

**FIDELITY**

**ASIAN VALUES PLC - 3183919**

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**Annual Report for the year ended**

**31 July**

**2002**



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COMPANIES HOUSE

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# Company Summary

as at 31 July 2002

<b>Investment objective</b>	To achieve long-term capital growth through investment principally in the stockmarkets of the Asian Region (excluding Japan)
<b>Benchmark index</b>	MSCI All Countries Combined Far East Free ex Japan Index
<b>Management company</b>	Fidelity Investments International
<b>Total assets employed*</b>	£81.2m
<b>Total net assets</b>	£60.7m
<b>Market capitalisation</b>	£55.9m
<b>Capital structure</b>	ordinary shares of 25p 93,505,653 in issue warrants 20,468,547 in issue
<b>Continuation vote</b>	If the shares have traded at an average discount in excess of 15% to the diluted net asset value for a 12 month period leading up to the board meeting at which the annual accounts and notice of the Annual General Meeting are approved, the Board intends to put forward an ordinary resolution on whether the Company should continue as an investment trust at the AGM in 2002, and at future AGMs if appropriate. The average discount for the 12 months to 23 September 2002 was 13.8%. Therefore there will not be a vote on the continuation of the Company at the AGM in 2002.
<b>Management &amp; secretarial fee</b>	Fidelity provides management, accounting, administrative and secretarial services to the Company under an agreement entered into on 15 May 1996, which is terminable by either party at any time by giving one year's notice in writing. The agreement provides for a fee at the rate of 0.25% per quarter (plus VAT) of the value of the total assets under management, calculated and payable quarterly in arrear, as of the last business day of March, June, September and December in each year. In computing total assets, the value of any investment in any fund which is managed by the Manager, or an Associate of the Manager, is excluded (with the exception of cash funds where a reduced fee of 0.2125% per quarter is payable). Secretarial and accounting services are currently charged at £26,832 per calendar year (subject to annual indexation).
<b>Investment trust status</b>	The Inland Revenue has approved the Company as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the years ended 31 July 1999, 31 July 2000 and 31 July 2001. The Company has conducted its affairs in a manner which will enable it to satisfy the conditions for approval as an investment trust in respect of the year ended 31 July 2002.
<b>ISA status</b>	Investment limit £7,000 in the 2002/2003 tax year.

\* total assets less current liabilities.

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## Summary of Results

	2002	2001	% change <sup>(1)</sup>
<b>Assets</b> at 31 July			
Total assets employed	£81.2m	£84.6m	-4.1%
Shareholders' funds	£60.7m	£62.2m	-2.4%
Borrowings as % of shareholders' funds	33.6%	36.1%	
Borrowings less cash <sup>†</sup> as % of shareholders' funds	14.3%	30.5%	
Undiluted net asset value per share (NAV)	64.95p	64.50p	+0.7%
<b>Results</b> for the year to 31 July			
Capital (loss)/return per ordinary share	0.82p	(36.38p)	
Revenue loss per ordinary share	(0.85p)	(1.31p)	
<b>Stockmarket Data</b>			
MSCI AC (Combined) Far East Free ex Japan Index <sup>(2)</sup>	126.03	128.51	-1.9
Share price			
year end	59.75p	52.25p	14.4
high	75.25p	96.00p	
low	35.25p	50.50p	
Discount			
year end	8.01%	19.0%	
high	24.84%	21.4%	
low	4.31%	8.7%	
Warrant price			
year end	10.00p	8.75p	14.3
high	17.00p	32.75p	
low	5.00p	8.00p	
Package price ie. 5 shares + 1 warrant	308.75p	270.00p	
<b>Total Returns</b> (includes reinvested income)%	<b>year to 31 July 2002</b>	<b>since launch</b>	
NAV	+0.7	-31.7	
Share price	+14.4	-35.5	
MSCI AC (Combined) Far East Free ex Japan Index <sup>(2)</sup>	-0.34	-47.35	
<b>Total expense ratios</b> for the year to 31 July <sup>(3)</sup>	<b>2002</b>	<b>2001</b>	
Total assets employed	1.32%	1.37%	
Shareholders' funds (cost of running trust)	1.77%	1.76%	

(1) price change

(2) sterling adjusted

(3) operating expenses (excluding interest and tax) based on average total assets less current liabilities excluding fixed-term loans and shareholders' funds at the end of each month.

<sup>†</sup> cash includes investment in Fidelity Institutional Cash Fund plc.

## Summary of Performance

Historical Record	31 July 2002	31 July 2001	31 July 2000	31 July 1999	31 July 1998	30 April 1997
Total assets employed	£81.2m	£84.6m	£123.6m	£94.2m	£55.6m	£125.0m
Shareholders' funds	£60.7m	£62.2m	£102.3m	£94.2m	£55.6m	£106.0m
NAV - undiluted	64.95p	64.50p	101.83p	93.00p	54.10p	103.15p
Share price	59.75p	52.25p	90.25p	81.75p	45.50p	95.50p
Warrant price	10.00p	8.75p	28.00p	28.75p	14.25p	39.00p
Discount	8.0%	19.0%	11.4%	12.1%	15.9%	7.4%
Revenue return per ordinary share	(0.85p)	(1.31p)	(1.22p)	0.64p	1.10p <sup>#</sup>	0.34p <sup>*</sup>
Dividend per ordinary share	nil	nil	nil	0.42p	nil	nil <sup>*</sup>
Cost of running trust <sup>†</sup>	1.77%	1.76%	1.64%	1.59%	1.57% <sup>††</sup>	1.23% <sup>††</sup>
Actual gearing ratio - net of cash	14.3%	30.5%	19.9%	nil	nil	16.2%
NAV - undiluted total return	0.7%	-36.7%	+10.0%	+71.9%	-47.6% <sup>#</sup>	+8.0% <sup>*</sup>
Share price total return	14.4%	-42.1%	+10.9%	+79.7%	-52.4% <sup>#</sup>	+2.6% <sup>*</sup>
Index total return	-0.34%	-27.5%	+8.4%	+86.0%	-57.8% <sup>#</sup>	-10.0% <sup>*</sup>

**Total return performance**  
from launch to 31 July 2002

**Total return performance relative to the benchmark index**  
from launch to 31 July 2002

**NAV, share price and warrant price**  
from launch to 31 July 2002

**Share price discount to NAV**  
from launch to 31 July 2002

<sup>#</sup> for the 15 months to 31 July 1998

<sup>\*</sup> for the period from 2 April 1996 to 30 April 1997

<sup>†</sup> operating expenses (excluding interest and before tax) as a percentage of average shareholders' funds at the end of each month

<sup>††</sup> annualised

## Board of Directors

### **The Hon Sir Victor Garland KBE** \*†

(Chairman) (age 68, date of appointment: 11.04.96) is non-executive Chairman of Henderson Far East Income Trust plc and a non-executive director of a number of public companies in the UK including The Throgmorton Trust Plc. He was formerly a director of the

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

**Roger Hulett** \* (age 55, date of appointment: 21.07.00) previously head of Investment Trusts at Dresdner Kleinwort Benson Securities, a position he held since 1995. During his 37 years in the investment trust industry he has been director of Investment Trust Sales at NatWest Securities (1988-95), worked in investment trust sales with Wood

Mackenzie & Co, Hill Samuel and NatWest Securities (1976-88) and was involved in investment trust trading with Akroyd & Smithers (1964-76). He is currently a non-executive director of Henderson European Micro Trust PLC and Edinburgh Leveraged Income Trust PLC.

**David FitzWilliam-Lay** \* (age 70, date of appointment: 11.04.96) is Chairman of the Prospect Japan Investment Trust and a non-executive director of the Eastern European Trust. He was Chairman of GT Management PLC, having previously been Chief Executive and having also held a number of other senior positions within

the company, including Chief Executive of its Hong Kong subsidiary. Prior to this he was Vice President of institutional sales at Baker Weeks Inc and its successor firm, Dean Witter Reynolds Inc. He was also a Governor of the National Association of Securities Dealers (1988 - 1991).

