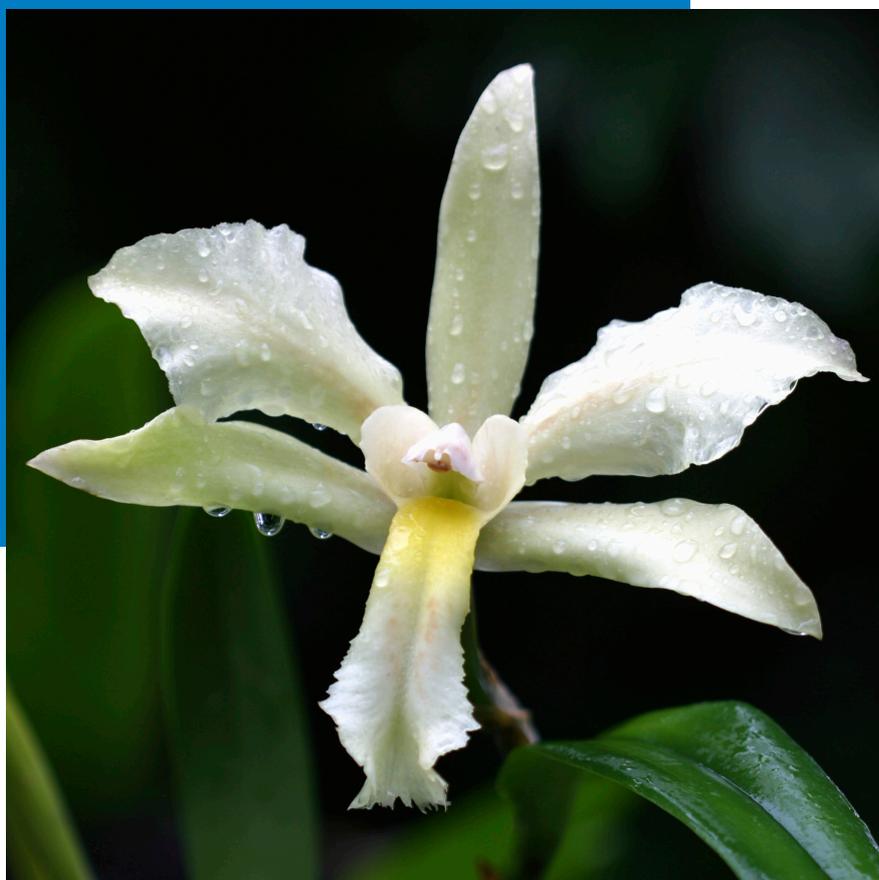


# Fidelity Asian Values PLC

Annual Report

For the year ended 31 July 2012



# Contents

Objective and Highlights	1
Financial Summary	2
Chairman's Statement	3
Manager's Review	5
Ten Largest Investments	8
Summary of Performance	9
Corporate Information	12
Board of Directors	13
Directors' Report including Business Review	14
Statement of Directors' Responsibilities	22
Corporate Governance Statement	23
Directors' Remuneration Report	29
Independent Auditor's Report	30
Financial Statements	31
Full Portfolio Listing	50
Distribution of the Portfolio	52
Notice of Meeting	54
Financial Calendar	58
Investing in Fidelity Asian Values PLC	59
Glossary of Terms	62
Warning to Shareholders – Share Fraud Warning	Inside Back Cover

# Objective and Highlights



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

**Mr Hugh Bolland**  
Chairman

## Performance (year to 31 July 2012)

Net Asset Value ("NAV") Total Return – undiluted	-14.3%
Ordinary Share Price Total Return	-12.6%
MSCI All Countries (Combined) Far East Free ex Japan Index (net) Total Return – in UK sterling terms	-6.6%

## As at 31 July 2012

Equity Shareholders' Funds	£117.1m
Market Capitalisation	£106.2m
Ordinary shares of 25p in issue	59,918,781
Subscription shares of 0.01p in issue	11,454,432

### Standardised Performance (Total Return %)

	01/08/2007 to 31/07/2008	01/08/2008 to 31/07/2009	01/08/2009 to 31/07/2010	01/08/2010 to 31/07/2011	01/08/2011 to 31/07/2012
NAV – undiluted	-15.6	+15.7	+27.8	+19.3	-14.3
NAV – diluted	n/a	n/a	+27.7	+16.3	-12.3
Ordinary share price	-13.0	+20.6	+24.3	+15.3	-12.6

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

# Financial Summary

	2012	2011	% change
<b>Assets at 31 July</b>			
Total assets employed <sup>1</sup>	£126.6m	£150.4m	-15.8
Shareholders' funds	£117.1m	£141.3m	-17.1
NAV per ordinary share – undiluted	195.40p	229.21p	-14.8
NAV per ordinary share – diluted <sup>2</sup>	194.70p	223.20p	-12.8
Borrowings as % of shareholders' funds	8.2%	6.5%	
Borrowings less cash as % of shareholders' funds	4.9%	3.3%	
<b>Results for the year to 31 July (undiluted) – see page 31</b>			
Revenue return per ordinary share	1.45p	0.85p	
Capital (loss)/return per ordinary share	(34.99p)	36.35p	
Total (loss)/return per ordinary share	(33.54p)	37.20p	
Dividend per ordinary share proposed for the year	1.00p	1.00p	
<b>Stockmarket data at 31 July</b>			
Ordinary share price at year end	176.00p	202.63p	-13.1
Year high	207.00p	213.00p	
Year low	161.00p	174.00p	
Discount at year end – undiluted	9.9%	11.6%	
Year high	13.6%	13.5%	
Year low	2.6%	8.4%	
Discount at year end – diluted	9.6%	9.2%	
Subscription share price at year end	6.75p	27.13p	
Year high	27.50p	38.75p	
Year low	5.75p	16.25p	
<b>Total returns (includes reinvested income) for the year to 31 July (%)</b>			
NAV per ordinary share – undiluted	-14.3	+19.3	
Ordinary share price	-12.6	+15.3	
MSCI All Countries (Combined) Far East Free ex Japan Index (net) <sup>3</sup>	-6.6	+16.3	
<b>Ongoing charges for the year to 31 July<sup>4</sup></b>	<b>1.46%</b>	<b>1.47%</b>	

1 Total assets less current liabilities, excluding loan liability

2 The diluted NAV per ordinary share is included since the NAV per ordinary share is greater than the 191 pence exercise price of the subscription shares. Hence, if the subscription shares had been converted into ordinary shares at the year end, the NAV per ordinary share in issue would have been diluted

3 In UK sterling terms

4 Ongoing charges (excluding finance costs and taxation) based on average net asset values for the reporting year (prepared in accordance with methodology recommended by the Association of Investment Companies). Previously referred to as the "total expense ratio"

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

# Chairman's Statement

## PERFORMANCE

In the year to 31 July 2012, the undiluted Net Asset Value ("NAV") per share of the Company decreased by 14.3% whereas its Benchmark Index, the MSCI All Countries (Combined) Far East ex Japan Index (net), decreased by 6.6%. The ordinary share price of the Company decreased by 12.6% over the year and the discount narrowed from 11.6% to 9.9%. (All figures in UK sterling terms and on a total return basis.)

These results are disappointing against a background of continuing high volatility as described in further detail in the Manager's Review.

## OUTLOOK

Asian economies have not been immune from the economic crisis affecting developed markets, although they have played an increasingly important role in the domestic consumption story, fuelled by rising wages and institutional reforms that encourage consumption, such as pension and tax reforms. This being the case, economies across the Far East ex Japan region are poised to deliver stronger growth relative to the rest of the world.

China's economy seems to have lost some momentum in the second quarter of 2012. This is likely to be an outcome of the slowdown in external demand led by the European crisis as well as China's over-tightening in 2010-11, rather than a deterioration of the country's fundamentals. Policy easing in recent months, including stepped-up project approval and reductions in the required reserve ratio and interest rates are encouraging signs.

The policy environment in the rest of the region remains supportive and factors driving structural growth, such as favourable demographics, a focus on infrastructure building and stable government finances are likely to fuel a multi-year expansion cycle. Against this backdrop, Asia continues to offer compelling investment opportunities in quality companies at attractive valuations. The Asia Pacific region remains within the fast lane of a two-speed global economy; the region also offers up a wide array of equity dividend opportunities.

In the face of these challenging markets, the Manager has increased his focus on fewer and higher quality stock names with clearer long-term visibility of earnings.

## SUBSCRIPTION SHARES

The final date for exercising the rights attached to the subscription shares is 31 May 2013. Further details on the subscription shares may be found in the Directors' Report on page 17. Details of the subscription shares exercised during the year are outlined in Note 13 on page 42.

## SHARE REPURCHASES

Purchases of ordinary and subscription shares for cancellation are made at the discretion of the Board and within guidelines set from time to time by the Board in light of prevailing market conditions. Share repurchases will only be made when they will result in an enhancement to the net asset value of ordinary shares for remaining shareholders. Details of ordinary shares repurchased for cancellation during the year are outlined in Note 13 on page 42. No subscription shares were repurchased for cancellation during the reporting year.

## DIVIDEND

Subject to shareholders' approval at the forthcoming Annual General Meeting, the Directors recommend a final dividend of one penny per ordinary share (2011: one penny). This dividend will be payable on 6 December 2012 to shareholders on the register at close of business on 5 October 2012 (ex-dividend date 3 October 2012). 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 continue to be paid in the future.

## GEARING

The Company entered into a two year revolving loan facility with Scotiabank Europe PLC for up to US\$15,000,000 on 28 February 2012. The full amount was drawn down on 29 February 2012.

## INVESTMENT POLICY

The broad thrust of investment policy continues without significant change. This being said, the Board is always looking for new ways of enhancing the way in which your Company operates.

Shareholders will have received a circular with the Annual Report detailing the Board's recommendation to change the Company's investment policy to permit the use of Contracts for Difference ("CFDs") for gearing purposes. A full explanation is provided in the circular.

The Board believes that it is in the best interests of shareholders for the Company to continue to have the ability to employ gearing. The ability to use CFDs for gearing purposes will increase flexibility and add to the range of gearing options available to the Board. The costs of using CFDs in the manner proposed are currently lower than the costs involved in traditional bank borrowing.

We continue to monitor and review the Company's gearing level. Currently it has net gearing of 4.9%.

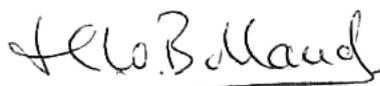
# Chairman's Statement

## CONTINUATION VOTE

In accordance with the Articles of Association of the Company, the Company is subject to a continuation vote every five years. The next continuation vote will therefore take place at the Annual General Meeting in 2016 rather than 2013 as stated in last year's annual report.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, 28 November 2012 at Fidelity's offices at 25 Cannon Street, London EC4M 5TA (St Paul's or Mansion House tube stations) 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 the immediate prospects for the Company.

A handwritten signature in black ink that reads "H. Bolland". The signature is written in a cursive style and is positioned above a thin horizontal line.

**Mr Hugh Bolland**

Chairman

28 September 2012

# 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, as at 30 June 2012, had total assets under management exceeding £138 billion.



## JOHN LO

is a portfolio manager and country head of equity investments 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 funds investing in Asia.

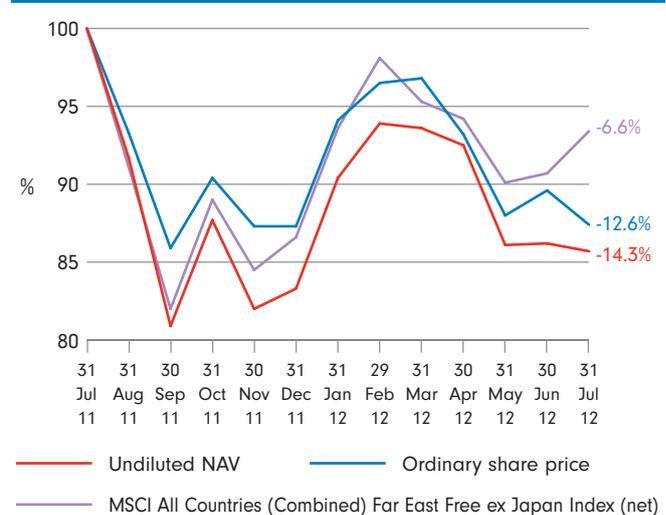
## MARKETS

Stockmarkets in Far East ex Japan retreated over the twelve month review period as share prices were weighed down by increased risk aversion due to the continuing uncertainty surrounding the Eurozone debt crisis, and later on due to slowing growth in the US and China. Better than expected economic data from the US in the fourth quarter of 2011 and first quarter of 2012 boosted investor sentiment but fears about a potential break-up of the Eurozone and moderating growth in China and the US in the second quarter of 2012 resulted in a flight to safety. Materials producers declined the most as commodity prices fell. Elsewhere, the energy and industrials sectors retreated in the face of weakening global growth prospects. Consumer discretionary stocks also came under pressure, primarily due to concerns about deteriorating consumer sentiment. Defensively positioned sectors such as utilities, consumer staples and telecommunications services, as well as the information technology ("IT") sector outperformed the regional index and high yielding telecommunications stocks ended the period with double digit gains.

Thailand remained the best performing market in the region, buoyed by strong growth in reconstruction following the devastating floods that hurt industrial activity. Malaysia was also strongly underpinned by expectations of growth and further supported by new government plans to boost infrastructure investment. Indonesia lagged its regional peers despite a robust outlook for growth and a sovereign ratings upgrade that fuelled investor confidence. Taiwan was the worst performing market, mainly due to weak earnings growth potential in the IT sector. The high level of dependence on exports and falling domestic consumer confidence hurt South Korean equities, even as the Bank of Korea lowered its benchmark rate of interest. Shares in China also performed poorly, despite the central bank's decision to ease monetary policy constraints.

On the economic front, inflationary pressures eased substantially, particularly in China, and central banks across the region cut their benchmark rates of interest to stimulate growth. Industrial production and purchasing managers indices

## Total return performance for the year to 31 July 2012



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

continued to show signs of weakness and the pace of exports growth moderated somewhat.

## PORTFOLIO REVIEW

The Company underperformed its benchmark index over the review period, with the undiluted net asset value falling by 14.3% against the benchmark index return of -6.6% (on a total return basis). This was attributed to adverse security selection in the consumer discretionary sector and the underweight position in telecommunications. At a country level, the overweight stance in China, Hong Kong and Singapore detracted from performance as growth indicators showed signs of moderation and consumer spending weakened.

The overweight holding in the consumer discretionary sector reflected growing confidence in rapid consumption growth,

# Manager's Review

particularly in China, whilst some positions were held for their attractive valuations and to benefit from a potential turnaround in their earnings. A stake in Anta Sports Products weighed on returns given a difficult environment in sports products retailing, high inventory and increased competitive pressure. The allocation to retailer Emperor Watch & Jewellery succumbed to a fall in store sales growth in China and Macau, even as Hong Kong store sales continued to expand. Elsewhere, GOME Electrical Appliances hurt returns and the position was sold at the beginning of 2012 in view of sluggish sales growth following the end of rural subsidy programmes. An unexpected change in top management led to a sharp decline in the share price of Esprit Holdings, which was bought in for its compelling valuation and an attractive turnaround strategy. Chinese American Depositary Receipts ("ADRs") were hurt overall as concerns regarding Variable Interest Entity structures were being reviewed - these however were not related to company fundamentals rather to company structuring. Exposure to Ctrip.com International and SouFun Holdings were notable ADRs that were negatively impacted.

