and performance information is also available at [fidelity.co.uk/its](http://fidelity.co.uk/its)

Investors can obtain the real-time share price by phoning FT Cityline on 0906 843 0000, selecting option 2 and entering 2422. (Calls are charged at 60p per minute on a per second basis from a BT land line. Charges from other networks may vary.)



# Investing in Fidelity Asian Values PLC

able to buy or sell immediately. If an order is placed when the market is closed, it will be processed as soon as the market reopens. Unlike many online share dealing services, Fidelity ShareNetwork gives you personal CREST membership for shares held direct. This means that shares are registered on the CREST system in your own name and everything relating to your shares – dividends, annual reports and so on – will be sent direct to you and you will be able to attend and vote at shareholder meetings in your own name. Personal CREST membership does not apply to ISA holdings which must be held in the name of the ISA manager's nominee under ISA regulations. Fidelity ShareNetwork has a very competitive cost structure.

Share purchases or sales are executed online for only £9 per trade. (Stamp duty is also payable on purchases at the rate of 0.5%). There is an account administration fee of £5 per month, however many different shares you own and whatever their value.

## CONTACT INFORMATION

**Private investors:** call free to 0800 41 41 10, 9am to 6pm, 7 days a week.

**Financial advisers:** call free to 0800 41 41 81, 8am to 6pm, Monday to Friday.

**Existing shareholders** who have a specific query regarding their holding or need to provide update information, for example a change of address, should contact the appropriate administrator:

### Holders of ordinary shares

Capita Registrars, Registrars to Fidelity Asian Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU  
Telephone: 0870 162 3100

### Share Plan investors

Fidelity Investment Trust Share Plan, Equiniti Limited (formerly Lloyds TSB Registrars), PO Box 4605, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6QY

Telephone: 0871 384 2781 (calls to this number are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.)

### ISA investors

Fidelity, using the freephone numbers given above, or by writing to:

UK Customer Service, Fidelity Investments, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ

### Fidelity ShareNetwork

<http://www.fidelity.co.uk/sharenetwork>

**General enquiries** To Fidelity, the Investment Manager and Secretary, at FIL Investments International

Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Internet site: <http://www.fidelity.co.uk/its>

## ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

Through the website of our Registrars, Capita Registrars, shareholders are able to manage their shareholding online by registering for the Share Portal, a free, secure, online access to your shareholding. Facilities include:

**Account enquiry** – Allows shareholders to access their personal shareholding, including share transaction history, dividend payment history and to obtain an up-to-date shareholding valuation.

**Amendment of standing data** – This allows you to change your registered postal address and add, change or delete dividend mandate instructions. You can also download from this site forms such as change of address, stock transfer and dividend mandate as well as buy and sell shares in the Company.

To make use of any of these facilities, please log on to the Capita Registrars website at [www.capitaregistrars.com/shareholders](http://www.capitaregistrars.com/shareholders) and follow the links to the Share Portal.

Should you have any queries in respect of the above facilities, please do not hesitate to contact the Capita Share Portal helpline on 0871 664 0391 (calls cost 10p plus network extras), overseas +44 20 8639 3367, or by e-mail at [shareportal@capita.co.uk](mailto:shareportal@capita.co.uk).

### Capita Share Dealing Services

You can make use of a low cost share dealing service provided by Capita Registrars to buy or sell shares. Further information is available at [www.capitadeal.com](http://www.capitadeal.com), or by telephoning 0871 664 0454 (calls cost 10p per minute plus network extras). Using Capita Share Dealing Services you will also be able to deal in the shares of other companies for which Capita acts as registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

### Dividend Reinvestment Plan

This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you prefer to receive shares for your next dividend instead of cash please complete an application form online at [www.capitashareportal.com](http://www.capitashareportal.com) or call Capita IRG Trustees on 0871 644 0381 (calls cost 10p per minute plus network extras) from UK or +44 20 8639 3402 from overseas.

### ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at [www.sharegift.org.uk](http://www.sharegift.org.uk) or by telephoning 020 7930 3737.

# Investing in Fidelity Asian Values PLC

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## FURTHER INFORMATION

For application forms or more information about any of the investment options described here, please call the Fidelity Investment Trust Line on 0800 41 41 10 and talk to a Fidelity customer representative (9am to 6pm).

Alternatively, you may like to visit the Fidelity London Investor Centre at 25 Cannon Street, near St Paul's Cathedral.

You can also find out more by visiting [fidelity.co.uk/its](http://fidelity.co.uk/its) or contacting your Financial Adviser.

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For the purposes of Sections 21 and 25 of the Financial Services and Markets Act 2000, the content of this report has been approved by FIL Investments International.

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns.

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