**Sir Robin McLaren KCMG** \* (age 68, date of appointment: 10.09.97) is currently a non-executive director of Govett Asian Recovery Trust and INVESCO Asia Investment Trust. He retired from the Diplomatic Service in 1994. Much of his official career was spent in, or dealing with, the Asia/Pacific region, particularly China

and Hong Kong. His last post was as Ambassador to China (1991-94); he was also Ambassador to the Philippines in the mid 1980s. Among other appointments, he is Chairman of the Council of Royal Holloway, University of London.

**Simon Haslam** (age 45, date of appointment: 10.03.99) is a Senior Vice President and Managing Director at Fidelity International Limited. His responsibilities include oversight of relationships between Fidelity and all of the external directors in Fidelity managed Investment Trusts. Before joining Fidelity

in 1995, he was an audit and consulting partner at what is now Deloitte & Touche, where he specialised in the fund management and securities industry. He is also a non-executive director of Fidelity Special Values PLC. His career in financial services, spanning more than twenty years, has concentrated on financial, compliance and business matters affecting stockbroking, investment banking and fund management businesses internationally.

All of the Directors are non-executive and, with the exception of Mr Haslam, are also independent.

\* members of the Audit Committee and Management Engagement Committee

† Chairman of the Audit Committee

## Chairman's Statement

**Sir Victor Garland**  
Chairman

**Performance** - This has been another difficult year. The state of the American economy, and the absence of any clear evidence of the much-anticipated recovery, have had a depressing effect on world markets. This has been compounded by the serious accounting and other scandals in the US that increased market volatility and undermined investor confidence.

Asia has to some extent proved the exception. Although rates of growth differed, most Asian economies showed an improvement over the previous year. This is in part due to the structural reforms put in place after the last Asian financial crisis, reforms which have in turn contributed to the emergence of Asia as a consumer base and done much to boost the region's economic outlook. Asian electronic and other exporting industries nonetheless remain heavily dependent on the US and Europe. In the first quarter of 2002, strong export demand from the US provided a boost to manufacturing and profit growth expectations, but this tailed off in the second quarter as confidence declined in the strength of any US recovery. At the same time, sterling based Asian investors saw some of the gains registered in the rising markets of the first quarter reduced by the fall in the US dollar.

The net asset value per share of the Company rose by 0.7% in the year to 31 July 2002. The MSCI All Countries (Combined) Far East Free ex Japan Index fell by 0.34% and the share price rose by 14.4% over the same period. (All figures in sterling terms and on a total return basis). A detailed review of performance is set out in the Manager's review on pages 9 to 11.

**Gearing** - As at 31 July 2002, gross gearing amounted to 33.6% of shareholders funds and net gearing (i.e. after deducting cash held) amounted to 14.3%. As at 23 September 2002 gross gearing was 39.3% and net gearing was 20.4%. The Board regularly reviews the gearing position of the Company in light of investment opportunities.

As reported last year we have entered into a loan agreement with HSBC Bank Plc for an amount of US \$32 million at a fixed rate of 6.28% for a period of 5 years from 27 September 2001.

**Continuation Vote** - The average discount for the 12 months to 23 September 2002 was 13.8% therefore there will not be a vote on the continuation of the Company at the AGM this year.

**Purchase of Own Shares** - In the year to 31 July 2002 the Company purchased and cancelled 2,865,000 shares. Full details of these purchases and the renewal of the Company's authority to purchase shares are set out in the Directors' Report on page 16. Purchases are made by the Manager within guidelines laid down by the Board and are only made if they will result in an uplift in the net asset value.

No shares have been purchased for cancellation since the year end.

**Dividend** - The Company's objective is to achieve long-term capital growth and a dividend will only be paid if necessary to retain investment trust status. Since the Company has revenue losses this year it is not required to pay a dividend.

**Directors** - David FitzWilliam-Lay is retiring from the Board at the forthcoming Annual General Meeting. David has served as a director since the launch of the Company in 1996. His wide experience and senior positions in the financial services industry have made him a valuable colleague and we all wish to thank him.

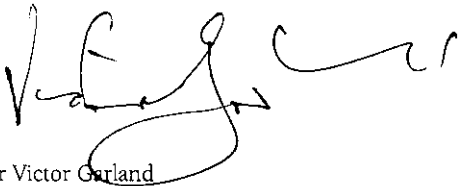
**Outlook** - The outlook for all markets, including those in Asia, is clouded by the prospect of military action against Iraq and

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the possibility of wider conflict. As Asian markets have already made substantial gains from their lower levels, the potential for further gains may, in any case, be limited in the short term. However, the region remains a key beneficiary of a global economic recovery, and should perform well once that recovery has begun.

The continuing trend of outsourcing, increased consumer demand, the rise of brand name credibility and the many corporate and government reforms that have occurred over the last few years, are all positive developments for Asia. In general, we believe that Asia continues to offer many attractive long-term investment opportunities.

**Annual General Meeting** - The AGM is due to take place on 28 November 2002 at Fidelity's London Cannon Street office at midday and all shareholders, ISA, Share Plan and PEP investors are invited to attend. The Investment Manager will be making a presentation on Asia and the prospects for Fidelity Asian Values. Light refreshments will be available. Full details of the meeting are given on pages 40 to 42.



Sir Victor Garland

Chairman

24 September 2002

## Investment Manager

### **Fidelity Investments International**

The Company is managed by Fidelity Investments International (regulated by the Financial Services Authority), in conjunction with Fidelity Investments Management (Hong Kong) Limited. Both of these companies are part of the Fidelity Organisation, which, as at 30 June 2002, had total assets under management exceeding £600 billion. Fidelity has developed into the world's largest independent investment management organisation and was one of the first Western groups to establish a research presence in the Asian region.

### **John Lo** (age 34)

is currently a fund manager with Fidelity Investments Management (Hong Kong) 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 management of a number of Fidelity funds investing in Asia.

# Investment Manager's Report

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**Performance** - As a result of continuing volatility the Asian markets exhibited a wide range of returns over the review period. The best performing market was Korea, which rose by 50.3% as measured by the MSCI Korea index. The markets of Thailand, Indonesia and Malaysia also gave positive returns, rising by 25.3%, 9.3% and 4.7% respectively as calculated by MSCI. The worst performing markets in the region were Hong Kong and the Philippines, which fell by 19.2% and 28.7% respectively. (All figures in sterling terms.) During the period the benchmark MSCI All Country Combined Far East Free ex Japan index fell by 0.34%.

## **Total return performance for the year to 31 July 2002**

**Markets** - The Korean market rebounded steadily from its low following the terrorist attacks in the US on 11 September 2001, due to a cyclical recovery in domestic consumption and an increase in demand for electronics goods from the US. However, following the highs reached in April, end-product demand in the technology sector started to weaken. This caused some investors to take profits and eroded part of the earlier market gain. Another theme in the market was the high level of domestic consumption and shares in companies that benefited from this theme continued to attract interest from investors.

At the beginning of the reporting period the Taiwanese market benefited from signs of strong demand from US companies for technology related products. However, the stock market is quite sensitive to movements in the shares of semi-conductor manufacturers which form an important part of the country's technology sector. From April onwards, this market sector fell sharply and caused the overall market to fall. Furthermore, towards the end of the review period, escalating political

tension between Taiwan and mainland China further affected investor sentiment. The MSCI Taiwan index finished the period down 1.9% in sterling terms.

The markets of Singapore and Hong Kong were disappointing throughout the period. Although these markets are sensitive to movements in interest rates, they failed to gain from the low interest rate environment and positive government incentives. The Singaporean market fell by 12.6% and Hong Kong by 19.2% over the period. The Hong Kong market was particularly subdued partly due to weakness in the economy - unemployment rose to 7.8% for the three months to July, consumer confidence continued to fall and deflationary pressures persisted.

Of the smaller markets, Thailand was the best performer, rising by 25.3% during the period. This was due to a strong rebound in domestic consumption, helped in part by government reforms. With greater political stability, Malaysia and Indonesia saw a recovery in their domestic economic sectors. However, these gains were reduced in sterling terms, due to the US dollar's fall. In sterling terms Malaysia and Indonesia rose by 4.7% and 9.3% respectively. The Philippines stock market fell 28.7% in sterling terms.

In the early part of the review period most of the Asian markets experienced a slow-down in growth and earnings. Over the first quarter of 2002, there were continued signs of a decline in exports; as elsewhere, economic activity in the region was badly affected by the aftermath of the terrorist attacks of September 11. However, from the second quarter onwards, signs of improvement in economic growth became evident.