Non-exposure to China Mobile was the single largest detractor from relative performance. Share prices surged reflecting the firm's defensive positioning given its dominant market share and strong balance sheet, however, the stock was not held mainly because of its unattractive valuations. A holding in Telstra Corp added value due to attractive dividend yields and an end to regulatory uncertainty.

Within the IT sector, a high-conviction stake in SouFun Holdings, which provides marketing, listing, technology and information consultancy services to the real estate and home furnishing sectors in China, retreated against the backdrop of a challenging property market environment. This holding is retained due to its leadership position; attractive business model; high-quality management; balanced revenue mix based on marketing and listing services; and robust growth in the cards business, a service that helps consumers negotiate cheaper deals. Shares in China Resources Cement Holdings in the materials sector and Hong Kong Exchanges & Clearing in the financials sector were also among the leading detractors from performance.

On a positive note, whilst the overall contribution from both the IT and consumer discretionary sectors disappointed, selected positions helped contain losses. For instance, South Korea-based SM Entertainment surged on the back of growing album and ticket sales. Shares in South Korean duty free shop operator Hotel Shilla also added value on the back of an increase in earnings given rising passenger traffic. Within IT, an overweight stance in Tencent Holdings, the online gaming and instant messaging firm, and a stake in Samsung Electronics, proved highly rewarding. In the industrials sector, the high-conviction exposure to Sarin Technologies, a machinery producer for the diamond processing industry, also enhanced performance in light of its robust earnings growth and dominant market position. The firm is also expected to introduce new products, which are expected to further bolster its competitive position.

China Overseas Land & Investment delivered strong sales growth, whilst Bank of China Hong Kong advanced in light of the potential benefits of renminbi internationalisation, however, the position has since been closed for better opportunities elsewhere.

## Positioning

The portfolio maintained a focus on companies that are leaders in their fields, a trait that is reflected by their high and growing market shares and pricing power. The portfolio favours companies with management teams that have a proven track record of managing the business through extreme cycles. Typically, these companies tend to outperform during downturns and are likely to emerge in a stronger position once markets and economies normalise. Within the IT sector, the portfolio continues to maintain a position in SouFun Holdings in anticipation of growth driven by its strength in managing relationships. Furthermore, a number of new holdings, such as South Korea based online games producer NCSoft given its attractive valuations and strong demand for its newly released games. In addition, exposure to Tencent Holdings was increased, as was the case with Taiwan Semiconductor Manufacturing, off the back of its defensive earnings and high dividend yields. These purchases were funded by selling the position in HTC in light of an unfavourable outlook and in Unimicron Technology in view of high order volatility and pricing pressures.

New holdings were also purchased in the financials sector, taking advantage of a fall in prices to boost the stake in insurance provider AIA Group given its regional presence, strong growth in new business and a high quality management team with a track record of delivering shareholder value. A new position in Bank Mandiri was opened in light of improved earnings expectations, driven by strong loan growth, stable margins, low credit cost and higher cost efficiency as the bank slows its network expansion to focus on productivity. Stock in China Overseas Land & Investment was also purchased. These positions were funded by selling the stakes in DBS Group Holdings, Hong Kong Exchanges & Clearing and Shinhan Financial Group.

Over the period, positioning in the consumer discretionary segment was realigned and exposure to the materials and industrials sectors was reduced. In case of the former, a holding in Emperor Watch & Jewellery was sold along with a position in Ctrip.com International but a stake in outdoor advertising firm Focus Media Holdings was introduced as it is likely to report strong earnings growth. A new position was purchased in Techtronic Industries, a power tools and floor care appliances manufacturer, given attractive valuations, strong market presence and likely growth driven by geographic expansion. Within materials, a position in Honam Petrochemical was sold in light of strong macroeconomic headwinds and increased pricing pressure. Elsewhere, positions in Hutchison Whampoa and in Samsung Engineering were sold given more rewarding stock opportunities elsewhere and slowing growth in new order flows respectively.

# Manager's Review

## OUTLOOK FOR THE REGION

The outlook for the global economy remains divergent, with expectations of an improvement in the US balanced by concerns about Europe. Despite the slowing pace of expansion in China, growth in Asia is likely to be strong given falling inflation, healthy government balance sheets and the availability of multiple policy tools to boost growth and the continued domestic demand supporting economic activity in the region. Driven by powerful demographic factors and rising per capita income, growth in intra-regional trade is likely to be strong, with Asian economies losing their historical dependency on the West. These factors should also continue to support corporate earnings despite a challenging external environment. Meanwhile, central banks across the region, including in China and South Korea, lowered their benchmark interest rates to protect their economies from the weakening external environment. With inflation coming down, central banks have more room to manoeuvre and ease their monetary policies to encourage growth with many Asian firms having large cash reserves and low leverage, which provide a buffer in the event of a global economic downturn. Firms that can take advantage of the robust domestic demand in Asia are a compelling investment opportunity given sluggish global growth projections.

## UPDATE TO 31 AUGUST 2012

The Company strongly outperformed the index in August, with its net asset value rising 0.44% in sterling terms, compared with a negative 2.02% return for the index and a 1.99% fall in its share price.

The Company's relative returns were driven by robust stock selection in the consumer discretionary and IT sectors, whilst in the consumer discretionary space, a holding in China-based outdoor media firm Focus Media Holdings was the top contributor to performance following the announcement of a plan to privatise the firm. A holding in South Korea-based SM Entertainment rose after delivering better than expected earnings and a position in tools manufacturer Techtronic Industries was also a notable contributor to overall gains. Elsewhere in the IT space, a stake in SouFun Holdings added value as its earnings were in line with expectations, demonstrating the firm's underlying strength. Meanwhile, a disappointing second quarter earnings report did not dent confidence in online games producer NCSoft as newly released games registered brisk sales and the firm rationalised its cost structure. In contrast, shares in retail supply chain manager Li & Fung hampered performance due to weaker than expected earnings and automobile producer KIA Motors also disappointed. KIA Motors retreated after earnings fell marginally below market expectations and due to labour strikes.

The outlook for Asia remains positive given benign inflation, healthy government balance sheets and the availability of multiple policy tools to boost economic growth. Although growth is expected to moderate, the pace of growth would still remain very attractive compared with the developed world. Moreover, domestic demand in Asia would support economic activity in the region driven by powerful demographic factors and rising per capita income and growth in intra-regional trade.

## John Lo

Portfolio Manager  
28 September 2012

# Ten Largest Investments

as at 31 July 2012

Ten Largest Investments as at 31 July 2012 (the Full Portfolio Listing is set out on pages 50 and 51)		Fair Value £'000	% <sup>1</sup>
CHINA	<b>Tencent Holdings</b> Provides internet, mobile and telecommunications value-added services. It has an instant messaging community and it also provides messaging services.	6,008	4.7
	<b>China Overseas Land &amp; Investment</b> An investment holding company engaged in property development and investment.	3,851	3.0
HONG KONG	<b>Li &amp; Fung</b> An investment holding company engaged in the trading of consumer products.	5,932	4.7
	<b>AIA Group</b> An investment holding company engaged in the provision of products and services to individuals and businesses for their insurance, protection, savings, investment and retirement needs.	5,508	4.3
	<b>Wharf Holdings</b> The holding company of a group with interests in property, communications, media, entertainment and logistics, primarily operating in Hong Kong.	5,422	4.3
	<b>Bank of China Hong Kong</b> A leading commercial banking group in Hong Kong in terms of assets and customer deposits with over 270 branches and 470 ATMs. It offers a comprehensive range of financial products and services to retail and corporate customers.	3,847	3.0
SOUTH KOREA	<b>Samsung Electronics</b> Specialises in the provision of communication products. It operates through five business divisions: communication, semiconductor, digital media, liquid crystal display ("LCD") and home appliances.	11,130	8.8
	<b>LG Household &amp; Healthcare</b> Manufactures household goods, cosmetics and beverages. It sells beauty care, dental care, laundry and cleaning products, through its household division, skin care and make-up products through its cosmetics division and juice, tea, coffee and bottled water through its beverage division.	6,653	5.3
	<b>KIA Motors</b> Manufactures, sells and exports cars, mini-buses, trucks and commercial vehicles. It also produces auto parts.	6,064	4.8
TAIWAN	<b>Taiwan Semiconductor Manufacturing</b> Principally engaged in the research, development, manufacture and distribution of integrated circuit related products. It operates its businesses through wafer manufacture, mask production, wafer testing and packaging components.	5,691	4.5
Ten largest investments (2011: 30.2%)		60,106	47.4
Other investments – 38 (2011: 67.0%)		63,652	50.3
		123,758	97.7
Cash and other net current assets (excluding loans) (2011: 2.8%)		2,889	2.3
Total assets employed		126,647	100.0

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

# Summary of Performance

Historical record as at 31 July	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total assets employed (£m)	126.6	150.4	122.9	98.7	145.0	179.6	108.7	99.0	78.1	78.8	81.2
Shareholders' funds (£m)	117.1	141.3	117.2	92.1	135.9	170.7	99.1	88.7	60.4	58.9	60.7
NAV per share – undiluted (p)	195.40	229.21	192.19	151.18	131.78	156.13	105.95	94.86	64.63	63.02	64.95
NAV per share – diluted (p)	194.70	223.20	191.99	n/a	n/a	156.13	104.88	94.86	64.63	63.02	64.95
Ordinary share price (p)	176.00	202.63	175.75	142.25	119.00	136.75	97.25	87.00	55.00	57.00	59.75
Subscription share price (p)	6.75	27.13	19.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Warrant price (p)	n/a	n/a	n/a	n/a	n/a	n/a	4.50p	6.37p	2.25p	7.75p	10.00p
Discount – undiluted (%)	9.9	11.6	8.6	5.9	9.7	12.4	8.2	8.3	14.9	9.6	8.0
Discount – diluted (%)	9.6	9.2	8.5	n/a	n/a	12.4	7.3	8.3	14.9	9.6	8.0
Revenue return/(loss) per ordinary share – undiluted (p)	1.45	0.85	0.27	1.49	1.43	0.63	(0.06)	0.58	(0.18)	(0.36)	(0.85)
Dividend per ordinary share (p)	1.00	1.00	nil	1.00	0.81	nil	nil	nil	nil	nil	nil
Cost of running the Company (Ongoing charges) (%)	1.46	1.47	1.52	1.65	1.34	1.51	1.71	1.76	1.68	1.86	1.77
Net gearing (net of cash)	4.9	3.3	3.8	6.7	0.1	2.4	8.0	10.1	6.0	20.4	14.3
NAV – undiluted total return (%)	-14.3	+19.3	+27.8	+15.7	-15.6	+47.4	+11.7	+47.2	+2.6	-3.0	+0.7
NAV – diluted total return (%)	-12.3	+16.3	+27.7	n/a	n/a	+48.9	+10.6	+47.2	+2.6	-3.0	+0.7
Ordinary share price total return (%)	-12.6	+15.3	+24.3	+20.6	-13.0	+40.6	+11.8	+58.2	-3.5	-4.6	+14.4
Benchmark Index total return (%)	-6.6	+16.3	+19.8	+11.0	-10.7	+41.3	+9.2	+41.1	+2.7	+3.2	-0.3

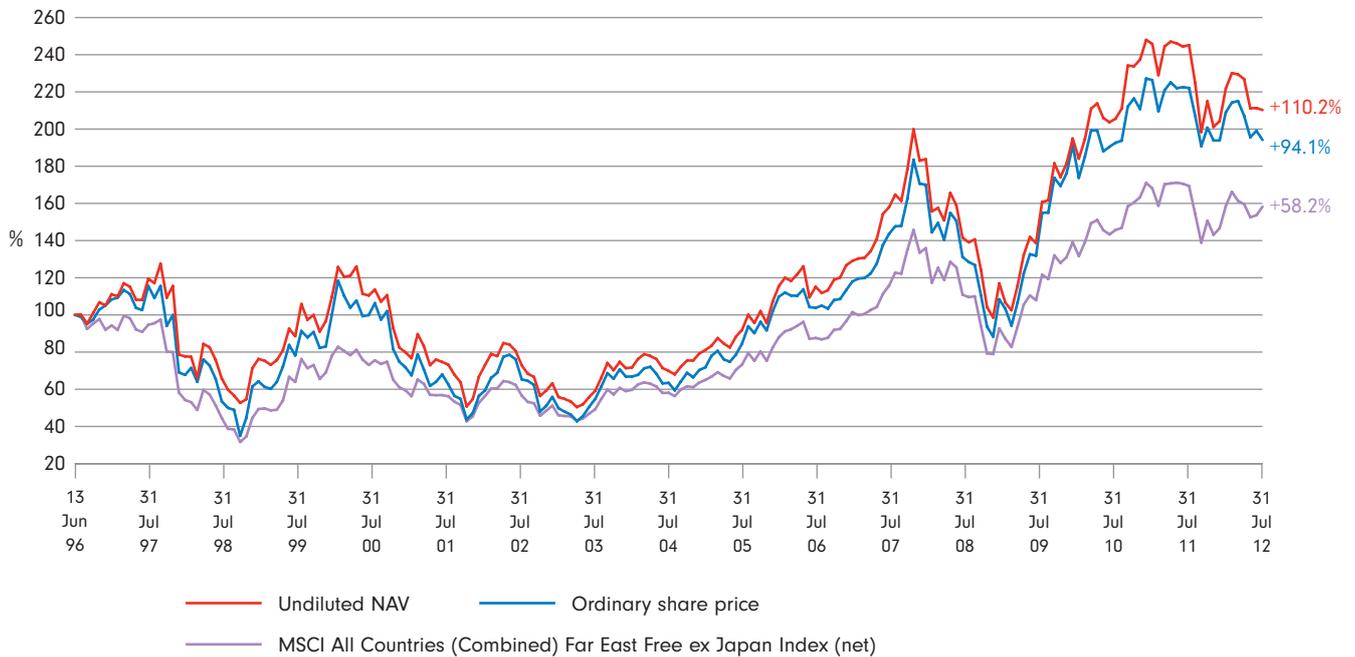
NAV information is shown on both diluted and undiluted bases. In December 2006, the final exercise of all the warrants took place and thereafter no dilution was relevant until the issue of the subscription shares in March 2010.

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

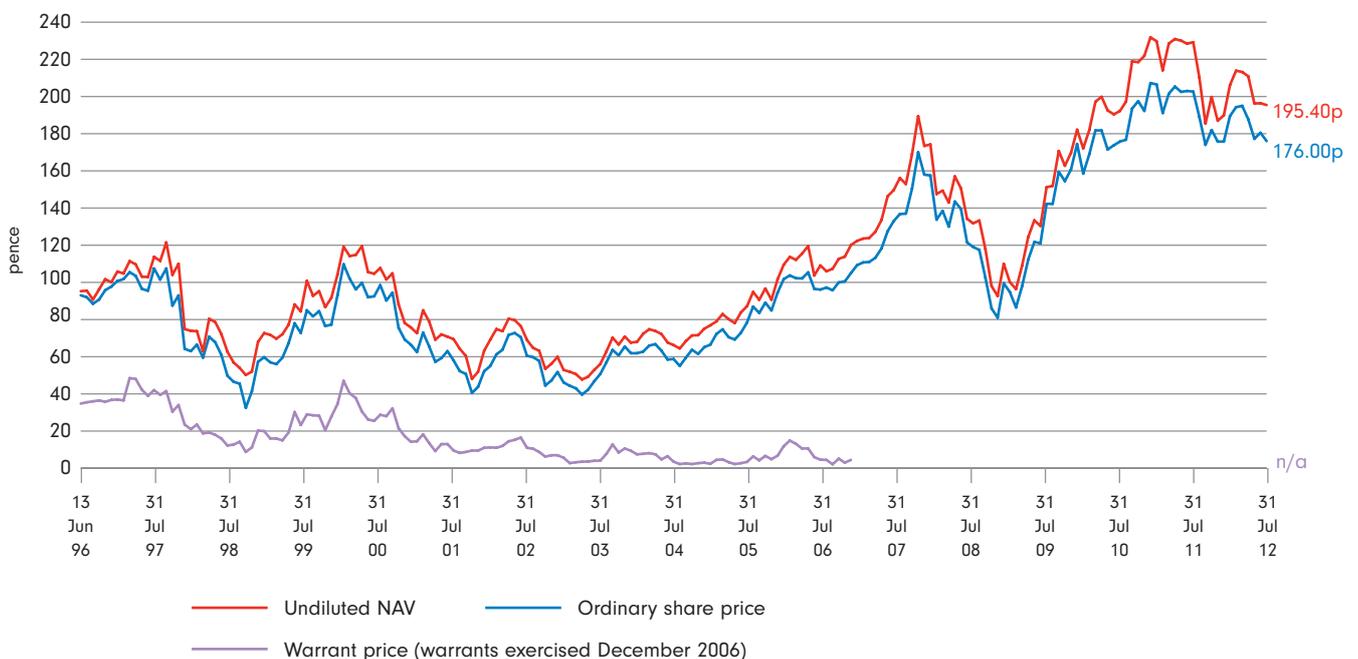
# Summary of Performance

Total return performance from launch to 31 July 2012



Prices rebased to 100

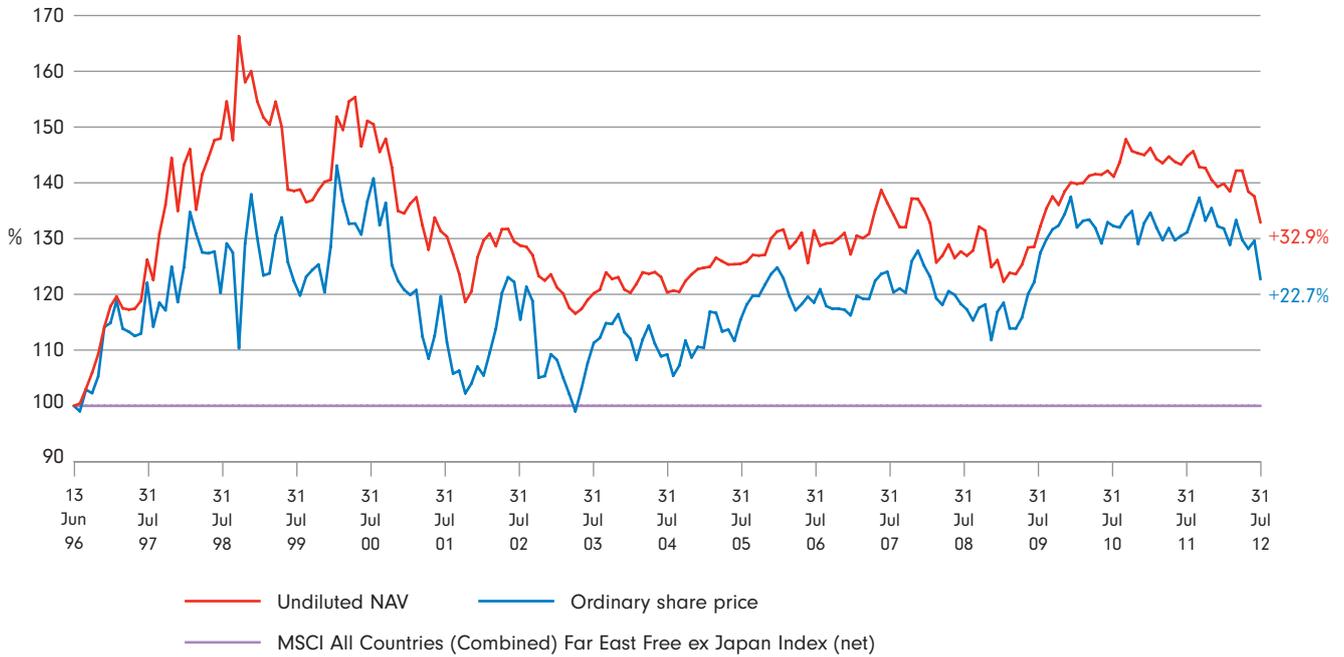
NAV, ordinary share price and warrant price from launch to 31 July 2012



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

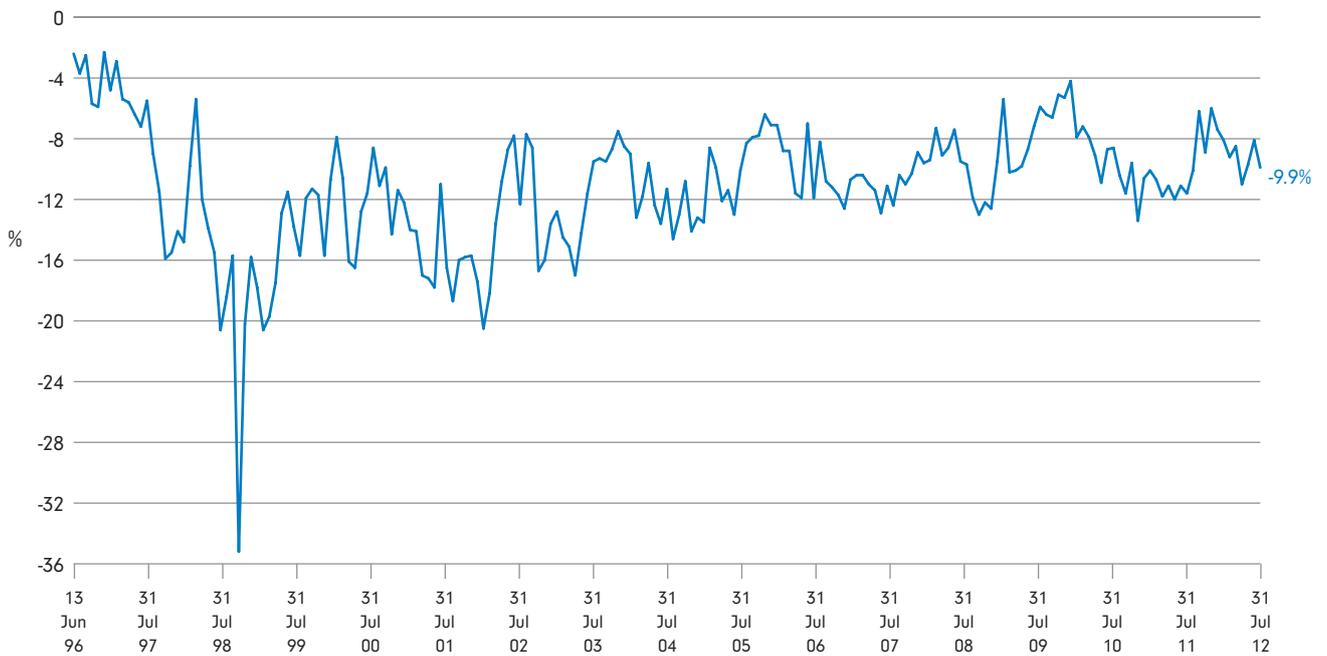
# Summary of Performance

Total return performance relative to the Benchmark Index from launch to 31 July 2012



Prices rebased to 100

Ordinary share price discount to NAV from launch to 31 July 2012



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

# Corporate Information

## Manager, Secretary and Registered Office

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

## Financial Advisers and Stockbrokers

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London  
EC2V 7QR

## Independent Auditor

Grant Thornton UK LLP  
Chartered Accountants and Registered Auditor  
30 Finsbury Square  
London  
EC2P 2YU

## Bankers and Custodian

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125 London Wall  
London  
EC2Y 5AJ

## Registrars

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34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

## Lawyers

Slaughter and May  
One Bunhill Row  
London  
EC1Y 8YY

Speechly Bircham LLP  
6 New Street Square  
London  
EC4A 3LX

The Company was launched on 13 June 1996 with one warrant attached to every five shares. The original subscription price for each share was £1. The Company issued one subscription share for every five ordinary shares held on 4 March 2010.

The Company is a member of The Association of Investment Companies ("AIC") from whom general information on investment trusts can be obtained by telephoning 020 7282 5555 (email address: enquiries@theaic.co.uk).

## PRICE INFORMATION

The market price of the ordinary shares of Fidelity Asian Values PLC appears daily in the Financial Times under the heading "Investment Companies". The ordinary share price is also published in The Times, The Daily Telegraph and The Independent and is also available at [fidelity.co.uk/its](http://fidelity.co.uk/its).

Investors can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or by telephoning FT Cityline on 0905 817 1690, (voice activated service - all calls charged at 60p per minute on a per second basis from a BT landline. Charges for other telephone networks may vary). The Reuters code for Fidelity Asian Values PLC is FAS.L for the ordinary shares and FAS.S for the subscription shares.

## NAV INFORMATION

The Net Asset Value of the Company is calculated on a daily basis and released to the London Stock Exchange.

## CAPITAL GAINS TAX

Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares, acquired at the time of the Company's launch, is 93.04 pence. All UK individuals under present legislation are permitted to have £10,600 of capital gains in the current tax year 2012/2013 (2011/2012: same) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependant on the total amount of taxable income.

The receipt by ordinary shareholders of the subscription shares arising from the Bonus Issue is treated as a reorganisation of the share capital of the Company. Accordingly, the subscription shares are treated as the same asset as a shareholder's holdings of ordinary shares and as having been acquired at the same time as the shareholder's holding of ordinary shares was acquired. As a result of the Bonus Issue the shareholder's original base cost in his or her ordinary shares will be apportioned between these ordinary shares and the subscription shares by reference to their respective market values on the day on which the subscription shares were admitted to trading on the London Stock Exchange's market for listed securities, i.e. 8 March 2010.

The middle market prices of the ordinary shares and subscription shares at close of business on 8 March 2010 were 176.75 pence and 27.50 pence per share respectively. The base cost of ordinary shares equals actual base cost to the shareholder of the ordinary shares multiplied by market value of the ordinary shares on 8 March 2010 divided by market value of the ordinary shares on 8 March 2010 plus market value of the subscription shares on the same date.

The base cost of the subscription shares is deemed to be the actual base cost of the ordinary shares less the deemed base cost of the ordinary shares calculated as described above. On the exercise of the right to convert any subscription shares into ordinary shares, the ordinary shares issued pursuant to the subscription share rights will be treated as the same asset as the subscription shares in respect of which the subscription share rights are exercised.

The base cost of each such ordinary share will be the deemed base cost of the subscription share that it replaces, calculated as described above, plus the applicable subscription price of 191 pence per share.

# Board of Directors



## Hugh Bolland<sup>1</sup>

(Date of appointment as Director: 11.03.04; date of appointment as Chairman: 03.06.10) 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 £110 billion. He is also a director of JPMorgan Indian Investment Trust plc and Brands Saints Limited.



## William Knight<sup>2</sup>

(Date of appointment as Director: 09.02.05; date of appointment as Senior Independent Director: 03.06.10) is a founder member and director of Emerisque Brands Limited, 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, China Chaintek United Ltd and Ceylon Guardian Investment Trust PLC.



## Kate Bolsover<sup>3</sup>

(Date of appointment as Director: 01.01.10; date of appointment as Chairman of the Audit Committee: 03.06.10) is a director of JPMorgan American Investment Trust PLC. She is also Deputy Chairman of Tomorrow's People Trust Limited and a Director of a number of affiliated companies. She worked for

Cazenove Group plc and J.P. Morgan Cazenove between 1995 and 2005 where she was managing director of the mutual fund business, and latterly director of Corporate Communications. Prior to this, her work involved business development and mutual funds experience covering countries in the Far East.



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

(Date of appointment as Director: 09.02.05) retired from her executive responsibilities at Fidelity at the end of September 2009. 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 was Chief Investment Officer Asia ex Japan equities from September 2005 until end of May 2009 and was based in Hong Kong. She is currently on a number of boards as a non executive director, including Hermes Fund Managers Limited and Rathbone Brothers plc.



## Philip Smiley<sup>2</sup>

(Date of appointment as Director: 01.01.10) is a director of the Arisaig India Fund and the Endowment Fund SPC. He is also Chairman of the PXP Vietnam Fund Limited and Chairman of the Advisory Board of the Emerging Beachfront Land Investment Fund G.P. Limited. He has 31 years of experience of working in

the Asia Pacific region, including several years with the Hong Kong Government (Civil Service Branch and then Economic Services Branch) followed by five years with the W.I. Carr Group, latterly as Managing Director of W.I. Carr (Far East) Limited in Hong Kong and group director of finance in London. Between 1991 and 2001 he served as managing director and country head of Jardine Fleming in Korea, where he was also elected Chairman of the British Chamber of Commerce, and then in Singapore, where he was appointed to the Stock Exchange Review Committee. From 2001 to 2005 he was group country chairman of Jardine Matheson in Thailand and Indochina.

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

- 1 Chairman of the Management Engagement Committee, Nomination Committee and member of the Audit Committee
- 2 Member of the Audit Committee, Management Engagement Committee and Nomination Committee
- 3 Chairman of the Audit Committee, member of the Management Engagement Committee and Nomination Committee
- 4 Member of the Nomination Committee

# Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements for Fidelity Asian Values PLC for the year ended 31 July 2012. 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 granted approval as such by HM Revenue & Customs under Section 1159 of the Corporation Tax Act 2010 for the accounting period ended 31 July 2011. The Directors are of the opinion that the Company has conducted its affairs in a manner 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 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 the position at the year end is included taking into account its objective, strategy and risks and how these are measured using Key Performance Indicators.

### 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 UK sterling.

### ACTIVITY

The Company pursues its 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. The Board supports these views.

Both the objective and principal activity have remained unchanged throughout the year ended 31 July 2012.

### 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 Portfolio 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 10% 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 in equity related instruments; up to 15% in convertible bonds, 10% in 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 15% 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 52 and 53.

### FIDELITY'S INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

The portfolio is primarily built on a stock by stock basis following the Portfolio Manager's assessment of the fundamental value available in individual securities, with geographical weightings largely the result of stock selection, rather than macro-economic considerations. The charts and graphs provided in this Annual Report should therefore be read with this in mind. The portfolio's geographical weightings may vary significantly from the weightings within its Benchmark Index and the concentration on the identification of fundamental value in individual stocks within the Asian Region may result in investments made against prevalent trends and local conventions. The Portfolio Manager invests in securities of companies which he considers to have fundamental value.

### PREMIUM/DISCOUNT MANAGEMENT: ENHANCING SHAREHOLDER VALUE

The Board seeks authority from shareholders each year to issue new shares at a premium or repurchase shares for cancellation

# Directors' Report

at a discount to the net asset value. It will only use these authorities to enhance the net asset value and to protect or improve the premium/discount rating of the shares.

## 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. 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.

	2012	2011
NAV – undiluted	-14.3%	+19.3%
Ordinary share price	-12.6%	+15.3%
MSCI All Countries (Combined) Far East Free ex Japan Index (net)	-6.6%	+16.3%
Discount to NAV – undiluted	9.9%	11.6%
Revenue return per share	1.45p	0.85p
Net gearing	4.9%	3.3%
Ongoing charges	1.46%	1.47%

All figures are calculated on a total return basis (includes reinvested income)  
Source: Fidelity and Datastream

The Summary of Performance table and graphs on pages 9 to 11 indicate the 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 ongoing charges. 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 AIC Asia Pacific ex Japan sector of fourteen investment trusts. The principal risks and uncertainties on this page and page 16 include 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 detailed in the attribution analysis table on this page.