## **Local Market Returns for the year to 31 July 2002**

## Investment Manager's Report

Singapore's gross domestic product grew by an estimated 3.2% year-on-year in the second quarter of 2002, improving from contractions of 1.7% in the first quarter of 2002 and 6.6% in the last quarter of 2001. Taiwan also reported that its economy grew by 4.0% year-on-year in the second quarter of 2002, strengthening from the 0.9% increase in the first quarter, and contractions of 4.2% and 1.9% respectively in the third quarter and fourth quarter of 2001. Hong Kong's economy also showed signs of improvement with a first quarter GDP fall of 0.9%, against a 1.4% contraction in the last quarter of 2001. Meanwhile, South Korea's economy grew by 5.7% in the first quarter of 2002 outpacing the 3.7% growth in the last quarter of 2001. The improvement in growth was driven by strong private consumption.

The concerted interest rate cuts that had taken place throughout most of 2001 gradually slowed and by the second quarter of 2002 many investors were expecting rates to rise. In May, the Bank of Korea raised rates by a quarter of a percentage point to 4.25%, due to concerns about the strength in the property market and increasing consumer credit. However, Taiwan's central bank cut interest rates by 0.25 percentage points to 1.87%.

**Portfolio Review** - The Manager continues to focus on investing for the long term in large and medium-sized companies, looking for those with undervalued share prices, sound balance sheets, strong long-term profit growth potential and capable management. The Company maintains limited exposure to smaller companies. This because in Asia larger companies have longer track records, which offer evidence of their managements' competence, corporate strategies and assessment of business risks.

The Company marginally outperformed the benchmark during the review period. The NAV per share rose by 0.7% against a benchmark decline of 0.34%. This was primarily due to the Company's relatively large exposure to Korean banking, electronic and consumer stocks. Performance was hurt by the Company's investment in Hong Kong property, which failed to benefit from low interest rates.

The early part of 2002 was characterized by a return of strong export-led demand in the electronic and technology sector

and, along with the sharp rise in consumer led demand, was most positive for the Korean stock market. Among the Company's Korean holdings, Kookmin Bank, one of the largest banks in Korea, rose by 74.7% during the review period. Similarly Samsung Electronics, the world's largest DRAM manufacturer, and Hyundai Motor, a leading car manufacturer in Korea, both among the Company's top holdings, rose by 75% and 60% respectively.

The economic climate in Hong Kong remained weak during the first half of 2002 and as unemployment rose, property and retail sales sectors continued to weaken. Sun Hung Kai Properties and Cheung Kong Holdings, two major property developers in Hong Kong, fell by 20% and 23.8% over the period.

The Company's overweight positions in Hong Kong telecommunications stocks, were negatively affected by the decline in such companies in virtually all markets. News of corporate accounting scandals, such as those of WorldCom in the US, sapped investor confidence in the sector. China Mobile fell by 43% over the review period.

Stock picking determines the country allocation for the Company. In overall terms, the Manager reduced the Company's larger than index allocation in Korea in order to capitalize on the good performance of holdings; remained positive on stocks that were well positioned to benefit from the continued consumer recovery; reduced positions in Hong Kong as the weak economic outlook continued to weigh on investor confidence; added to holdings in Malaysia where it was felt that the improving economy and government incentives would be positive for stock prices, and bought shares in Indian companies which had fallen to attractive levels owing mainly to political concerns.

**Outlook for the Region** - The strong stock market performance seen in much of Asia since the beginning of the year was in sharp contrast to the rest of the world. This performance was in part due to the anticipated benefits of global economic recovery, as well as growth in regional consumer demand, developing Asian brand awareness and relative political and corporate stability.

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**Geographical Portfolio Allocation**  
as at 31 July 2001 and 2002

long-term regional growth. Share valuations are still attractive relative to the larger markets of the US and Europe. These factors continue to provide a positive stock-picking environment in Asia.

Fidelity Investments International  
24 September 2002

While the uncertain economic outlook and low demand for electronics goods in the US persists it is likely that the semiconductor and electronics manufacturers will continue to suffer. However, continuing economic growth and rising consumer spending in Asia suggest that over time the region will be less reliant on the US for its economic stability. Further, as China and India develop there will be increasing investment opportunities in these markets.

The quality of companies in the region is another important factor. It has improved markedly as a result of the corporate restructuring carried out in the wake of the Asian financial crisis of 1997/98.

A further positive influence on the region's economy is the growth of outsourcing in Asia. Many US and European companies have become more dependent on the manufacturers in the region where companies have strong brand names with international recognition. These companies are poised to benefit from any global recovery as well as the growth in their domestic economies where consumer demand continues to be strong.

Overall, while the outlook for Asia, like the rest of the world, is likely to be heavily influenced by the US economic climate, the region's markets are now relatively attractive compared with those elsewhere. Moreover, the increase in domestic consumption, the growth in outsourcing and improved Asian brand recognition are major investment themes propelling

## Portfolio Listing

as at 31 July 2002

Holdings by value	Market Value £'000	% <sup>†</sup>
<b>Fidelity Institutional Cash Fund</b> <i>Cash fund</i>	7,231	8.9
<b>Samsung Electronics</b> <i>Korean integrated electronics manufacturer</i>	5,999	7.4
<b>Kookmin Bank</b> <i>Bank services provider in Korea</i>	2,985	3.7
<b>Hutchison Whampoa</b> <i>Hong Kong property/retailing/telecommunications/energy</i>	2,857	3.5
<b>China Mobile</b> <i>A major cellular operator in China</i>	2,478	3.0
<b>Hon Hai Precision Industries</b> <i>Taiwanese manufacturer of electronic connectors and cable assemblies</i>	1,985	2.4
<b>Sun Hung Kai Properties</b> <i>Hong Kong Property developer</i>	1,670	2.1
<b>Fubon Financial Holdings</b> <i>Taiwan Insurance/Securities/Bank/Life Assurance</i>	1,630	2.0
<b>Cheung Kong Holdings</b> <i>Hong Kong property/real estate developer</i>	1,625	2.0
<b>United Overseas Bank</b> <i>One of Singapore's 'big 4' banks</i>	1,545	1.9
<b>SK Telecom</b> <i>Mobile telecommunication services provider in South Korea</i>	1,480	1.8
<b>Resorts World</b> <i>Tourist Resort in Genting Highlands, Malaysia</i>	1,479	1.8
<b>Posco</b> <i>Manufactures steel products in Korea</i>	1,445	1.8
<b>HSBC Holdings</b> <i>Hong Kong banking and financial services company</i>	1,401	1.7
<b>Taiwan Semiconductor Manufacturing</b> <i>Integrated circuit manufacturer</i>	1,390	1.7
<b>Singapore Press Holdings</b> <i>Newspaper monopoly</i>	1,343	1.7
<b>Johnson Electric Holdings</b> <i>Designs/manufacturers/markets micromotors in Hong Kong</i>	1,312	1.6
<b>Samsung Fire &amp; Marine</b> <i>Non Life Insurance services in Korea</i>	1,268	1.6
<b>DBS (Development Bank of Singapore)</b> <i>Banking/financial services</i>	1,184	1.5
<b>Hyundai Department Store</b> <i>Department stores and hotels in Korea</i>	1,156	1.4
<b>Oversea-Chinese Banking</b> <i>Singapore banking services provider</i>	1,103	1.4
<b>Cathay Financial Holdings</b> <i>Life, Healthcare and Accident Insurance in Taiwan</i>	1,074	1.3
<b>China Trust Financial Holdings</b> <i>Banking and financial services in Taiwan</i>	1,050	1.3
<b>Singapore Airlines</b> <i>Airline/airport terminal services/catering</i>	991	1.2
<b>Hana Bank</b> <i>Banking services in Korea</i>	973	1.2
<b>Top 25 Holdings</b>	48,654	59.9