## ATTRIBUTION ANALYSIS

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

Analysis of change in NAV during the year (pence per share)	
<b>NAV (undiluted) as at 31 July 2011</b>	<b>229.21</b>
Impact of:	
Benchmark Index (net)	-15.10
Tax on Index dividends	+0.66
Stock Selection	-12.45
Gearing	-1.98
Ordinary share issues and share repurchases	+0.46
Charges	-3.15
Cash	+0.41
Other	-2.66
<b>NAV (undiluted) as at 31 July 2012</b>	<b>195.40</b>

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal controls process, identifies the key risks that the Company faces. The matrix has identified strategic, marketing, investment management, company secretarial and other support function risks. The Board reviews and agrees policies for managing these risks. The process is regularly reviewed by the Board in accordance with the Financial Reporting Council's ("FRC's") "Internal Control: Revised Guidance for Directors". During this review, risks are identified, introduced and graded. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed regularly in the form of comprehensive internal controls reports which are considered by the Audit Committee. The Board also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

Risks identified in the matrix are:

### Market risk

The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements, deflation/inflation, terrorism and protectionism.

Risks to which the Company is exposed and which form part of the market risk category are included in Note 17 to the financial statements on pages 44 to 49 together with summaries of the policies for managing these risks. These are: market price risk (which comprises other price risk, interest rate risk and foreign currency risk); liquidity risk, counterparty risk and credit risk.

# Directors' Report

## 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. Monitoring 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 managing and 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 NAV of the Company is published each working day.

## Loan risk

The Company has a two year revolving loan facility in place with Scotiabank Europe PLC. The extent to which any loan facilities are retained or renewed is always kept under the most careful scrutiny.

The impact of limited finance from counterparties including suppliers has not impacted the Company to date. However there are alternative suppliers and options available in the market place should the need arise.

## 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 the Board approved guidelines and may invest part of the loan facility in Fidelity Institutional Liquidity Fund plc and short term cash deposits to control the level of net gearing.

## Currency risk

The functional currency of the Company in which it reports its results, is UK sterling, however, most of its assets and its income are denominated in other currencies. Consequently, it is subject to currency risk on exchange rate movements between UK sterling and these other currencies. It is the Company's policy not to hedge against currency risks. Borrowings are denominated in US dollars and, therefore, the effect of US dollar exchange rate movements on assets denominated in US dollars will be offset by the effect on these loans. Further details can be found in Note 17 to the Financial Statements on pages 44 to 49.

## Financial and financial instrument risks

The financial instrument risks faced by the Company are shown in Note 17 to the Financial Statements on pages 44 to 49.

## Income – dividends risk

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.

## Share price, NAV and discount volatility 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 factors which are not within the Company's total control. Some short term influence over the discount may be exercised by the use of share repurchases at acceptable prices. Details of repurchases during the year are included in Note 13 on page 42. The Company's ordinary share price, subscription share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.

## Counterparty risk

The Company relies on a number of main counterparties, namely the Manager, Registrar and Custodian. The Manager is the member of a privately owned group of companies on which a regular internal controls report is provided to the Board. The Manager, Registrar and Custodian are subject to regular audits by Fidelity's internal audit team and the counterparties' own internal controls reports are received by the Board and any concerns investigated.

## Governance, operational, financial, compliance, administration etc

While it is believed that the likelihood of poor governance, compliance and operational administration by other third party service providers is low, the financial consequences could be serious, including the associated reputational damage to the Company. Your Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Details of this process are provided in the Corporate Governance Statement within this Annual Report.

## Other risks

Other risks monitored on a regular basis include loan covenants, which are subject to daily monitoring, together with the Company's gearing and cash positions, and the continuation vote (at a time of poor performance). Regular reports are provided to the Board.

## ENVIRONMENTAL, EMPLOYEE, SOCIAL AND COMMUNITY MATTERS

The Company is managed by FIL Investments International, has no employees and all of its Directors are non-executive, the Company's day-to-day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board fully endorses Fidelity's strong control procedures when making investments.

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. FIL Investments International is registered with the Carbon Reduction Commitment Energy Efficiency Scheme administered by the Environment Agency.

# Directors' Report

The Company's financial reports are printed by a company which has received the accreditations for its environmental awareness and further details of these may be found on the back cover of this report.

Financial reports and other publicly available documentation are also available on the Company's website [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its). Details about Fidelity's own community involvement may be found on its website [www.fidelity.co.uk](http://www.fidelity.co.uk).

## DIRECTORS' REPORT – GENERAL

### NET ASSET VALUE

Investments were valued at £123,758,000 as at 31 July 2012. Shareholders' funds amounted to £117,084,000 resulting in an undiluted NAV per ordinary share of 195.40 pence. Changes to investments are shown in Note 9 to the financial statements on page 40.

### DIVIDEND

The Directors propose that a final dividend of one penny (2011: one penny) per ordinary share be paid on 6 December 2012 to shareholders on the register at the close of business on 5 October 2012 (ex dividend date 3 October 2012).

### SHARE CAPITAL

As at 31 July 2012 the issued share capital of the Company was 59,918,781 ordinary shares (2011: 61,628,970) and 11,454,432 (2011: 11,501,743) subscription shares. Each ordinary share in issue carries one vote. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on pages 56 and 57. The Company's ordinary shares have a premium listing on the London Stock Exchange and the subscription shares have a standard listing.

### SUBSCRIPTION SHARES

The subscription shares were listed and trading commenced in these shares on 8 March 2010. Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share. The subscription share rights may be exercised to have effect on the last business day of each month up to the last business day in May 2013. The exercise price is 191 pence per share. The ordinary shares arising on exercise of the subscription share rights are allotted within ten business days of the relevant exercise date. To be exercised, a notice of exercise must be received by the Registrars no later than ten business days prior to the relevant exercise date.

During the year ended 31 July 2012 the rights attaching to a total of 47,311 subscription shares were exercised. Since the year end rights attaching to a further 480 subscription shares have been exercised. The subscription shares do not carry voting or dividend rights. Details of the treatment of subscription shares for capital gains tax purposes may be found on page 12.

After 31 May 2013, the Company will appoint a trustee to determine the net proceeds from the sale of ordinary shares

arising on the exercise of the rights attaching to the subscription shares that have not been exercised after deduction of costs, expenses and fees. If these net proceeds are lower than the cost of exercising the rights attached to the said subscription shares, then the subscription share rights will lapse. If the net proceeds are higher than the cost of exercising the rights attached to the subscription shares then, within fourteen days of 31 May 2013, the Company will either:

- (i) exercise all the rights attached to the outstanding subscription shares and sell in the market place the ordinary shares resulting from the exercise of such rights; or
- (ii) accept any offer available for the purchase of the outstanding subscription shares in excess of the exercise price together with the relevant costs, expenses and fees

and the resulting net proceeds in excess of the exercise price will be paid to the holders of the outstanding subscription shares unless the amount arising to a subscription shareholder is less than £5.

### SHARE ISSUES

Other than the issue of ordinary shares following the exercise of the rights attaching to subscription shares detailed on this page and in Note 13 on page 42, no ordinary shares were issued during the year.

### SHARE REPURCHASES

Shares may be repurchased when, in the opinion of the Directors, the discount appears high or wider than the peer group average and shares are available in the market. The principal purpose of share repurchases is to enhance the 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 23 November 2011 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 9,224,774 ordinary shares and 1,721,029 subscription shares in the market for cancellation. The authority expires on 28 November 2012 and a special resolution to renew the authority will therefore be put to shareholders for approval at the forthcoming Annual General Meeting.

During the reporting year 1,757,500 ordinary shares were repurchased for cancellation (2011: nil). Since the year end, a further 542,000 ordinary shares were repurchased for cancellation.

### GEARING

The Company's one year revolving loan facility with ING Bank N.V. for US\$15,000,000 was repaid on 3 February 2012. This was replaced with a new two year revolving bank facility with Scotiabank Europe PLC for up to US\$15,000,000 on 28 February 2012 and the full amount was drawn down on 29 February

# Directors' Report

2012. The Company's approach to gearing is explained in the Chairman's Statement on page 3 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 2012 and 31 July 2013, 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 at the year end (2011: nil).

## MANAGEMENT COMPANY

A management and secretarial services agreement (the "Management Agreement") was agreed by the Company and FIL Investments International, (the "Manager") on 6 February 2006. The Manager has agreed to provide investment management 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). The fee is payable quarterly in arrears 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 arrears, at the rate of £25,000 per annum subject, as from 1 January 1997, to annual indexation. For the year to 31 July 2012, £39,000 was paid in this regard (2011: £37,000).

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, 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 2012 was £40,000 (2011: £68,000).

The total amount due to the Manager for investment management, secretarial, marketing and administration services at 31 July 2012, which is included within other creditors in Note 12 on page 41, was £128,000 (2011: £636,000).

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 who 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 to research paid out of commission plus the value of execution provided. Amounts received by the Company under this arrangement are included in the (losses)/gains on sales of investments in Note 9 on page 40. In the year to 31 July 2012, £31,000 (2011: £103,000) was received. 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 12,431,846 ordinary shares (20.95%) and 2,100,383 subscription shares (18.33%) in the Company via the ISA and Investment Trust Share Plan.

## RESPONSIBILITY AS AN INSTITUTIONAL SHAREHOLDER AND VOTING POLICY

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 FRC's Stewardship Code setting out the responsibilities of institutional shareholders and agents.

Further details of the Manager's Principles of Ownership and voting may be found at [www.fidelity.co.uk](http://www.fidelity.co.uk).

## 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

# Directors' Report

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.

## DIRECTORS

All Directors served throughout the year ended 31 July 2012 and their biographical details are set out on page 13, which indicates their qualifications for Board membership. Any changes to the Board of Directors must be made in accordance with the Companies Act 2006 and the Company's Articles of Association. Information on the appointment, re-election and replacement of Directors and amendments to the Company's Articles of Association is included in the Corporate Governance Statement on pages 23 to 28.

No Director has 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 were significant in relation to the Company's business, except in relation to Kathryn Matthews who was employed by the FIL Limited group until the end of September 2009. Therefore, there have been no other related party transactions requiring disclosure under Financial Reporting Standard ("FRS") 8.

The interests of the Directors in the Company's ordinary and subscription shares as at 31 July 2012 and 2011 are set out in the table below.

## DIRECTORS AND OFFICERS' LIABILITY INSURANCE

In addition to benefits enjoyed under the Manager's global Directors and Officers' liability insurance arrangements, the Company maintains insurance cover for its Directors and Officers under its own policy as permitted by the Companies Act 2006. The Board reviews the cover and terms on an annual basis.

## SUBSTANTIAL SHARE INTERESTS

At the date of this report notification had been received that the shareholders listed in the first table in the second column on this page hold more than 3% of the voting rights of the Company.

## DIRECTORS' SHAREHOLDINGS

	Ordinary shares held at 31 July 2012	Ordinary shares held at 31 July 2011	Subscription shares held at 31 July 2012	Subscription shares held at 31 July 2011	Changes
Hugh Bolland	17,500	17,500	2,000	2,000	No change
Kate Bolsover	3,385	3,385	-	-	No change
William Knight	3,300	3,300	660	660	No change
Kathryn Matthews	2,000	2,000	-	-	No change
Philip Smiley	2,500	-	-	-	Purchase of 2,500 ordinary shares

(All holdings are beneficial)

Shareholder	%
City of London Investment Management	14.61%
Fidelity ISA and Share Plan investors	20.93%

Analysis of Ordinary Shareholders as at 31 July 2012	% of issued share capital
Private shareholders <sup>1</sup>	60.37
Hedge funds	17.26
Mutual funds	13.75
Pension funds	4.54
Insurance companies	3.67
Trading companies	0.41

<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 (2011: 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 2012 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 will provide the Directors with the flexibility to issue further ordinary shares if they deem it appropriate to do so. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders.

# Directors' Report

Resolution 11 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £742,215. If passed, this resolution will enable the Directors to allot a maximum of 2,968,860 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 28 September 2012.

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 568(1) of the Companies Act 2006 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 2006 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues and (b) other issues up to an aggregate nominal value of £742,215 (approximately 5%).

The Directors would not issue ordinary shares pursuant to this power at less than the then current net asset value ("NAV") per share, other than in respect of the rights attaching to the subscription shares, for which a separate authority is in place.

The authority to issue ordinary shares for cash under Resolution 12 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 NAV.

These powers are in addition to the authorities granted at the General Meeting held in March 2011 to issue and allot subscription shares and ordinary shares resulting from the exercise of the rights attaching to subscription shares and disapplying the pre-emption rights in relation to such issues. Those authorities were granted with an expiry date of the Annual General Meeting to be held in 2013 and therefore do not need renewing.

Resolution 13 is a special resolution which renews the Directors' authority to repurchase the Company's ordinary and subscription shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 8,900,651 ordinary shares of 25 pence (equivalent to 14.99% of the ordinary shares in issue at 28 September 2012). It is also proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 1,716,947 subscription shares of 0.01 pence (equivalent to 14.99% of the subscription shares in issue at 28 September 2012).

By utilising the power to repurchase ordinary shares when they are trading at a discount to NAV, the Company will increase the resulting NAV 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 NAV per share.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 54 to 57.

**Recommendation: The Board considers that each of the resolutions is likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.**

## CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 23 to 28, which forms part of this report.

## AUDITOR'S RIGHT TO INFORMATION

As required by Section 418 of the Companies Act 2006, 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 proposed at the forthcoming Annual General Meeting to re-appoint Grant Thornton UK LLP as Auditor to the Company and to authorise the Directors to determine the Auditor's remuneration.

## GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 14 and 15. The financial position of the Company, its cash flows, liquidity position and gearing are described in the Financial Statements and Notes thereto on pages 31 to 49. The Company's objectives, policies and processes for managing its capital, financial risk management objectives, details of financial instruments and its exposures to credit and liquidity risk are also set out in the Business Review on pages 14 to 16 and in Notes 17 and 18 to the Financial Statements on pages 44 to 49.

The Company's assets consist mainly of securities which are readily realisable and, where outsourcing arrangements are in place, alternative service providers are readily available. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

# Directors' Report

The Board receives regular reports from the Manager and the Directors have a reasonable expectation that the Company has the adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## **CONTINUATION VOTE**

In accordance with the Articles of Association of the Company, a continuation vote is required every five years. The next continuation vote will take place at the Annual General Meeting in 2016.

By Order of the Board  
**FIL Investments International**  
Secretary  
28 September 2012

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law 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.

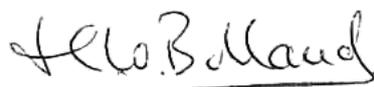
The Directors are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 have delegated the responsibility for the maintenance and integrity of the corporate and financial information included on the Company's section of the Manager's website [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its) to the Manager. 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 28 September 2012 and signed on its behalf by



**Hugh Bolland**  
Chairman

# Corporate Governance Statement

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 company. This Corporate Governance Statement forms part of the Directors' Report.

## ASSOCIATION OF INVESTMENT COMPANIES ("AIC") CODE

The Board of Fidelity Asian Values PLC has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("UK 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 UK Code), will provide better information to shareholders. The AIC Code and the AIC Guide may be found at [www.theaic.co.uk](http://www.theaic.co.uk)

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 the relevant provisions of the UK Code, except as set out below.

The UK 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 as explained in the UK Code, the Board considers that these provisions are not relevant to the position of Fidelity Asian Values PLC, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

## THE BOARD AND ITS COMMITTEES

### The Board

The Board of Directors has overall responsibility for the Company's affairs and for promoting the long term success of the Company. All matters which are not delegated through the Management and Secretarial Services Agreement are reserved for the Board's decision. These include, inter alia, decisions on strategy, management, gearing, structure, capital, share issues, share repurchases, financial reporting, risk management, investment performance, share price discount, corporate governance and communication with shareholders, Board appointments and the appointment of the Manager, the Company Secretary and other service providers. The Company's investment policy is detailed on page 14.

The Board currently consists of five non-executive Directors, four of whom are independent of the Company's Manager and are considered to be free from any business or other relationship

which could materially interfere with the exercise of their independent judgement.

Under the terms of the AIC Code, Kathryn Matthews is considered to be a non-independent Director, however the Board considers that she is free from any business or other relationship which they feel may influence or interfere with her judgement in respect of her role as a Director of the Company. In addition, the Directors consider that she brings a wealth of relevant financial services experience to the Board.

The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts.

### Senior Independent Director and Audit Committee Chairman

The Board has appointed William Knight as Senior Independent Director; in this position he fulfils the role as a sounding board for the Chairman and as intermediary for other non-executive Directors where necessary. Kate Bolsover was appointed as Chairman of the Audit Committee on 3 June 2010.

### Board balance

The Directors believe that the Board has an appropriate balance of skills, experience, independence, knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company. In particular the Directors 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 page 13 of this report.

The Board aims to have a balance of skills, experience, length of service and knowledge of the Company. The Board carries out its candidate search from the widest possible pool of talent against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender.

### Board meetings

The Board meets formally at least four 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 24 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 its Directors' duties.

# Corporate Governance Statement

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Hugh Bolland	4/4	1/1	3/3	1/1
Kate Bolsover	4/4	1/1	3/3	1/1
William Knight	4/4	1/1	3/3	1/1
Kathryn Matthews	4/4	1/1	n/a	n/a
Philip Smiley	4/4	1/1	3/3	1/1

(Figures indicate those meetings for which each Director was eligible to attend and attended in the year. Regular Board meetings exclude procedural meetings held to discharge, for example, formal approvals)

## The Company Secretary

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 Christopher Pirnie, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Directors are also entitled to take independent professional advice, if necessary, at the Company's expense, in the furtherance of their duties.

## Supply of Information to Directors

The Chairman is responsible for the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and for ensuring that there is adequate time available for the discussion of agenda items, particularly strategic issues.

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 certain of its corporate governance responsibilities to the Audit, Management Engagement and Nomination Committees, membership of which is set out on pages 25 and 26. Key representatives of the Manager attend meetings by invitation, enabling Directors to probe further on matters of concern or to seek clarification if required.

## Changes to the Board

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act 2006 and the Company's Articles of Association. Whilst the independent

Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the whole Board.

## Election and re-election

All newly appointed Directors stand for election by the shareholders at the Annual General Meeting following their appointment. A decision was taken by the Board in 2011 for all Directors to be subject to annual re-election. The names of Directors submitted for re-election are accompanied by sufficient biographical details on page 13 to enable shareholders to make an informed decision.

The terms and conditions of the 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

Upon appointment, each Director is provided with all relevant information regarding the Company and receives training on the investment operations and administration functions of the Company, together with a summary of his or her duties and responsibilities as a Director. In addition, a new Director will receive an induction, spending 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 and the Chairman reviews and agrees development and training needs with each Director. The Directors also receive regular briefings from, among others, the AIC, the Company's 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

## Performance evaluation

A formal and rigorous annual process for the evaluation of the Board, its Committees and its Directors is in place. The process includes regular discussion and 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 Portfolio Manager also participate in these processes to provide all-round feedback to the Board. The results of these evaluations are discussed by the Board and the process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and action is taken on the basis of the results.

## COMMITTEES

### Audit Committee

The Audit Committee consists of all the independent Directors and is chaired by Kate Bolsover. Hugh Bolland is a member of the Audit Committee because the Board believes it to be appropriate for all the independent Directors, including the Chairman, to have such responsibility. The qualifications of the members of the Audit Committee are included in their biographies on page 13. The Committee considers that collectively its members have sufficient recent and relevant financial experience to discharge its responsibilities fully.

The Committee's authority and duties are clearly defined in its written terms of reference which are available on the Company's pages of the Manager's website ([www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)). These duties include: responsibility for making recommendations on the appointment, re-appointment and removal of the external Auditor, 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 system (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, taking into consideration relevant UK professional and regulatory requirements and by seeking appropriate disclosures and comfort from the Auditor. The provision of non-audit services is also subject to prior Board approval. No work other than audit was carried out by the Company's Auditor during the year.

The Committee also reviews corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Section 1159 Corporation Tax Act 2010 status), the relationship with and the performance of third party service providers (such as the

registrars and custodians) and the risks associated with audit firms withdrawing from the market which is considered in the Committee's risk evaluation and planning.

The Audit Committee meets at least three times a year and with the Auditor at least once a year to review these and other appropriate matters.

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 the Auditor's remuneration.

During the year ended to 31 July 2012, 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 on the annual financial statements;
- Reviewing the appropriateness of the Company's accounting policies;
- 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 including the appointment, reappointment or removal of the Auditor as appropriate;
- 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 and the risks associated with audit firms withdrawing from the market;
- Reviewing the overall services provided by the Company's external Auditor;
- Considering the scope of work undertaken by the Manager's internal audit department;
- Considering and reconfirming that the Company does not need an internal audit function given that the Company delegates its day-to-day operations to third parties;
- Reviewing reports on risk and internal controls and reporting to the Board; and
- Reviewing the Company's custody arrangements.

The last review of alternative audit service providers took place in 2006 resulting in a change of audit firm. The Auditor's continued appointment is reviewed each year and the audit partner changes at least once every five years. There are no contractual obligations that restrict the Committee's choice of auditor.

### Management Engagement Committee

The Committee consists of all the independent Directors and is chaired by Hugh Bolland who is considered to be independent

# Corporate Governance Statement

of the Manager. 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 page 18.

The criteria which are taken into consideration in reviewing the performance of the Manager is 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 company secretarial function 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; and
- Marketing – commitment to and execution of activities designed to secure sustainable demand from prospective long term shareholders.

The Committee met on 14 June 2012 and reviewed the performance of the Manager. The Committee noted the Company's good long term performance record and the commitment, quality and continuity of the team which was responsible for the Company. The Committee concluded that it was in the interests of shareholders that the appointment of the Manager should continue.

The Committee's terms of reference are available on the Company's pages of the Manager's website ([www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)).

## Nomination Committee

The Nomination Committee consists of all the Directors (as there is no reason to exclude any Director) and is chaired by Hugh Bolland. All appointments to the Board and replacements of Directors take place in accordance with the Companies Act 2006 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 Committee carries out its candidate search against a set of objective criteria, with due regard for the benefits of diversity on the Board, including gender. New Directors are appointed on

the basis of merit and this process has led to a diverse Board membership.

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. However, the final decision is taken by the Board as a whole. 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. However, the Board currently feels that due to the nature of the Company's business they have access to a sufficiently wide pool of candidates not to use external consultants. The Committee also considers whether Directors should be recommended for re-appointment by shareholders.

The Committee's terms of reference are available on the Company's pages of the Manager'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.

The Committee met on 24 September 2012 to consider 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 recommends the re-appointment of the full Board 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 22. The Auditor's reporting responsibilities are set out within the Independent Auditor's Report on page 30.

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.

# Corporate Governance Statement

## Risk Management and Internal Control

The Board is responsible for the Company's systems of risk management and internal control and for reviewing their effectiveness. The identification, control and evaluation of risk is assessed quarterly and a regular internal controls report is provided by the Manager. The systems of risk management and internal control are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement or loss.

The Board has contractually delegated to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day-to-day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the control systems in operation in so far as they relate to the affairs of the Company.

The Board, assisted by the Manager, has undertaken a regular risk and controls assessment. The business risks have been analysed and recorded in a risk and internal controls report which is regularly reviewed. 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 has received and reviewed the report on the effectiveness of the internal controls maintained on behalf of the Company and meets a representative of the Manager's internal audit team at least three times a year. The Chairman of the Audit Committee has direct access to the Manager's internal audit team vice versa. The Board also receives each year from the Manager's a report on its internal controls which includes a report from the Manager's reporting accountants on the control procedures in operation around the investment management and administration processes.

By means of the procedures set out above and in accordance with the FRC's "Internal Control: Revised Guidance for Directors", the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and have reviewed the effectiveness of the risk management and internal control systems throughout the year ended 31 July 2012. This process continued to be in place up to the date of the approval of these financial statements and is expected to remain in place for the coming year.

## 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 by the Board.

## Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has to reputation and business confidence.

The Board, the Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

The Board acknowledges its responsibility for the implementation and oversight of the Company's procedures for preventing bribery and the governance framework for training, communication, monitoring, reporting and escalation of compliance together with enforcing action as appropriate. The Board has adopted a zero tolerance policy in this regard.

## Relation with shareholders

The Chairman is responsible for ensuring that all Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and other Directors have on occasions contacted major shareholders to discuss strategy and governance. 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.

Except where a poll is called, all resolutions at the Annual General Meeting are dealt with on a show of hands. The proxy voting results are counted and are disclosed on the Company's pages of the Manager's website ([www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)).

# Corporate Governance Statement

The Notice of Meeting on pages 54 to 57 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 out to shareholders at least twenty working days before the meeting.

## ARTICLES OF ASSOCIATION

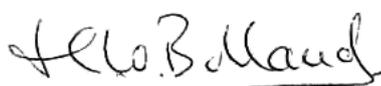
Any amendments to the Company's Articles of Association must be made by special resolution.

## DISCLOSURE AND TRANSPARENCY RULES

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 14 to 21 because it is information which refers to events that have taken place during the course of the year. The following is a list of that information:

- Directors' shareholdings;
- Directors and Officers' liability insurance;
- Going concern;
- Share capital;
- Share issues;
- Share repurchases;
- Subscription shares; and
- Substantial share interests.

On behalf of the Board



**Mr Hugh Bolland**  
28 September 2012

# Directors' Remuneration Report

This report has been prepared in accordance with the requirements of Sections 420 – 422 of the Companies Act 2006 in respect of the year ended 31 July 2012. 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 its report on page 30.

## REMUNERATION

The level of Directors' fees is determined by the whole Board and Directors do not vote on their own fees. The Company's Articles of Association limit the fee payable to each Director to £50,000 per annum. Subject to this overall limit, it is the Company's policy that the level of Directors' fees 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 and having regard to the level of fees payable to non-executive directors in the industry generally.

The Company's 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 2013 and subsequent years.

The fee structure with effect from 1 August 2010 is: Chairman – £26,000; Chairman of the Audit Committee – £22,000; and Director – £20,000. No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 July 2012 (2011: nil).

## 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 Act 2006 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.

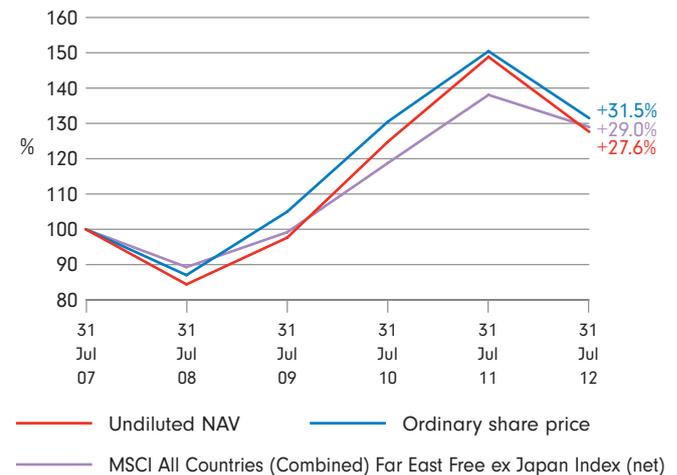
## REMUNERATION OF DIRECTORS (AUDITED)

	2012 fees £	2011 fees £
Hugh Bolland	26,000	26,000
Kate Bolsover	22,000	22,000
William Knight	20,000	20,000
Kathryn Matthews	20,000	20,000
Philip Smiley	20,000	20,000
<b>Total</b>	<b>108,000</b>	<b>108,000</b>

## COMPANY PERFORMANCE

The Company's investment objective is capital growth. The graph below measures this against its Benchmark, the MSCI All Countries (Combined) Far East Free ex Japan Index (net).

Comparison of NAV and Ordinary Share Price  
Total Return Performance against the Benchmark Index  
from 1 August 2007 to 31 July 2012



Prices rebased to 100

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

*Hugh Bolland*

Mr Hugh Bolland  
28 September 2012

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

We have audited the financial statements of Fidelity Asian Values PLC for the year ended 31 July 2012 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 THE DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at:  
[www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2012 and of its net loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Under the Listing Rules, we are required to review:

- the Directors' Statement, set out on pages 20 and 21 in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' Remuneration.

## Julian Bartlett

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
28 September 2012

# Income Statement

for the year ended 31 July 2012

	Notes	2012 revenue £'000	2012 capital £'000	2012 total £'000	2011 revenue £'000	2011 capital £'000	2011 total £'000
(Losses)/gains on investments designated at fair value through profit or loss	9	-	(21,037)	(21,037)	-	22,068	22,068
Income	2	2,999	-	2,999	3,070	-	3,070
Investment management fee	3	(1,267)	-	(1,267)	(1,509)	-	(1,509)
Other expenses	4	(515)	-	(515)	(522)	-	(522)
Exchange (losses)/gains on other net assets		(10)	217	207	7	(54)	(47)
Exchange (losses)/gains on bank loans		-	(447)	(447)	-	287	287
<b>Net return/(loss) before finance costs and taxation</b>		<b>1,207</b>	<b>(21,267)</b>	<b>(20,060)</b>	<b>1,046</b>	<b>22,301</b>	<b>23,347</b>
Finance costs	5	(204)	-	(204)	(214)	-	(214)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>1,003</b>	<b>(21,267)</b>	<b>(20,264)</b>	<b>832</b>	<b>22,301</b>	<b>23,133</b>
Taxation on return/(loss) on ordinary activities	6	(123)	-	(123)	(312)	-	(312)
<b>Net return/(loss) on ordinary activities after taxation for the year</b>		<b>880</b>	<b>(21,267)</b>	<b>(20,387)</b>	<b>520</b>	<b>22,301</b>	<b>22,821</b>
<b>Return/(loss) per ordinary share</b>							
Undiluted	7	1.45p	(34.99p)	(33.54p)	0.85p	36.35p	37.20p
Diluted	7	n/a	n/a	n/a	0.84p	36.10p	36.94p

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 35 to 49 form an integral part of these financial statements.

# Reconciliation of Movements in Shareholders' Funds

for the year ended 31 July 2012

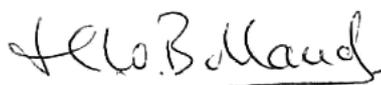
Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other non-distributable reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
<b>Opening shareholders' funds:</b>								
<b>1 August 2010</b>	15,245	60	1,785	7,367	19,238	72,958	540	117,193
Exercise of rights attached to subscription shares and conversion into ordinary shares	13	-	-	-	-	-	-	-
Issue of ordinary shares on the exercise of rights attached to subscription shares	13	163	1,080	-	-	-	-	1,243
Net return on ordinary activities after taxation for the year		-	-	-	-	22,301	520	22,821
<b>Closing shareholders' funds:</b>								
<b>31 July 2011</b>	15,408	1,140	1,785	7,367	19,238	95,259	1,060	141,257
Exercise of rights attached to subscription shares and conversion into ordinary shares	13	-	-	-	-	-	-	-
Issue of ordinary shares on the exercise of rights attached to subscription shares	13	12	78	-	-	-	-	90
Repurchase of ordinary shares	13	(439)	-	439	(3,261)	-	-	(3,261)
Net (loss)/return on ordinary activities after taxation for the year		-	-	-	-	(21,267)	880	(20,387)
Dividend paid to shareholders	8	-	-	-	-	-	(615)	(615)
<b>Closing shareholders' funds:</b>								
<b>31 July 2012</b>	14,981	1,218	2,224	7,367	15,977	73,992	1,325	117,084

The Notes on pages 35 to 49 form an integral part of these financial statements.