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

## Portfolio Listing

as at 31 July 2002

Holdings by value	Market Value £'000	%*
<b>Hanjaya Mandala Sampoerna</b> <i>Indonesian manufacturer of cigarettes and related activities</i>	950	1.2
<b>United Microelectronics</b> <i>Taiwanese producer of integrated circuits and related electronic products</i>	918	1.1
<b>Berjaya Sports ICULS 8% 2012</b> <i>Operates a betting game Toto in Malaysia</i>	907	1.1
<b>Hong Kong &amp; China Gas</b> <i>Produces and distributes gas and gas appliances</i>	779	1.0
<b>Korea Electric Power</b> <i>Korea's electric power company</i>	777	1.0
<b>Telekomunikasi Indonesia</b> <i>Provides a range of telecommunications services</i>	739	0.9
<b>Kookmin Credit Card</b> <i>Credit card services provider in Korea</i>	711	0.9
<b>Pacific</b> <i>Develops/manufactures beauty and health care products in Korea</i>	693	0.9
<b>Swire Pacific Ltd 'A'</b> <i>Operates real estate, aviation, beverage, industrial and marine services in Hong Kong</i>	691	0.9
<b>Shinhan Financial Group</b> <i>Provides general banking and financial services in Korea</i>	688	0.8
<b>Quanta Computer</b> <i>Manufactures/markets notebook computers and related peripheral equipment in Taiwan</i>	673	0.8
<b>Magnum</b> <i>Malaysian operator of betting games</i>	670	0.8
<b>City Developments</b> <i>Develops and owns properties in Singapore</i>	669	0.8
<b>Singapore Telecom</b> <i>International/mobile telecommunications firm</i>	651	0.8
<b>AMMB</b> <i>Provider of banking, financing and financial services in Malaysia</i>	629	0.8
<b>Huaneng Power International</b> <i>Develops/constructs/owns coal-fired power plants in China</i>	607	0.7
<b>CNOOC</b> <i>Explores/develops/produces and sells crude oil and natural gas in Hong Kong</i>	604	0.7
<b>Formosa Plastic</b> <i>Manufactures/markets plastic materials and chemical fibre products in Taiwan</i>	569	0.7
<b>PCCW</b> <i>Provider of telecommunications services in Hong Kong</i>	562	0.7
<b>Nan Ya Plastics</b> <i>Polyester filament yarn/processed plastic goods manufacturer in Taiwan</i>	551	0.7
<b>Asustek Computer</b> <i>Taiwanese manufacturer of computer motherboards, notebook computers etc.</i>	548	0.7
<b>Esprit Holdings</b> <i>Develops and retails fashion products in Hong Kong</i>	546	0.7
<b>Media Tek</b> <i>Manufactures CD-ROM and DVD-ROM chip sets in Taiwan</i>	530	0.7
<b>Sime Darby Bhd (My)</b> <i>Principal activity is plantations, manufacturing and property development in Malaysia</i>	510	0.6
<b>Arab Malaysia</b> <i>Provider of a range of financial services</i>	504	0.6
<b>Top 50 Holdings</b>	65,330	80.5
<b>Other Holdings (50)</b>	11,650	14.4
	76,980	94.9
<b>Cash &amp; other net assets</b>	4,193	5.1
	81,173	100

\* % total assets less current liabilities, excluding loan liability

# Distribution of the Portfolio\*

as at 31 July 2002

	Korea	Hong Kong	Taiwan	Singapore	Malaysia	Other	Total	Index	31 July 2001
<b>Equities (including convertibles)</b>									
Financials									
Banks	5.8	1.9	1.3	4.6	0.7	0.7	15.2	16.8	16.4
Diversified Financials	0.9	1.0	2.0	0.5	1.6	-	6.0	4.5	2.7
Real Estate	-	4.5	-	1.1	-	-	5.6	7.1	8.8
Insurance	1.6	-	1.4	-	-	-	3.0	1.0	0.8
	<b>8.3</b>	<b>7.4</b>	<b>4.7</b>	<b>6.4</b>	<b>2.3</b>	<b>0.7</b>	<b>29.8</b>	<b>29.7</b>	<b>28.7</b>
Information Technology									
Semiconductor Equipment & Products	7.5	0.3	4.1	-	-	-	11.9	15.0	16.1
Electronic Equipment & Instruments	-	-	2.4	0.6	-	-	2.9	3.5	1.9
Computer & Peripherals	-	0.5	1.5	-	-	-	2.0	3.3	3.1
IT Consulting & Services	-	-	-	-	-	0.7	0.7	0.1	-
Internet Software & Services	0.2	-	-	-	-	-	0.2	0.2	-
Distributors	-	-	-	-	-	-	-	0.8	2.9
Communications Equipment	-	-	-	-	-	-	-	0.3	0.9
	<b>7.7</b>	<b>0.8</b>	<b>8.0</b>	<b>0.5</b>	<b>-</b>	<b>0.7</b>	<b>17.7</b>	<b>23.2</b>	<b>24.9</b>
Industrials									
Industrial Conglomerates	-	3.5	-	-	1.0	-	4.5	5.7	8.1
Airlines	-	0.5	-	1.2	0.7	-	2.4	1.6	1.1
Electrical Equipment	-	1.6	-	-	-	-	1.6	0.7	1.6
Construction	-	-	-	-	1.0	-	1.0	0.5	-
Machinery	0.5	-	-	-	-	-	0.5	0.4	-
Road & Rail	-	0.2	-	-	-	-	0.2	0.5	0.3
	<b>0.5</b>	<b>5.8</b>	<b>-</b>	<b>1.2</b>	<b>2.7</b>	<b>-</b>	<b>10.2</b>	<b>9.4</b>	<b>11.1</b>
Consumer Discretionary									
Hotels, Restaurants & Leisure	-	-	-	0.3	4.1	-	4.4	1.4	0.3
Media	-	-	-	1.7	0.3	0.5	2.5	1.6	2.9
Multiline Retail	1.4	-	-	-	-	-	1.4	0.6	0.7
Automobiles	-	-	-	-	0.1	0.5	0.6	2.1	1.6
Speciality Retail	-	0.7	-	-	-	-	0.7	0.5	0.3
Leisure Equipment & Products	-	-	-	-	-	0.2	0.2	0.1	-
Textiles & Apparel	-	-	-	-	-	-	-	0.4	0.4
	<b>1.4</b>	<b>0.7</b>	<b>-</b>	<b>2.0</b>	<b>4.5</b>	<b>1.2</b>	<b>9.8</b>	<b>6.7</b>	<b>6.2</b>
Telecommunications Services									
Wireless Telecommunications Services	1.8	3.3	-	-	0.4	0.3	5.8	6.4	10.1
Diversified Telecommunications Services	-	0.7	-	0.8	-	0.9	2.4	3.8	3.1
	<b>1.8</b>	<b>4.0</b>	<b>-</b>	<b>0.8</b>	<b>0.4</b>	<b>1.2</b>	<b>8.2</b>	<b>10.2</b>	<b>13.2</b>
Materials									
Metals & Mining	1.8	-	-	-	-	-	1.8	2.3	1.0
Chemicals	-	-	1.4	-	-	-	1.4	2.6	0.4
Construction Materials	-	-	-	-	0.2	-	0.2	0.6	0.1
	<b>1.8</b>	<b>-</b>	<b>1.4</b>	<b>-</b>	<b>0.2</b>	<b>-</b>	<b>3.4</b>	<b>5.5</b>	<b>1.5</b>
Utilities									
Electric Utilities	1.0	-	-	-	-	0.7	1.7	5.5	4.6
Gas Utilities	-	1.0	-	-	-	-	1.0	1.3	1.3
	<b>1.0</b>	<b>1.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.7</b>	<b>2.7</b>	<b>6.8</b>	<b>5.9</b>
Consumer Staples									
Tobacco	-	-	-	-	-	1.2	1.2	0.7	1.0
Food & Drug Retail	-	0.1	-	-	-	0.2	0.3	0.1	0.6
	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.4</b>	<b>1.5</b>	<b>0.8</b>	<b>1.6</b>
Other									
Oil & Gas	-	0.7	-	-	-	-	0.7	2.1	2.3
Pharmaceuticals	-	-	-	-	-	0.4	0.4	0.2	-
Household	0.2	-	-	-	-	-	0.2	0.1	-
Aerospace & Defence	-	-	-	-	-	-	-	0.3	0.8
Other	1.3	-	-	-	-	-	1.3	5.0	-
	<b>1.5</b>	<b>0.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>2.6</b>	<b>7.7</b>	<b>3.1</b>
<b>Other (Fidelity Institutional Cash Fund)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.9</b>	<b>8.9</b>	<b>-</b>	<b>-</b>
<b>Total Equities - 2002</b>	<b>24.0</b>	<b>20.5</b>	<b>14.1</b>	<b>10.9</b>	<b>10.1</b>	<b>15.2</b>	<b>94.8</b>	<b>-</b>	<b>96.2</b>
<b>Cash &amp; Other Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.2</b>	<b>-</b>	<b>3.8</b>
<b>Total - 2002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100.0</b>	<b>-</b>	<b>-</b>
Index - 2002	23.9	22.4	17.7	11.4	7.5	12.1	100.0	100.0	-
<b>Total Equities - 2001</b>	<b>18.2</b>	<b>32.8</b>	<b>17.0</b>	<b>12.0</b>	<b>5.9</b>	<b>10.3</b>	<b>96.2</b>	<b>-</b>	<b>100.0</b>

\* % total assets less current liabilities, excluding loan liability.

## Directors' Report

The Directors present their report together with the audited accounts of the Company for the year ended 31 July 2002.

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

### Activities and Status

A review of the year's activities and an indication of likely future developments are given in the Chairman's Statement on pages 6 and 7 and in the Investment Manager's Report on pages 9 to 11.

The Inland Revenue has approved the Company as an investment trust under Section 842 of ICTA 1988 for the year ended 31 July 2001. The Company has conducted its affairs in a manner which will enable it to satisfy the conditions for approval as an investment trust in respect of the year ended 31 July 2002.

The Company is registered as an investment company under Section 266 of the Companies Act 1985 and operates as such.

The Company is not a close company and has no employees.

### Net Asset Value

Investments were valued at £76,980,000 as at 31 July 2002. Shareholders' funds amounted to £60,736,000 resulting in a net asset value per share of 64.95p. Changes to investments are shown in note 9 to the accounts on page 30.

### Results and Dividends

The revenue account shows a deficit after taxation for the year of £802,000. In these circumstances the Directors cannot recommend the payment of a dividend and this amount has been charged to reserves.

### Share Capital

Further to the authority granted by shareholders in November 2001, a total of 2,865,000 ordinary 25p shares (3% of the

issued share capital) were repurchased for cancellation as detailed below:

Date of purchase	number of shares	price per share	discount to NAV
22 August 2001	250,000	52.00p	14.73%
24 August 2001	1,000,000	52.00p	15.14%
30 August 2001	250,000	51.50p	16.65%
7 September 2001	175,000	49.00p	15.52%
21 September 2001	275,000	35.50p	24.30%
7 November 2001	750,000	44.38p	16.54%
19 February 2002	165,000	62.75p	16.67%

The total amount paid for the shares was £1,398,476 and the resultant uplift in the NAV per share was 0.28p. As at 31 July 2002, the total number of shares in issue was 93,505,653 (2001: 96,370,653).

### Warrants

As at 31 July 2002, there were 20,468,547 (2001: 20,468,547) warrants in issue.

Registered holders of warrants should note that the next annual subscription date is 29 November 2002. If the subscription rights are not exercised on 29 November 2002 there will be future opportunities to exercise this right on the last business day of November in the years 2003 to 2006 inclusive.

In order to exercise the subscription rights in whole or in part:-

- (i) in respect of warrants held in certificated form on any subscription date, the warrant holder must lodge the warrant certificate(s), having completed a Notice of Exercise of subscription rights, at the office of the Registrars from 2 November 2002 to 3.00 pm on 29 November 2002. The warrant certificate and notice of exercise should be sent to Capita IRG plc, accompanied by a remittance for the aggregate amount payable on subscription for the ordinary shares in respect of which the subscription rights are being exercised;
- (ii) in respect of warrants held in uncertificated form on any subscription date, an uncertificated subscription notice

and, if appropriate, separate payment in respect of the aggregate subscription price for the ordinary shares arising on the exercise of the subscription rights must be received by the Company or by such person as it may specify, at any time during the relevant subscription period. Further details will be given in the notice to warrant holders reminding them of their subscription rights.

Warrant holders should note that this is a right, as opposed to an obligation, and they should contact their financial adviser if they have any queries.

### **Political and Charitable Donations**

The Company has not made any political or charitable donations in the year.

### **Payment of Creditors**

The Company's policy for the year to 31 July 2003, for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure that the supplier is aware of these terms, and to abide by the agreed terms of payment. The Company did not have any trade creditors in the year.

### **Management Company**

The Manager, Fidelity Investments International, a subsidiary of Fidelity International Limited, provides management, accounting, administrative and secretarial services to the Company under an agreement ('the Management Agreement') entered into on 15 May 1996. Further details of the agreement are given in the Company Summary on page 1. 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 period to 31 July 2002 was £42,663.

An amount of £5,806 was due to the Manager under the above agreements at 31 July 2002 and is included in creditors.

The Manager uses certain services for the benefit of the Company which are paid for, or provided, by various brokers.

In return it places business, which may include transactions relating to the Company, with these brokers.

The Manager has an arrangement with selected brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce expenses. Amounts received by the Company under this arrangement are offset against other expenses (see note 4 on page 28).

The Company participates in the Manager's interfund programme whereby Fidelity's traders, on occasion, identify situations where one fund 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.

Fidelity International Limited has an interest of 7,858,400 shares and 207,000 warrants in the Company.

### **Directors**

The Directors who served during the year to 31 July 2002 are set out below. Sir Victor Garland and Simon Haslam retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Mr David FitzWilliam-Lay will be retiring at the forthcoming Annual General Meeting.

Mr Simon Haslam is a Director of Fidelity International Limited, the ultimate holding company of Fidelity Investments International.

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

The interests of the Directors in the ordinary shares and

## Directors' Report

warrants of the Company as at 31 July 2002 and 2001 were as follows:

	31 July 2002		31 July 2001	
	shares	warrants	shares	warrants
David FitzWilliam-Lay	10,000	20,000	10,000	20,000
Sir Victor Garland	5,000	1,000	5,000	1,000
Simon Haslam	4,000	-	4,000	-
Roger Hulett	5,000	-	-	-
Sir Robin McLaren	4,500	-	4,500	-

### Directors' and Officers' Liability Insurance

During the year the Company has maintained cover for its Directors and Officers under a Directors' and Officers' insurance policy as permitted by Section 310 of the Companies Act 1985 (as amended).

### Substantial Share Interests

As at 24 September 2002 notification had been received of the following interests in 3% or more of the issued share capital of the Company:

	%
Fidelity International Limited	8.4%

12.95% of the issued share capital was held by investors in the Fidelity Investment Trust PEP/ISA and the Fidelity Investment Trust Share Plan.

### Analysis of Ordinary Shareholders

as at 31 July 2002

	Number of Shareholders	% of Issued Share Capital
Private Shareholders*	16,021	61.43
Nominee Companies**	830	32.61
Limited Companies	30	5.30
Pension Funds	4	0.01
Investment Trusts and Funds	2	0.07
Insurance/Assurance Companies	2	0.01
Bank and Bank Nominees	14	0.22
Other Institutions	14	0.33
Others	3	0.02
Total	16,920	100.0

\* Includes Share Plan, PEP and ISA investors

\*\* Nominees may also include individual shareholders

### Annual General Meeting

At the 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. Up to the date of this report, no shares have been allotted, but your Directors consider that the reasons for asking shareholders for such authority still apply.

**Resolution 5** provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,168,820. If passed, this resolution will enable the Directors to allot a maximum of 4,675,280 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 24 September 2002.

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

**Resolution 6** is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash up to an aggregate nominal value of £1,168,820 (5%).

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

The authority to issue ordinary shares for cash under Resolution 6 will enable the Directors to issue additional new ordinary shares to participants in the Fidelity Investment Trust

Share Plan and the Fidelity ISA in the event that the ordinary shares are trading at a premium to their net asset value. The Directors would not intend to use this power unless such a premium was in excess of 2% and unless they considered that it was in the interests of shareholders to do so.