## Balance Sheet as at 31 July 2012

	Notes	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Investments designated at fair value through profit or loss	9	<u>123,758</u>	<u>146,156</u>
<b>Current assets</b>			
Debtors	10	206	738
Cash at bank		<u>3,769</u>	<u>4,423</u>
		<u>3,975</u>	<u>5,161</u>
<b>Creditors</b>			
Bank loans	11	(9,563)	(9,116)
Other creditors	12	<u>(1,086)</u>	<u>(944)</u>
		<u>(10,649)</u>	<u>(10,060)</u>
<b>Net current liabilities</b>		<u>(6,674)</u>	<u>(4,899)</u>
<b>Total net assets</b>		<u>117,084</u>	<u>141,257</u>
<b>Capital and reserves</b>			
Share capital	13	14,981	15,408
Share premium account		1,218	1,140
Capital redemption reserve		2,224	1,785
Other non-distributable reserve		7,367	7,367
Other reserve		15,977	19,238
Capital reserve		73,992	95,259
Revenue reserve		<u>1,325</u>	<u>1,060</u>
<b>Total equity shareholders' funds</b>		<u>117,084</u>	<u>141,257</u>
<b>Net asset value per ordinary share</b>			
Basic	14	195.40p	229.21p
Diluted	14	<u>194.70p</u>	<u>223.20p</u>

The financial statements on pages 31 to 49 were approved by the Board of Directors on 28 September 2012 and were signed on its behalf by:



**Hugh Bolland,**  
Chairman

# Cash Flow Statement

for the year ended 31 July 2012

	Notes	2012 £'000	2011 £'000
<b>Operating activities</b>			
Investment income received		3,032	2,410
Investment management fee paid		(1,663)	(1,105)
Directors' fees paid		(123)	(78)
Other cash payments		(594)	(322)
<b>Net cash inflow from operating activities</b>	15	<u>652</u>	<u>905</u>
<b>Servicing of finance</b>			
Interest paid on bank loans		(219)	(215)
<b>Net cash outflow from servicing of finance</b>		<u>(219)</u>	<u>(215)</u>
<b>Financial investment</b>			
Purchase of investments		(108,698)	(142,254)
Disposal of investments		110,939	139,813
<b>Net cash inflow/(outflow) from financial investment</b>		<u>2,241</u>	<u>(2,441)</u>
<b>Dividend paid to shareholders</b>	8	<u>(615)</u>	<u>-</u>
<b>Net cash inflow/(outflow) before financing</b>		<u>2,059</u>	<u>(1,751)</u>
<b>Financing</b>			
Repurchase of ordinary shares		(3,035)	-
Exercise of rights attached to subscription shares		105	1,244
Net cash inflow from bank loans		-	3,674
<b>Net cash (outflow)/inflow from financing</b>		<u>(2,930)</u>	<u>4,918</u>
<b>(Decrease)/increase in cash</b>	16	<u>(871)</u>	<u>3,167</u>

The Notes on pages 35 to 49 form an integral part of these financial statements.

# Notes to the Financial Statements

## 1 ACCOUNTING POLICIES

The Company has prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice: "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP"), issued by the Association of Investment Companies ("AIC") in January 2009.

**a) Basis of accounting** – The financial statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of fixed asset investments, and on the assumption that approval as an investment trust will be granted by HM Revenue and Customs.

**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. Overseas dividend income includes withholding 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 foregone, the amount of the cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend 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: Recognition and 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 tax, or a right to pay less tax, in the future have occurred. A deferred taxation 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 UK sterling. Transactions denominated in foreign currencies are expressed in UK sterling at the rates of exchange ruling as at the date of transactions. Assets and liabilities in foreign currencies are expressed at the rates of exchange ruling at the Balance Sheet date. All capital gains and losses, including exchange movements on the translation of foreign currency assets and liabilities, are included in the capital column of the Income Statement.

**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 by the Manager, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially, and subsequently measured, at fair value which is measured as follows:

- Investments listed overseas are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed, otherwise at fair value based on published price quotations; and
- 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.

In accordance with the AIC SORP the Company includes transaction costs, incidental to the purchase or sale of investments, within (losses)/gains on investments and has disclosed them in Note 9 on page 40.

# Notes to the Financial Statements

## 1 ACCOUNTING POLICIES *continued*

**h) Bank 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** – The following are accounted for in the capital reserve:

- Gains and losses on the disposal of investments;
- Changes in the fair value of investments held at the year end;
- Foreign exchange gains and losses of a capital nature; and
- Dividends receivable which are capital in nature.

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/10: “Distributable Profits”, changes in fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as “capital reserve” in the Reconciliation of Movements in Shareholders’ Funds and the Balance Sheet. At the Balance Sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash.

**j) Dividends** – In accordance with FRS 21: “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.

2012	2011
£'000	£'000

## 2 INCOME

### Income from investments designated at fair value through profit or loss

Overseas dividends	2,784	2,926
Overseas scrip dividends	215	144
<b>Total income</b>	<b>2,999</b>	<b>3,070</b>

2012	2011
£'000	£'000

## 3 INVESTMENT MANAGEMENT FEE

Investment management fee	1,267	1,509
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A summary of the terms of the Management Agreement is given in the Directors’ Report on page 18.

# Notes to the Financial Statements

	2012 £'000	2011 £'000
<b>4 OTHER EXPENSES</b>		
AIC fees	14	10
Custody fees	104	112
Directors' expenses	20	35
Directors' fees*	108	108
Legal and professional fees	64	42
Marketing expenses	40	68
Printing and publication expenses	48	44
Registrars' fees	48	37
Fees payable to the Company's Auditor for the audit of the annual financial statements	20	19
Other expenses	49	47
	<u>515</u>	<u>522</u>

\*Details of the breakdown of Directors' fees are disclosed in the Directors' Remuneration Report on page 29.

	2012 £'000	2011 £'000
<b>5 FINANCE COSTS</b>		
Interest on bank loans	<u>204</u>	<u>214</u>

# Notes to the Financial Statements

	revenue £'000	2012 capital £'000	total £'000	revenue £'000	2011 capital £'000	total £'000
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## 6 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

### a) Analysis of the taxation charge for the year

Overseas taxation suffered (see Note 6b)	123	-	123	312	-	312
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### 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 25.32% (2011: 27.33%).

The differences are explained below:

	2012 £'000	2011 £'000
(Loss)/return on ordinary activities before taxation	(20,264)	23,133
(Loss)/return on ordinary activities multiplied by the standard rate of corporation tax of 25.32% (2011: 27.33%)	(5,131)	6,323
Effects of:		
(Losses)/gains on investments not taxable	5,385	(6,096)
Income not taxable	(735)	(825)
Excess management expenses	484	599
Overseas taxation expensed	(3)	(1)
Overseas taxation	123	312
Current taxation charge (Note 6a)	123	312

Investment trust companies are exempt from taxation on capital gains if they meet the HM Revenue & Customs criteria set out in Section 1159 Corporation Taxes Act 2010.

Overseas taxation is made up as follows:

	2012 £'000	2011 £'000
Withholding tax deducted at source	80	287
Taiwan scrip dividends	43	25
	123	312

c) There are excess management expenses of £5,284,000 (2011: £3,611,000) and excess loan relationship deficits of £2,516,000 (2011: £2,290,000) resulting in a deferred taxation asset. It is unlikely that these assets will be utilised in the future and therefore they have not been recognised.

# Notes to the Financial Statements

	revenue	2012 capital	total	revenue	2011 capital	total
<b>7 RETURN/(LOSS) PER ORDINARY SHARE</b>						
Undiluted	1.45p	(34.99p)	(33.54p)	0.85p	36.35p	37.20p
Diluted	n/a	n/a	n/a	0.84p	36.10p	36.94p

The undiluted returns/(losses) per ordinary share are based on net returns/(losses) on ordinary activities after taxation and the weighted average number of ordinary shares in issue during the year ended 31 July 2012. The returns/(losses) for the year were; revenue return £880,000 (2011: £520,000), capital loss £21,267,000 (2011: return £22,301,000) and total loss £20,387,000 (2011: return £22,821,000). The undiluted weighted average number of ordinary shares in issue during the year was 60,772,836 (2011: 61,354,249).

There were no diluted returns/(losses) per ordinary share for the year ended 31 July 2012 because the average ordinary share price for the year was below the 191 pence exercise price of the rights attaching to the subscription shares.

For the year ended 31 July 2011, the diluted returns per ordinary share represent the net returns on ordinary activities after taxation divided by the weighted average number of ordinary shares in issue during the year, as adjusted for the ordinary shares resulting following the exercise of rights attaching to all outstanding subscription shares at the year end. For this purpose, the excess in the number of ordinary shares that would have been issued had the rights attaching to all the outstanding subscription shares been exercised, over the number of ordinary shares that could have been purchased, at the average market price during the year, with the 191 pence per share proceeds of the exercise of rights attaching to the subscription shares, are treated as an issue of ordinary shares for no consideration at the start of the year. The weighted average number of ordinary shares for the year on this diluted basis was 61,778,942.

	2012 £'000	2011 £'000
<b>8 DIVIDENDS</b>		
<b>Dividend paid</b>		
Final dividend of one penny per ordinary share paid for the year ended 31 July 2011 (2010: nil)	615	-
<b>Dividend proposed</b>		
Final dividend of one penny per ordinary share proposed for the year ended 31 July 2012 (2011: one penny) based on the number of ordinary shares in issue at the date of this Report	594	615

The Directors have proposed a final dividend of one penny per ordinary share which is subject to approval by 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 2012, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered, is shown above.

# Notes to the Financial Statements

	2012 £'000	2011 £'000
<b>9 INVESTMENTS</b>		
<b>Investments designated at fair value through profit or loss</b>		
Listed overseas	123,758	146,156
	2012 £'000	
Opening book cost	119,657	
Opening investment holding gains	26,499	
<b>Opening fair value of investments</b>	<b>146,156</b>	
<b>Movements in the year</b>		
Purchases at cost	109,403	
Sales - proceeds	(110,764)	
Sales - realised losses in the year	(9,556)	
Movement in investment holding gains in the year	(11,481)	
<b>Closing fair value of investments</b>	<b>123,758</b>	
Closing book cost	108,740	
Closing investment holding gains	15,018	
<b>Closing fair value of investments</b>	<b>123,758</b>	
	2012 £'000	2011 £'000
<b>Net (losses)/gains on investments</b>		
(Losses)/gains on sales of investments in the year	(9,556)	18,648
Investment holding (losses)/gains in the year	(11,481)	3,420
	<b>(21,037)</b>	<b>22,068</b>

The portfolio turnover rate for the year was 86% (2011: 98%).

**(Losses)/gains on investments in the year are shown net of investment transactions costs as summarised below:**

	2012 £'000	2011 £'000
Purchases	204	321
Sales	338	436
	<b>542</b>	<b>757</b>

# Notes to the Financial Statements

2012  
£'000

2011  
£'000

## 10 DEBTORS

Securities sold for future settlement	72	247
Accrued income	64	445
Amount receivable on ordinary shares issued	-	15
Other debtors	70	31
	<u>206</u>	<u>738</u>

2012  
£'000

2011  
£'000

## 11 BANK LOANS

Unsecured loan facility	<u>9,563</u>	<u>9,116</u>
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The Company had a revolving credit facility with ING Bank N.V. for an amount of up to US\$15,000,000 which was fully drawn down until it expired on 3 February 2012. A two year revolving loan facility with Scotiabank Europe PLC for an amount of up to US\$15,000,000 was entered into on 28 February 2012 and the full amount was drawn down on 29 February 2012 for the 3 months to 29 May 2012, at an interest rate of 1.87%. This was further rolled over for the 3 months to 29 August 2012 at an interest rate of 1.84% and for the 3 months ending 29 November 2012 at 1.80%.

2012  
£'000

2011  
£'000

## 12 OTHER CREDITORS

Securities purchased for future settlement	589	99
Amount payable on ordinary shares repurchased	226	-
Interest payable on bank loan	31	46
Other creditors	240	799
	<u>1,086</u>	<u>944</u>

# Notes to the Financial Statements

	2012		2011	
	shares	£'000	shares	£'000
<b>13 SHARE CAPITAL</b>				
<b>Issued, allotted and fully paid:</b>				
<b>Ordinary shares of 25 pence each</b>				
<b>Beginning of the year</b>	61,628,970	15,407	60,978,843	15,244
Issue of ordinary shares on the exercise of rights attached to subscription shares	47,311	12	650,127	163
Repurchase of ordinary shares	(1,757,500)	(439)	-	-
<b>End of the year</b>	<u>59,918,781</u>	<u>14,980</u>	<u>61,628,970</u>	<u>15,407</u>
<b>Subscription shares of 0.01 pence each*</b>				
<b>Beginning of the year</b>	11,501,743	1	12,151,870	1
Exercise of rights attached to subscription shares and issue of resulting ordinary shares	(47,311)	-	(650,127)	-
<b>End of the year</b>	<u>11,454,432</u>	<u>1</u>	<u>11,501,743</u>	<u>1</u>
<b>Total share capital</b>		<u>14,981</u>		<u>15,408</u>

\* The terms of the rights attaching to the subscription shares are detailed in the Directors' Report on page 17.

## 14 NET ASSET VALUE PER ORDINARY SHARE

The undiluted net asset value per ordinary share is based on net assets of £117,084,000 (2011: £141,257,000) and on 59,918,781 (2011: 61,628,970) ordinary shares, being the number of ordinary shares in issue at the year end.

The diluted net asset value per ordinary share has been calculated on the basis of what the financial position would have been if all the rights attaching to the outstanding subscription shares of 11,454,432 at 31 July 2012 (2011: 11,501,743) had been exercised on that date. This basis of calculation is in accordance with guidelines laid down by the AIC.

Undiluted and diluted net asset values are provided to the London Stock Exchange on a daily basis.

# Notes to the Financial Statements

	2012 £'000	2011 £'000
<b>15 RECONCILIATION OF NET RETURN/(LOSS) BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Net total (loss)/return before finance costs and taxation	(20,060)	23,347
Capital loss/(return) for the year	21,267	(22,301)
Net revenue return before finance costs and taxation	1,207	1,046
Scrip dividends	(215)	(144)
(Decrease)/increase in other creditors	(559)	539
Decrease/(increase) in other debtors	342	(224)
Overseas taxation suffered	(123)	(312)
<b>Net cash inflow from operating activities</b>	<b>652</b>	<b>905</b>
	2012 £'000	2011 £'000

## 16 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET DEBT

<b>Net debt at the beginning of the year</b>	<b>(4,693)</b>	<b>(4,457)</b>
Net cash at bank (outflow)/inflow	(871)	3,167
Net increase in bank loans	-	(3,674)
Foreign exchange movement on cash at bank	217	(16)
Foreign exchange movement on bank loans	(447)	287
<b>Movement in net debt</b>	<b>(1,101)</b>	<b>(236)</b>
<b>Net debt at the end of the year</b>	<b>(5,794)</b>	<b>(4,693)</b>

	2012 £'000	cash flows £'000	foreign exchange movements £'000	2011 £'000
<b>Analysis of movements in net debt</b>				
Cash at bank	3,769	(871)	217	4,423
Bank loans	(9,563)	-	(447)	(9,116)
	<b>(5,794)</b>	<b>(871)</b>	<b>(230)</b>	<b>(4,693)</b>

# Notes to the Financial Statements

## 17 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 14 to 16. This Note is incorporated in accordance with FRS 29 "Financial Instruments: Disclosures" 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; and
- US dollar borrowings to finance operations.

The risks identified by FRS 29 arising from the Company's financial instruments are market price risk (which comprises other price risk, interest rate risk and foreign currency exposure), liquidity risk, counterparty 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

#### Other price risk

Other 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 risk associated with particular industry sectors within the parameters of the investment objective. The Manager is responsible for actively managing and 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.

#### Interest rate risk

The Company finances its operations through share capital raised. In addition, financing has been obtained through a US\$15,000,000 revolving bank facility which expires on 28 February 2014. The Company has currently drawn down the full amount of this facility at 1.80% repayable on 29 November 2012. Therefore, the Company may become exposed to a fair value interest rate risk if US dollar interest rates change. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

#### 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.

	2012 £'000	2011 £'000
Total financial assets - cash at bank	3,769	4,423
Total financial liabilities - unsecured bank loans*	(9,563)	(9,116)
Total financial liabilities	(5,794)	(4,693)

\* The Company's US dollar denominated unsecured bank loan is subject to a fair value interest rate risk if US dollar interest rates changed.

# Notes to the Financial Statements

## 17 FINANCIAL INSTRUMENTS continued

### Foreign currency risk

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

Three principal areas have been identified where foreign currency risk could impact the Company:

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

The Company does not hedge the UK sterling value of investments or other net assets priced in other currencies by the use of derivative instruments. However, finance is available to the Company for its investment activities through US dollar borrowings, thereby hedging part of the effect of exchange movements.

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 UK sterling on receipt.

### Currency exposure of 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:

currency	2012			
	investments designated at fair value through profit or loss £'000	short term debtors £'000	cash £'000	total £'000
Australian dollar	423	-	-	423
Chinese renminbi	28,332	-	-	28,332
Hong Kong dollar	30,065	90	-	30,155
Indian rupee	590	6	-	596
Indonesian rupiah	3,503	-	-	3,503
Korean won	40,721	3	-	40,724
Malaysian ringgit	22	-	-	22
Singapore dollar	9,914	37	-	9,951
Taiwan dollar	10,188	-	1	10,189
UK sterling	-	70	182	252
US dollar	-	-	3,586	3,586
	<u>123,758</u>	<u>206</u>	<u>3,769</u>	<u>127,733</u>

# Notes to the Financial Statements

## 17 FINANCIAL INSTRUMENTS continued

currency	investments designated at fair value through profit or loss £'000	2011		
		short term debtors £'000	cash £'000	total £'000
Australian dollar	1,012	-	-	1,012
Chinese renminbi	26,918	-	-	26,918
Hong Kong dollar	27,540	99	58	27,697
Indian rupee	2,275	-	-	2,275
Indonesian rupiah	2,139	25	-	2,164
Korean won	44,263	34	-	44,297
Malaysian ringgit	5,936	160	25	6,121
Singapore dollar	9,673	34	-	9,707
Taiwan dollar	24,149	340	1	24,490
Thai baht	2,251	-	-	2,251
UK sterling	-	46	340	386
US dollar	-	-	3,999	3,999
	<u>146,156</u>	<u>738</u>	<u>4,423</u>	<u>151,317</u>

### Currency exposure of 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 bank loan and other short term creditors. The currency cash flow profile of these financial liabilities is shown below.

	2012			2011		
	US dollar denominated bank loan £'000	short term creditors £'000	total £'000	US dollar denominated bank loan £'000	short term creditors £'000	total £'000
Hong Kong dollar	-	582	582	-	99	99
UK sterling	-	473	473	-	799	799
US dollar	9,563	31	9,594	9,116	46	9,162
	<u>9,563</u>	<u>1,086</u>	<u>10,649</u>	<u>9,116</u>	<u>944</u>	<u>10,060</u>

# Notes to the Financial Statements

## 17 FINANCIAL INSTRUMENTS *continued*

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### **Liquidity risk**

The Company's assets comprise readily realisable securities, which can be sold easily 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 11 on page 41 to the financial statements.

### **Counterparty risk**

All securities are transacted with brokers and carry the risk that the counterparty to a transaction may not meet its financial obligations. All counterparties for any type of trading are assessed by an independent Credit Research and Analysis function. Exposures to counterparties are monitored and reported frequently.

### **Credit risk**

Investments may be affected adversely if any of the institutions with which money is deposited suffer insolvency or other financial difficulties. All transactions are carried out with a large number of brokers and are settled on a delivery versus payment basis and limits are set on the amount that may be due from any one broker. All security transactions are through brokers which have been approved as an acceptable counterparty. This is reviewed on an ongoing basis. At the year end, the exposure to credit risk includes cash at bank and outstanding securities transactions.

## **RISK SENSITIVITY ANALYSIS**

### **Other price risk sensitivity analysis**

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 14 to 16 of the Directors' Report.

An increase of 10% in the fair value of the investments at 31 July 2012 would have increased the total return on ordinary activities and total net assets by £12,376,000 (2011: £14,616,000). A decrease of 10% in the fair value of investments would have had an equal but opposite effect.

### **Interest rate risk sensitivity analysis**

At 31 July 2012, if interest rates had increased by 0.5% the total loss on ordinary activities would have increased by £26,000 (2011: total return decreased by £23,000). A decrease in the interest rates by 0.5% would have had an equal but opposite effect. The sensitivity is based on the Company's year end cash at bank and bank loans, with all other variables held constant.

# Notes to the Financial Statements

## 17 FINANCIAL INSTRUMENTS continued

### Foreign currency risk sensitivity analysis

At 31 July 2012, if UK sterling had strengthened by 10% in relation to the larger currency exposures, then with all other variables held constant, total net assets and total return on ordinary activities would have (decreased)/increased by the amounts shown below.

If UK sterling had strengthened the impact would have been:

	2012 £'000	2011 £'000
Chinese renminbi	(2,576)	(2,447)
Hong Kong dollar	(2,688)	(2,509)
Korean won	(3,702)	(4,027)
Singapore dollar	(905)	(882)
Taiwan dollar	(926)	(2,226)

If UK sterling had weakened the impact would have been:

	2012 £'000	2011 £'000
Chinese renminbi	3,148	2,991
Hong Kong dollar	3,286	3,066
Korean won	4,525	4,922
Singapore dollar	1,106	1,079
Taiwan dollar	1,132	2,721

### FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As explained in Note 1(g) on page 35, investments are shown at fair value which is the bid or last market price. Other financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. In the case of cash, book value approximates to fair value due to the short maturity of the instruments. The exception is the US dollar denominated unsecured bank loan, whose fair value, given below, has been calculated by discounting future cash flows at current US dollar interest rates.

	2012		2011	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Unsecured bank loan	9,608	9,563	9,163	9,116

# Notes to the Financial Statements

## 17 FINANCIAL INSTRUMENTS *continued*

### FAIR VALUE HIERARCHY

FRS 29 requires financial companies to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

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

The techniques used by the Company to value its financial instruments are explained in the Accounting Policies Note 1(g) on page 35. All investments held by the Company at 31 July 2012 are considered to fall within Level 1 (2011: same).

## 18 CAPITAL MANAGEMENT

The Company does not have any externally imposed capital requirements. The capital resources of the Company comprise its bank loan, share capital and reserves and are disclosed in the Balance Sheet on page 33. They are managed in accordance with the Company's investment policy in pursuit of its investment objective, both of which are detailed on page 14 of the Directors' Report. The principal risks and their management are disclosed on pages 15 and 16 and in Note 17.

The Company's capital resources comprise:

	2012 £'000	2011 £'000
Share capital	14,981	15,408
Other reserves and retained earnings	102,103	125,849
Shareholders' funds	117,084	141,257
Borrowings - bank loan	9,563	9,116
Total assets employed	126,647	150,373
Borrowings as % of shareholders' funds	8.2%	6.5%

## 19 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments at 31 July 2012 (2011: none).

## 20 RELATED PARTY TRANSACTIONS

The Directors have complied with the provisions of FRS 8 "Related Party Disclosures", 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 page 18. Fees paid to the Directors are disclosed in the Directors' Remuneration Report on page 29.

## Full Portfolio Listing as at 31 July 2012

Investment	Fair Value £'000	% <sup>1</sup>
Samsung Electronics	11,130	8.8
LG Household & Healthcare	6,653	5.3
KIA Motors	6,064	4.8
Tencent Holdings	6,008	4.7
Li & Fung	5,932	4.7
Taiwan Semiconductor Manufacturing	5,691	4.5
AIA Group	5,508	4.3
Wharf Holdings	5,422	4.3
China Overseas Land & Investment	3,851	3.0
Bank of China Hong Kong	3,847	3.0
Techtronic Industries	3,826	3.0
Bank Mandiri	3,503	2.8
China Merchants Bank	3,329	2.6
SouFun Holdings	3,307	2.6
SM Entertainment	3,171	2.5
Focus Media Holdings	3,006	2.4
Hon Hai Precision	2,861	2.3
Sarin Technologies	2,861	2.3
Hotel Shilla	2,533	2.0
Hana Tour Service	2,397	1.9
NCSOFT	2,384	1.9
Samsonite International	2,363	1.9
Keppel	2,284	1.8
Mando	1,897	1.5
Advanced Semiconductor Engineering	1,636	1.3
China Resources Cement Holdings	1,554	1.2
Pacific Basin Shipping	1,554	1.2
Haitian International Holdings	1,472	1.2
ENN Energy Holdings	1,453	1.2
Ezra Holdings	1,431	1.1
CU Medical Systems	1,372	1.1
Daelim Industrial	1,237	1.0
Baidu Group	1,236	1.0
Wilmar International	1,214	1.0
Genic Co	1,086	0.8
Hyflux	1,083	0.8

## Full Portfolio Listing as at 31 July 2012

Investment	Fair Value £'000	% <sup>1</sup>
Esprit Holdings	1,071	0.8
Goodpack	1,041	0.8
Nine Dragons Paper (Holdings)	1,029	0.8
REXLot Holdings	885	0.7
Daum Communications Corporation	797	0.6
Lenova Group	712	0.6
Bajaj Auto	590	0.5
Sun Hung Kai Properties	541	0.4
Acrux	423	0.3
Anta Sports Products	303	0.2
Embry Holdings	188	0.2
IHH Healthcare	22	-
<b>Total investments</b>	<b>123,758</b>	<b>97.7</b>
<b>Cash and other net current assets (excluding loans)</b>	<b>2,889</b>	<b>2.3</b>
<b>Total assets employed</b>	<b>126,647</b>	<b>100.0</b>

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

# Distribution of the Portfolio<sup>1</sup> as at 31 July 2012

Equities	South Korea	Hong Kong	China	Taiwan	Singapore	Other	Total	Index <sup>2</sup>	31 July 2011
<b>Information Technology</b>									
Semiconductor Equipment & Products	8.8	-	-	5.8	-	-	14.6	11.0	9.7
Internet Software & Services	0.6	-	8.3	-	-	-	8.9	1.7	4.9
Electronic Equipment & Instruments	-	-	0.6	2.3	-	-	2.9	5.1	2.3
Software	1.9	-	-	-	-	-	1.9	0.1	-
Communications Equipment	-	-	-	-	-	-	-	0.3	2.8
	<b>11.3</b>	<b>-</b>	<b>8.9</b>	<b>8.1</b>	<b>-</b>	<b>-</b>	<b>28.3</b>	<b>18.2</b>	<b>19.7</b>
<b>Consumer Discretionary</b>									
Automobiles	4.8	-	-	-	-	0.5	5.3	3.7	3.2
Media	2.5	-	2.4	-	-	-	4.9	0.3	1.2
Distributors	-	4.7	-	-	-	-	4.7	0.7	1.2
Diversified Consumer Services	3.9	-	0.7	-	-	-	4.6	1.8	10.9
Textiles, Apparel & Luxury Goods	-	1.9	0.4	-	-	-	2.3	0.3	2.4
Auto Components	1.5	-	-	-	-	-	1.5	1.4	3.1
Speciality Retail	-	0.8	-	-	-	-	0.8	0.6	2.8
Internet & Catalogue Retail	-	-	-	-	-	-	-	-	1.3
Multi-line Retail	-	-	-	-	-	-	-	0.6	0.7
	<b>12.7</b>	<b>7.4</b>	<b>3.5</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>24.1</b>	<b>9.4</b>	<b>26.8</b>
<b>Financials</b>									
Commercial Banks	-	3.0	2.6	-	-	2.8	8.4	17.8	12.0
Real Estate Management & Development	-	4.7	3.1	-	-	-	7.8	6.5	-
Insurance	-	4.3	-	-	-	-	4.3	4.5	0.5
Diversified Financial Services	-	-	-	-	-	-	-	1.4	2.8
Capital Markets	-	-	-	-	-	-	-	0.5	0.8
Real Estate Investment Trusts	-	-	-	-	-	-	-	0.7	-
	<b>-</b>	<b>12.0</b>	<b>5.7</b>	<b>-</b>	<b>-</b>	<b>2.8</b>	<b>20.5</b>	<b>31.4</b>	<b>16.1</b>
<b>Consumer Staples</b>									
Household Products	5.2	3.0	-	-	-	-	8.2	0.7	3.2
Food Products	-	-	-	-	1.0	-	1.0	2.9	1.3
Personal Products	0.8	-	-	-	-	-	0.8	0.5	0.8
Food & Staples Retailing	-	-	-	-	-	-	-	0.9	1.5
Tobacco	-	-	-	-	-	-	-	0.6	0.6
Beverages	-	-	-	-	-	-	-	0.1	-
	<b>6.0</b>	<b>3.0</b>	<b>-</b>	<b>-</b>	<b>1.0</b>	<b>-</b>	<b>10.0</b>	<b>5.7</b>	<b>7.4</b>
<b>Industrials</b>									
Machinery	-	-	1.2	-	2.3	-	3.5	1.6	3.6
Transportation Infrastructure	-	1.2	-	-	0.8	-	2.0	2.1	0.9
Industrial Conglomerates	-	-	-	-	1.8	-	1.8	3.6	5.8
Construction & Engineering	0.9	-	-	-	-	-	0.9	1.6	1.9
Trading Companies & Distributors	-	-	-	-	-	-	-	0.8	0.9
Aerospace & Defence	-	-	-	-	-	-	-	0.2	-
	<b>0.9</b>	<b>1.2</b>	<b>1.2</b>	<b>-</b>	<b>4.9</b>	<b>-</b>	<b>8.2</b>	<b>9.9</b>	<b>13.1</b>