**Resolution 7** is a special resolution which renews the Directors authority to repurchase the Company's shares for cancellation. It is proposed that the Board be authorised to make arrangement to purchase through the London Stock Exchange up to 14,025,840 ordinary shares of 25 pence (equivalent to 14.99% of the shares in issue at 24 September 2002). By utilising the power to repurchase shares when they are trading at a discount to net asset value the Company will increase the resulting net asset value per share for remaining shareholders. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share.

The Directors recommend that shareholders vote in favour of each of these resolutions.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 40 to 42.

### **Corporate Governance**

Full details are given in the Application of Corporate Governance on pages 20 to 22.

### **Statement of Directors' Responsibilities**

Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and of the net revenue of the Company for that period. A Statement of Total Return has also been included in the financial statements for the purposes of comparison. In preparing the accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The financial statements may be published on a website that is managed by an organisation other than the Manager or the Board of Directors. The auditors have represented to your Board that their work does not involve any consideration of the maintenance and integrity of such a website and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were approved. Visitors to any website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdictions.

### **Auditors**

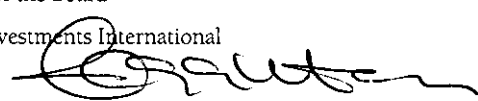
The Auditors, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, are willing to continue in office, and in accordance with section 385 and section 390A of the Companies Act 1985, resolutions concerning their remuneration and re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

Fidelity Investments International

Secretary

24 September 2002



## Application of Corporate Governance

**Background** - The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code (the "Code"). The Company is committed to achieving the highest standards of corporate governance and has established a framework which it believes is appropriate for an investment trust and which enables it to comply with the relevant provisions of the Code.

The Board considers that the Company has complied with the provisions of the Code throughout the year to 31 July 2002 with the following exceptions:-

- A senior independent director with specific responsibility for shareholder concerns has not been appointed as the Chairman performs this function.
- The Company does not have a separate nominations committee; the whole Board performs this function.

The following statement describes how the principles of corporate governance are applied to the Company.

### Directors

**The Board** - The Board of Directors has the responsibility for the stewardship of all of the Company's affairs. The composition of the Board of Directors is a matter for the Board and is independent of management. Directors have the relevant knowledge and experience of both fund management and investment trust management. In particular they have knowledge and wide experience of business in Asia. Biographical details of all Directors, including their directorships, are given on page 5 of this report.

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.

All matters which are not delegated to the Company's Manager under the Investment Management Agreement are reserved for the Board's decision.

It has been agreed that each of the independent Directors of the Company is entitled to take independent professional advice in the furtherance of their duties.

**Chairman and CEO** - In common with most investment trusts there is no chief executive of the Company as the management function has been delegated to Fidelity Investments International. The appointment of the Manager is reviewed on an annual basis by the Management Engagement Committee.

**Board Balance** - All the Directors, including the Chairman, are independent with the exception of Mr Simon Haslam who is an employee of the Manager. We believe it to be an important aspect of the corporate governance of an investment trust company that the Manager should be represented on the Board and be party to the responsibility, authority and accountability of the Board to the shareholders.

All Directors are non-executive Directors. The sub-committees of the Board (i.e. Audit and Management Engagement Committees) consist of the independent directors.

**Company Secretary** - The Company Secretary is a corporate secretary. All Directors have access to the advice and services of the representative of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment of the Company Secretary is a matter for the board as a whole.

**Supply of Information** - The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. The key source of regular information for the Board is the board meeting papers, the contents of which are determined by the Board and contain comprehensive information on the financial condition of the Company.

The Board has delegated its corporate governance responsibilities to the Audit and Management Engagement Committees composed of all the independent directors.

Key representatives of the Manager attend meetings by invitation, thus enabling the Directors to probe further on matters of concern or seek clarification on certain issues.

**Appointments to the Board** - There is a formal and transparent procedure for the appointment of new Directors to the Board. Any proposal for a new Director will be

discussed and approved by the Board as a whole. Upon appointment each Director receives a briefing on the investment operations and administration functions of the Company, together with a summary of their duties and responsibilities.

All Directors are subject to election by shareholders at the first opportunity after their appointment.

**Re-election** - The Code requires that all Directors should be required to submit themselves for re-election at regular intervals and at least every three years. The Articles of Association of the Company require that at every AGM one third of the Directors are subject to retirement by rotation and any proposal for a director to stand for re-election is considered by the Board. The Directors comply with the Code requirements.

Letters of appointment specifying the period of appointment are issued to all new Directors and existing Directors as they are re-elected at the AGM.

The names of Directors submitted for election or re-election are accompanied by sufficient biographical details to enable shareholders to take an informed decision.

**Directors Remuneration** - Levels of remuneration are competitive and sufficient to attract and retain the standard of directors needed to manage the Company successfully. The level of Directors' fees is determined by the whole Board within the limit governed by the Articles of Association and all remuneration is fully disclosed.

### **Relations with Shareholders**

Directors are willing to enter into a dialogue with institutional shareholders so as to ensure a mutual understanding of objectives. The Manager also maintains a programme of communication with institutional investors in conjunction, where appropriate, with the Company's broker.

The Board accounts for its stewardship formally through a full and informative annual report and at the Annual General Meeting when a presentation is given by the Manager addressing the results for the year and the investment outlook.

We aim to use the AGM to communicate with all our shareholders and we encourage their active participation.

All proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution, after it has been dealt with on a show of hands.

The Notice of Meeting on pages 40 to 42 sets out the business of the meeting and the special resolutions are explained more fully in the Directors' Report on pages 18 and 19. A separate resolution is proposed on each substantially separate issue including the annual report and accounts.

The Chairman of the Board who is also the Chairman of the Audit Committee will be available to answer questions at the AGM.

The notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting.

### **Accountability and Audit**

**Financial Reporting** - The Board aims to present a balanced and understandable assessment of the Company's position and prospects.

The Directors explain their responsibility for preparing the accounts on page 19 of the Directors' Report and there is a statement by the auditors about their reporting responsibilities on page 23.

The Board has a responsibility to present a balanced and understandable assessment of annual, interim, other price-sensitive public reports and reports to regulators as well as to 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.

**Internal Control** - The Board has contractually delegated to external agencies, including the Investment Manager (Fidelity Investments International), the management of the investment portfolio and provision of secretarial services, 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

## Application of Corporate Governance

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systems in operation in so far as they relate to the affairs of the Company.

The Board has established a continuing process for the identification, control and evaluation of risk through a series of quarterly investment performance reports, a semi-annual internal controls report and quarterly compliance reports which are provided by the Manager. This process is in accordance with the Guidance for Directors on the Combined Code published in September 1999.

The systems of internal control are designed to reduce rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement or loss.

The Company's Audit Committee meets with representatives of the Manager and receives reports upon the quality and effectiveness of the accounting records and management information maintained on behalf of the Company. It reviews the annual and interim accounts and reviews the nature and scope of the external audit and the findings from the Company's statutory audit. The Board carries out a risk and control assessment including a review of the corporate strategy and the Manager's and other third party suppliers' risk management processes. The key element of this assessment is the semi-annual internal controls report prepared by the Manager for its investment trust clients. The internal controls report sets out the Manager's control policies and procedures with respect to the management of its clients' investments. Whilst the Company, in common with most investment trusts, has no internal audit department, the effectiveness of these controls is monitored by the Manager's internal audit function. The Audit Committee has received and reviewed the internal controls report on the effectiveness of the internal controls maintained on behalf of the Company and an annual compliance report from the Manager's Director of Compliance.

By means of the procedures set out above the Directors have reviewed the effectiveness of the Manager's internal control systems throughout the period.

**Audit Committee and Auditors** - The Audit Committee, with

written terms of reference, consists of all of the independent Directors and is charged with reviewing and monitoring the production of the annual and interim accounts. The Committee also reviews the audit process, corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Section 842 status), the relationship with and performance of third party service providers (such as the Registrars and Custodians) and the relationship with the Auditors (and their ongoing reappointment and level of fees). The Committee meets with the auditors at least once a year to review these matters.

**Shareholder Voting** - We believe that institutional shareholders have a responsibility to make considered use of their votes. The Company has approved a corporate governance voting policy in line with best practice, whilst maintaining a primary focus on financial returns.