# Distribution of the Portfolio<sup>1</sup> as at 31 July 2012

Equities	South Korea	Hong Kong	China	Taiwan	Singapore	Other	Total	Index <sup>2</sup>	31 July 2011
<b>Materials</b>									
Construction Materials	-	-	1.2	-	-	-	1.2	1.0	-
Paper & Forest Products	-	-	0.8	-	-	-	0.8	0.1	-
Chemicals	-	-	-	-	-	-	-	3.5	4.6
Containers & Packaging	-	-	-	-	-	-	-	-	2.6
Metals & Mining	-	-	-	-	-	-	-	2.3	0.9
	-	-	<b>2.0</b>	-	-	-	<b>2.0</b>	<b>6.9</b>	<b>8.1</b>
<b>Utilities</b>									
Other Utilities	-	-	1.2	-	-	-	1.2	0.3	1.5
Water Utilities	-	-	-	-	0.9	-	0.9	0.1	-
Electric Utilities	-	-	-	-	-	-	-	2.4	1.0
	-	-	<b>1.2</b>	-	<b>0.9</b>	-	<b>2.1</b>	<b>2.8</b>	<b>2.5</b>
<b>Healthcare</b>									
Healthcare Providers & Services	1.1	-	-	-	-	-	1.1	0.2	-
Pharmaceuticals	-	-	-	-	-	0.3	0.3	0.3	0.6
	<b>1.1</b>	-	-	-	-	<b>0.3</b>	<b>1.4</b>	<b>0.5</b>	<b>0.6</b>
<b>Energy</b>									
Oil, Gas & Consumable Fuels	-	-	-	-	1.1	-	1.1	7.7	2.2
	-	-	-	-	<b>1.1</b>	-	<b>1.1</b>	<b>7.7</b>	<b>2.2</b>
<b>Telecommunications Services</b>									
Diversified Telecommunication Services	-	-	-	-	-	-	-	2.9	0.7
Wireless Telecommunication Services	-	-	-	-	-	-	-	4.6	-
	-	-	-	-	-	-	-	<b>7.5</b>	<b>0.7</b>
<b>Total Equities – 2012</b>	<b>32.0</b>	<b>23.7</b>	<b>22.4</b>	<b>8.1</b>	<b>7.9</b>	<b>3.6</b>	<b>97.7</b>	<b>100.0</b>	<b>97.2</b>
<b>Cash &amp; Other Net Assets</b>							<b>2.3</b>		<b>2.8</b>
<b>Total Assets Employed – 2012</b>							<b>100.0</b>		<b>100.0</b>
<b>Index – 2012</b>	<b>22.8</b>	<b>19.0</b>	<b>19.9</b>	<b>15.8</b>	<b>8.2</b>	<b>14.3</b>		<b>100.0</b>	
<b>Total Equities – 2011</b>	<b>28.9</b>	<b>18.6</b>	<b>18.0</b>	<b>16.0</b>	<b>6.5</b>	<b>9.2</b>			<b>97.2</b>

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

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

# Notice of Meeting

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 Wednesday 28 November 2012 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 2012.
2. To approve the final dividend.
3. To re-elect Hugh Bolland as a Director of the Company.
4. To re-elect William Knight as a Director of the Company.
5. To re-elect Kate Bolsover as a Director of the Company.
6. To re-elect Philip Smiley as a Director of the Company.
7. To re-elect Kathryn Matthews as a Director of the Company.
8. To approve the Directors' Remuneration Report for the year ended 31 July 2012.
9. 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.
10. To authorise the Directors to determine the Auditor's remuneration.

## SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which Resolution 11 will be proposed as an ordinary resolution and Resolutions 12 and 13 as special resolutions.

Resolutions 11 and 12 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 28 September 2012. 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.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (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 £742,215 (approximately 5% of the aggregate nominal amount of the issued ordinary share capital of the Company as at 28 September 2012) 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.

12. THAT, subject to the passing of Resolution 11 set out above, the Directors be and they are hereby generally and unconditionally authorised, pursuant to Sections 570 and 573 of the Act to allot equity securities (as defined in Section 560 of the Act) pursuant to the authority given by the said Resolution 11 as if Section 561 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);
  - b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £742,215 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 28 September 2012); 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 13 is a special resolution which, if approved, will renew the Company's authority to purchase its ordinary and subscription shares for cancellation. The limit set by the Board is 14.99% respectively of the number of ordinary shares and subscription shares in issue on 28 September 2012. 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, thereby resulting in an increased net asset value per share.

# Notice of Meeting

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 25 pence each in the capital of the Company (the "ordinary shares") and of subscription shares of 0.01 pence each (the "subscription shares") provided that:

- a) the maximum number of shares hereby authorised to be purchased shall be 8,900,651 ordinary shares and 1,716,947 subscription shares;
- b) the minimum price which may be paid for an ordinary share is 25 pence and the minimum price which may be paid for a subscription share is 0.01 pence;
- c) the maximum price which may be paid for an ordinary 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 maximum price payable for a subscription share will not exceed the higher of (i) 5% above the average of the middle market quotations (as derived from the Official List) for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of subscription shares on the trading venue where the purchase is carried out;
- e) the authorities hereby conferred shall expire at the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
- f) the Company may make a contract to purchase ordinary or subscription 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  
22 October 2012

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

# Notes to Notice of Meeting

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 26 November 2012. 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 certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 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. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11.00 am on 26 November 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 11.00 am on 26 November 2012.
6. All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 11.00 am on 26 November 2012.
7. 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.
8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are 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.
9. 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 6.00pm on 26 November 2012. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members at 6.00pm on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
10. As at 28 September 2012 (the latest practicable date prior to the publication of this document) the Company's issued ordinary share capital consisted of 59,377,261 ordinary shares carrying one vote each and 11,453,952 subscription shares without voting rights. Therefore, the total number of voting rights in the Company as at 28 September 2012 was 59,377,261.
11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

## Notes to Notice of Meeting

12. 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.
13. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that is to be laid before the Annual General Meeting or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which annual reports and financial statements were laid. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
14. Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 15 October 2012 being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.
15. No Director has a service contract with the Company.
16. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

Registered Office:  
Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey KT20 6RP

# Financial Calendar

The key dates in the Company's calendar are:

31 July 2012	- financial year end
28 September 2012	- announcement of results for the year ended 31 July 2012
3 October 2012	- ex-dividend date
5 October 2012	- record date
October 2012	- publication of this report
28 November 2012	- Annual General Meeting
6 December 2012	- payment of the final dividend
Mid December 2012	- Interim Management Statement (as at 31 October 2012)
31 January 2013	- half-year end
March 2013	- announcement of half-yearly results to 31 January 2013
April 2013	- publication of half-yearly report
Mid June 2013	- Interim Management Statement (as at 30 April 2013)

# Investing in Fidelity Asian Values PLC

The information on the following pages is provided by Fidelity and should not be seen as a recommendation by the Board of Fidelity Asian Values PLC.

Fidelity 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.

The maximum investment in a stocks and shares ISA is £11,280 for the 2012/13 tax year. The full amount may be invested in a Stocks and Shares ISA, or you can invest up to half the ISA allowance in a Cash ISA and the balance in a Stocks and Shares ISA. The minimum initial 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% but if you use the online application form you will pay just 1.25% initial charge. Fidelity pays stamp duty from the initial charge. There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 1.0%, as set out in the Annual Report.

## MOVING MONEY FROM A PREVIOUS ISA

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. Please note that during the transfer your money will not be invested in the stock market so you may miss out on any growth during this time.

**Charges** – Fidelity does not apply an initial charge for a transfer into Fidelity Asian Values PLC. You will also 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. If your old fund provider charges you a fee for leaving them, you can claim it back from Fidelity. Please note this offer does not apply to Fidelity's share dealing service.

## 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 through a regular savings plan. Holding shares within the Share Plan 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.

**Investing for children** – the Share Plan is a flexible and inexpensive way to invest on behalf of children. All you need to

do is enter the initials or name of the child in the Designation Box on the Share Plan application form.

**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 a Financial Adviser, there may be an initial charge of up to 3%.

## BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

Registered shareholders of fully listed companies are able to nominate the underlying beneficial owners of their shares to receive information rights. You should contact your registered shareholder direct to request to receive 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

Whilst you cannot use a Debit Card online to buy an ISA or invest through a Share Plan, the application forms you need are all available via [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its). You can also invest online in Fidelity Asian Values PLC shares via the share trading facility available via our website [www.fidelity.co.uk/sharenetwork](http://www.fidelity.co.uk/sharenetwork). The Share Dealing service, ShareNetwork, is provided by Xest which is the online trading division of Charles Stanley & Co Limited, a leading London stockbroker. ShareNetwork enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8 am and 4.30 pm any working day. Shares in ShareNetwork can either be held inside or outside of an ISA, subject to the normal ISA limits and restrictions. You will be shown a real-time price and be 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 CREST personal 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. There is no extra charge for opening a ShareNetwork ISA and share purchases or sales are executed on line 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 £5.10 per month, regardless of how many different shares you own and whatever their value. Of course, you need to remember that the value of tax savings and eligibility to invest in an ISA will depend on your individual circumstances, and all tax rules may change in the future.

# Investing in Fidelity Asian Values PLC

## CONTACT INFORMATION

**Private investors:** call free to 0800 41 41 10, 9 am to 6 pm, Monday to Saturday.

**Financial advisers:** call free to 0800 41 41 81, 8 am to 6 pm, Monday to Friday.  
[www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

**Existing shareholders** who have a specific query regarding their holding or need to provide updated 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: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30 am – 5.30 pm Monday to Friday) email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

Details of individual shareholdings and other information can also be obtained from the Registrars' website:  
[www.capitaregistrars.com](http://www.capitaregistrars.com)

### Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 24035, 12 Blenheim Place, Edinburgh EH7 9DD. Telephone: 0845 358 1107 (calls from a BT landline are charged at the local rate dependent on the tariff. Other telephone service providers' costs may vary).

### Fidelity ISA investors

Fidelity, using the freephone numbers given above, or by writing to: UK Customer Service, Fidelity Worldwide Investment, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

**General enquiries** should be made to Fidelity, the Investment Manager and Secretary, at the Company's registered office: FIL Investments International Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. Telephone: 01732 361 144. Fax: 01737 836 892  
[www.fidelity.co.uk/its](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** – Allows shareholders to change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download from this site forms such as change of address, stock transfer and dividend mandate forms 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.capitashareportal.com](http://www.capitashareportal.com)

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. Lines are open 8.30 am – 5.30 pm Monday to Friday). 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 the 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.

## KEEPING YOU UPDATED

If you hold Fidelity Asian Values PLC shares in an ISA, you will receive a yearly report detailing all of your transactions and the value of your shares. Investors with the Fidelity Investment Trust Share Plan will receive statements and valuations twice a year.

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). You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0905 817 1690 (voice activated service) (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary).

# Investing in Fidelity Asian Values PLC

## 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 (9 am to 6 pm Monday to Saturday).

Alternatively, you may like to visit the Fidelity London Investor Centre at 25 Cannon Street, next to 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.

The Fidelity Individual Savings Account ("ISA") and Junior ISA is offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are regulated by the Financial Services Authority. The Fidelity Investment Trust Share Plan is administered by The Bank of New York Mellon and shares will be held in the name of The Bank of New York Nominees Limited.

The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. Fidelity investment trusts are managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

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. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than older developed markets.

Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

Issued by Fidelity Asian Values PLC.

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The contents of websites referred to in this document do not form part of the Annual Report.

# Glossary of Terms

## AMERICAN DEPOSITARY RECEIPT (ADR)

An **American Depositary Receipt** is a negotiable certificate issued by a US bank representing a specified number of shares in a foreign stock that is traded on a US Exchange

## BENCHMARK

MSCI All Countries (Combined) Far East Free ex Japan Index (net)

## CAPITAL GAINS TAX (CGT)

The tax you may have to pay if you sell your shares at a profit

## CONTRACT FOR DIFFERENCE (CFD)

A **Contract For Difference** is a **derivative**. It is a contract between the Company and a third party at the end of which the parties exchange the difference between the opening price and the closing price of an underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A **Contract For Difference** allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may reason that the asset price will rise, by buying ("long" position) or fall by selling ("short" position). If the Company trades long, dividends are received and interest is paid. If the Company trades short, dividends are paid and interest is received. The Company only intends to use long **Contracts For Difference**

## CORPORATION TAX

The tax the Company may have to pay on its profits for a year. As an investment trust company, the Company is exempt from **corporation tax** on its capital gains and does not pay tax on any UK dividends. It can also offset expenses against any taxable income and consequently it is tax efficient and does not pay **corporation tax**

## DERIVATIVES

Financial instruments (such as futures, options and **Contracts For Difference**) whose value is derived from the value of an underlying asset

## DISCOUNT

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

## FAIR VALUE

The **fair value** is the best estimate of the value of the investments at a point in time and this is measured as:

- Listed investments valued at bid prices, or last prices, where available, otherwise at published price quotations
- Unlisted investments valued using an appropriate valuation technique in the absence of an active market

## GEARING

The term used to describe the process of borrowing money, via bank loans or bank overdrafts, for investment purposes. **Gearing** is used in the expectation that the returns on the investments bought will exceed the costs of the borrowings that funded the investment purchases. It is usually expressed as a percentage of **shareholders' funds** and is reported as gross **gearing** or net **gearing**. For example, if the Company has £117.1 million in net assets and £9.6 million in bank loans, then gross **gearing** is 8.2%. Net **gearing** is 4.9% which is the bank loans less £3.8 million cash as a percentage of **shareholders' funds**

## NET ASSET VALUE (NAV)

**Net asset value** is sometimes also described as "**shareholders' funds**", and represents the total value of the Company's assets less the total value of its liabilities. For valuation purposes it is common to express the **net asset value** on a per share basis

## ONGOING CHARGES

Total expenses (excluding finance costs and taxation) incurred by the Company as a percentage based on average net asset values (previously known as the total expense ratio)

## PRE-EMPTION RIGHTS

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held by exiting shareholders. At each annual general meeting, the Board seeks shareholder approval to disapply **pre-emption right** provisions

## PREMIUM

If the share price of the Company is higher than the **net asset value** per share, the Company's shares are said to be trading at a **premium**. The **premium** is shown as a percentage of the **net asset value**. The opposite of a **premium** is a **discount**

## RETURN

The return generated in the period from the investments:

- **Income Return** reflects the dividends and interest from investments and other income net of expenses, finance costs and taxation
- **Capital Return** reflects the return on capital, excluding any income returns
- **Total Return** reflects the aggregate of capital and income returns in the period. The **net asset value** total return reflects capital changes in the **net asset value** and dividends paid in the period

# Glossary of Terms

## SHARE REPURCHASES

An increasingly popular way for investment trust companies to return cash to their shareholders is through offering to repurchase a proportion of shares currently held. Companies seek the permission of shareholders to do so at their annual general meetings allowing them to repurchase a proportion of their total shares (up to 14.99%) in the market at prices below the prevailing **net asset value** per share. This process is also used to enhance the **net asset value** per share and to reduce the **discount to net asset value**

## SHAREHOLDERS' FUNDS

**Shareholders' funds** are also described as "**net asset value**" and represent the total value of the Company's assets less the total value of its liabilities

## TOTAL RETURN PERFORMANCE

The return on the ordinary share price or **net asset value** per share taking into account the rise and fall of ordinary share prices and the dividends paid to shareholders. Any dividends received by the shareholder are assumed to have been reinvested in additional ordinary shares (for share price total return) or the Company's assets (for **net asset value** total return)



# Warning to Shareholders

## SHARE FRAUD WARNING

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Services Authority (FSA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

## PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the FSA Register at [www.fsa.gov.uk/fsaregister](http://www.fsa.gov.uk/fsaregister) to ensure they are authorised.
3. Use the details on the FSA Register to contact the firm.
4. Call the FSA Consumer Helpline on **0845 606 1234** if there are no contact details on the Register or you are told they are out of date.
5. Search the FSA's website list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

## REPORT A SCAM

If you are approached about a share scam you should tell the FSA using the share fraud reporting form at [www.fsa.gov.uk/scams](http://www.fsa.gov.uk/scams), where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0845 606 1234**.

**If you have already paid money to share fraudsters you should contact Action Fraud on**

**0300 123 2040**



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