**Going Concern** - The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts since the assets of the Company consist mainly of securities which are readily realisable and accordingly the Company has adequate financial resources to continue in operational existence for the foreseeable future.

On behalf of the Board  
Sir Victor Garland  
24 September 2002

# Independent auditors' report to the members of Fidelity Asian Values PLC

We have audited the financial statements which comprise the statement of total return, the balance sheet and the cash flow statement and notes 1 to 22.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the chairman's statement, the investment manager's report and the corporate governance statement.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

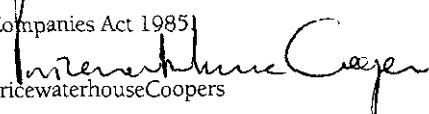
## Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 2002 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985

  
PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

24 September 2002

## Statement of Total Return

(incorporating the revenue account) for the year ended 31 July 2002

	notes	2002			2001		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Losses on investments	9	-	(975)	(975)	-	(35,249)	(35,249)
Income	2	1,796	-	1,796	1,860	-	1,860
Investment management fee	3	(826)	-	(826)	(933)	-	(933)
Other expenses	4	(303)	-	(303)	(432)	-	(432)
Exchange (losses)/gains	15	-	(257)	(257)	-	50	50
<b>Net return before finance costs and taxation</b>		<b>667</b>	<b>(1,232)</b>	<b>(565)</b>	<b>495</b>	<b>(35,199)</b>	<b>(34,704)</b>
Interest payable	6	(1,392)	-	(1,392)	(1,621)	-	(1,621)
Exchange gains/(losses) on loan		-	2,007	2,007	-	(1,087)	(1,087)
<b>Return on ordinary activities before tax</b>		<b>(725)</b>	<b>775</b>	<b>50</b>	<b>(1,126)</b>	<b>(36,286)</b>	<b>(37,412)</b>
Tax on ordinary activities	7	(77)	-	(77)	(177)	-	(177)
<b>Return on ordinary activities after tax for the year attributable to equity shareholders</b>		<b>(802)</b>	<b>775</b>	<b>(27)</b>	<b>(1,303)</b>	<b>(36,286)</b>	<b>(37,589)</b>
<b>Return per ordinary share</b>							
Basic	8	(0.85p)	0.82p	(0.03p)	(1.31p)	(36.38p)	(37.69p)

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

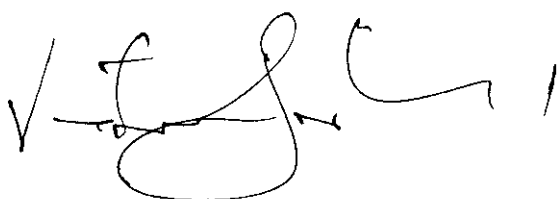
The notes on pages 27 to 37 form an integral part of the accounts

# Balance Sheet

as at 31 July 2002

		2002	2001
	notes	£'000	£'000
<b>Fixed assets</b>			
Investments	9	76,980	81,369
<b>Current assets</b>			
Debtors	11	724	380
Cash at bank		4,547	3,505
		<b>5,271</b>	<b>3,885</b>
<b>Creditors - amounts falling due within one year</b>	12	(1,078)	(23,093)
<b>Net current assets/(liabilities)</b>		<b>4,193</b>	<b>(19,208)</b>
<b>Total assets less current liabilities</b>		<b>81,173</b>	62,161
<b>Creditors - amounts falling due after more than one year</b>	13	<b>(20,437)</b>	-
<b>Total net assets</b>		<b>60,736</b>	<b>62,161</b>
<b>Capital and reserves</b>			
Called up share capital	14	23,376	24,092
Share premium account	15	7	7
Capital redemption reserve	15	2,330	1,614
<b>Other reserves</b>			
Other reserve	15	59,282	60,680
Warrant reserve	15	7,369	7,369
Capital reserve - realised	15	(24,016)	(17,292)
Capital reserve - unrealised	15	(5,981)	(13,480)
Revenue reserve	15	(1,631)	(829)
<b>Total equity shareholders' funds</b>		<b>60,736</b>	<b>62,161</b>
<b>Net asset value per ordinary share:</b>			
Basic	16	64.95p	64.50p

The accounts on pages 24 to 37 were approved by the Board of Directors on 24 September 2002 and were signed on its behalf by:



Sir Victor Garland  
Chairman

The notes on pages 27 to 37 form an integral part of these accounts

# Cash Flow Statement

for the year ended 31 July 2002

		<b>2002</b>	<b>2001</b>
	<b>notes</b>	<b>£'000</b>	<b>£'000</b>
<b>Operating activities</b>			
Investment income received		1,127	1,426
Interest received		88	81
Investment management fees paid		(628)	(928)
Directors' fees paid		(64)	(37)
Other cash payments		(269)	(346)
<b>Net cash inflow from operating activities</b>	20	<b>254</b>	<b>196</b>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(1,539)	(1,602)
<b>Net cash outflow from servicing of finance</b>		<b>(1,539)</b>	<b>(1,602)</b>
<b>Taxation</b>			
UK income tax recovered		369	-
<b>Financial investment</b>			
Purchase of investments		(79,853)	(61,067)
Realised (losses) / gains		(244)	88
Disposal of investments		83,572	67,366
<b>Net cash inflow from financial investment</b>		<b>3,475</b>	<b>6,387</b>
<b>Net cash inflow before financing</b>		<b>2,559</b>	<b>4,981</b>
<b>Financing</b>			
Repurchase of ordinary shares		(1,398)	(2,516)
Exercise of warrants		-	5
7.03% fixed rate unsecured loan repaid		(21,709)	-
6.28% fixed rate unsecured loan drawn down		21,709	-
<b>Net cash outflow from financing</b>	19	<b>(1,398)</b>	<b>(2,511)</b>
<b>Increase in cash</b>	18	<b>1,161</b>	<b>2,470</b>

The notes on pages 27 to 37 form an integral part of these accounts

# Notes to the Accounts

## 1 Accounting Policies

A summary of the accounting policies used is set out below. The Company has adopted the AITC Statement of Recommended Practice (SORP) for Investment Trusts dated December 1995.

- a) The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of fixed asset investments and on the assumption that approval as an investment trust will be granted.
- b) In accordance with Financial Reporting Standard (FRS) 4, a warrant reserve has been established.
- c) Income from equity investments is credited to the revenue account on the date on which it is ex-dividend. Interest receivable on fixed interest securities is accounted for on an accruals basis. Franked dividends are accounted for net of any tax credit. Unfranked investment income includes tax deducted at source. Interest receivable on short-term loans and deposits, interest payable and expenses of management are dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.
- d) Transactions denominated in foreign currencies are calculated in sterling at the rates of exchange ruling as at the date of transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Realised and unrealised capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserves realised and unrealised.
- e) Listed investments are valued at middle market prices. Unlisted investments are valued at market prices ruling where an organised market in such investments exists, other unquoted investments are included at Directors' valuation. Where a price is not readily available the holding would be valued at cost unless circumstances indicate a different valuation is warranted. In general, valuations are increased where a substantial arms length transaction has occurred subsequent to acquisition, at a price higher than cost. Valuations are decreased where subsequent transactions have taken place at a price lower than cost or where Fidelity's Fair Value Committee is aware that the company is experiencing operating difficulties.
- f) All expenses are accounted for on an accruals basis and are charged in full to the revenue account within the Statement of Total Return. Finance costs are accounted for on an accruals basis and in accordance with the provisions of FRS4 "Capital Instruments".
- g) Gains and losses on the realisation of investments and realised exchange differences of a capital nature are accounted for in the capital reserve - realised.  
  
Increases and decreases in the valuation of investments held at the year end and unrealised exchange differences of a capital nature are accounted for in the capital reserve - unrealised.
- h) The Company holds an investment in the Fidelity Institutional Cash Fund ('the Fund'). The appreciation in market value of the units held in the Fund is a reflection of the interest earned within the Fund, and accordingly, except for the foreign exchange movements, is treated as interest income receivable rather than capital.
- i) Special dividends are treated as a repayment of capital unless there is sufficient evidence that they should be treated as revenue.
- j) Deferred taxation is provided for in respect of all timing differences that have originated but not reversed by the balance sheet date. A deferred tax asset is only recognised to the extent that it is recoverable.

Deferred tax is recorded in accordance with FRS19 'Deferred Tax'. The adoption of this standard has had no impact on current or prior year results.

## Notes to the Accounts

<b>2</b>	<b>Income</b>		
		<b>2002</b>	<b>2001</b>
		<b>£'000</b>	<b>£'000</b>
	<b>Income from Investments</b>		
	Overseas dividends	1,537	1,709
	Overseas scrip dividends	3	70
	Overseas interest	167	-
		<u>1,707</u>	<u>1,779</u>
	<b>Other income</b>		
	Deposit interest	89	81
	<b>Total income</b>	<u>1,796</u>	<u>1,860</u>
	<b>Total income comprises</b>		
	Dividends	1,540	1,779
	Interest	256	81
		<u>1,796</u>	<u>1,860</u>
	<b>Income from Investments</b>		
	Listed overseas	<u>1,707</u>	<u>1,779</u>
<b>3</b>	<b>Investment management fee</b>		
		<b>2002</b>	<b>2001</b>
		<b>£'000</b>	<b>£'000</b>
	Investment management fee	826	933
		<u>826</u>	<u>933</u>
	A summary of the terms of the Management Agreement is given in the Company Summary on page 1.		
<b>4</b>	<b>Other expenses</b>		
		<b>2002</b>	<b>2001</b>
		<b>£'000</b>	<b>£'000</b>
	Directors' fees	51	51
	Other	251	380
	Expense reduction*	(11)	(11)
	<b>Auditors' remuneration</b>		
	Audit	12	12
		<u>303</u>	<u>432</u>
<b>5</b>	<b>Directors' fees</b>		
		<b>2002</b>	<b>2001</b>
		<b>£'000</b>	<b>£'000</b>
	Directors' fees (including national insurance contributions)	51	51
		<u>51</u>	<u>51</u>

During the year the Chairman, Sir Victor Garland, received fees of £15,000 (2001: £14,233 for the period 20 November 2000 to 31 July 2001). David FitzWilliam-Lay, Sir Robin McLaren and Roger Hulett received fees of £11,000 (2001: £10,581). Simon Haslam waived his fees of £11,000 in the year (2001: £10,581). There is no additional fee for the chairman of the Audit Committee.

\* The Manager has an arrangement with selected brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce expenses.

**6 Interest Payable**

	2002 £'000	2001 £'000
<b>Repayable within 5 years</b>		
Bank overdraft	3	14
Fixed rate unsecured loan	1,389	1,607
	<u>1,392</u>	<u>1,621</u>

**7 Tax on ordinary activities****a) Analysis of charge in period**

	2002 £'000	2001 £'000
Overseas tax suffered	167	177
Prior year adjustment	(90)	-
Total current tax for the year (see note 7b)	<u>77</u>	<u>177</u>

**b) Factors affecting the tax charge for the period**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK for a large company (30%) (2001: 30%). The differences are explained below:

	2002 £'000	2001 £'000
Return on ordinary activities before tax	(725)	(1,126)
Return on ordinary activities multiplied by the standard rate of corporation tax of 30% (2001: 30%)	(218)	(338)
Effects of:		
Income not included for tax purposes	(5)	(2)
Taxable income in capital	49	3
Overseas tax expensed	(50)	(53)
Management expenses not utilised in the year	224	390
Overseas taxation	167	177
Prior year adjustment	(90)	-
Current corporation tax charge (note 7a)	<u>77</u>	<u>177</u>

The deferred tax asset of £708,190 in respect of unutilised expenses at 31 July 2002 (2001: £472,925) has not been recognised as it is unlikely that this asset will be unutilised.

## Notes to the Accounts

### 8 Return per ordinary share

	revenue	2002 capital	total	revenue	2001 capital	total
Basic	(0.85p)	0.82	(0.03p)	(1.31p)	(36.38p)	(37.69p)

Returns per ordinary share are based on the net loss on ordinary activities after taxation of £802,000 (2001: £1,303,000), and the capital appreciation in the year of £775,000 (2001: depreciation of £36,286,000) and on 93,951,763 ordinary shares (2001: 99,728,410), being the weighted average number of ordinary shares in issue during the year.

As the basic and fully-diluted returns, calculated according to the provisions of FRS 14, are identical, the fully-diluted return has not been disclosed. Since the effect of the warrants outstanding on the first day of the accounting period is not dilutive, they have not been included in the calculation of the fully-diluted return.

### 9 Investments

	2002 £'000	2001 £'000	
Listed overseas	76,073	81,362	
Loan stock	907	-	
<b>Total listed investments</b>	<b>76,980</b>	<b>81,362</b>	
Unlisted investments - Directors' valuation	-	7	
	<b>76,980</b>	<b>81,369</b>	
	listed overseas £'000	unlisted overseas £'000	total £'000
Opening book cost	92,372	-	92,372
Opening unrealised appreciation	(11,010)	7	(11,003)
<b>Opening valuation</b>	<b>81,362</b>	<b>7</b>	<b>81,369</b>
<b>Movements in the year</b>			
Purchases at cost	80,413	-	80,413
Sales - proceeds	(83,827)	-	(83,827)
Sales - realised losses on sales	(4,768)	-	(4,768)
Increase/(decrease) in unrealised appreciation	3,800	(7)	3,793
<b>Closing valuation</b>	<b>76,980</b>	<b>-</b>	<b>76,980</b>
Closing bookcost	84,190	-	84,190
Closing unrealised appreciation/(depreciation)	(7,210)	-	(7,210)
	<b>76,980</b>	<b>-</b>	<b>76,980</b>
	2002 £'000		2001 £'000
Realised losses on sales	(4,768)		(3,385)
Increase/(decrease) in unrealised appreciation	3,793		(31,864)
<b>Losses on investments (excluding exchange rate effects)</b>	<b>(975)</b>		<b>(35,249)</b>

The annualised portfolio turnover rate for the year was 104% (2001: 78%)

## 10 FRS - 13 Financial Instruments

The investment objective of the Company is detailed in the Company Summary on page 1. In pursuit of this objective, the Company may be exposed to various forms of risk, as described below.

The Company's financial instruments comprise:

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

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

### Market price risk

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

### Fair value of financial assets and liabilities

Financial assets and liabilities are stated in the balance sheet at values which are not materially different to their fair values, with the exception of the US dollar-denominated fixed rate unsecured loan, whose fair value as at 31 July 2002 given below has been calculated by discounting future cash flows at current US dollar interest rates.

	2002		2001	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan @ 7.03% per annum	-	-	22,996	22,444
Fixed rate unsecured loan @ 6.28% per annum	24,197	20,437	-	-

### Interest rate risk

The Company has raised finance for its operations through the issue of shares. In addition, financing has been obtained through a US dollar-denominated fixed rate unsecured bank loan, which falls due for repayment in September 2006. The Company is therefore not exposed to a financial risk arising as a result of any increase in US dollar interest rates on this loan. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

The Company's financial assets are mainly invested in equity shares and other investments which neither pay interest nor have a maturity date. As at 31 July 2002 the Company also had substantial cash balances of £3,655,000 (2001: £2,825,000) denominated in US dollars. The rate of interest on the cash balances is currently 2.21% (2001: 5.56%), consequently the risk of a decrease in cash interest earned is low.

## Notes to the Accounts

The interest profile of the Company's financial liabilities excluding short-term creditors, as at 31 July 2002 was as follows:

Currency	2002	2001
	fixed rate financial liabilities £'000	fixed rate financial liabilities £'000
US Dollar	20,437	22,444

Currency	2002	2002
	weighted average interest rate £'000	fixed rate financial liabilities:weighted average period for which rate is fixed £'000
US Dollar	6.28%	50 months

### Foreign currency risk

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

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

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

The Company does not hedge the sterling value of investments or other net assets priced in other currencies by the use of derivatives. However, it has increased finance available to the Company for its investment activities with US dollar borrowings, thereby hedging part of the movements which are a result 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 sterling on receipt.

The following is an analysis of the Company's foreign currency exposure as at 31 July 2002 and 2001:

Currency	2002			2001		
	Foreign currency monetary assets £000	Foreign currency monetary liabilities £000	Net foreign currency monetary assets £000	Foreign currency monetary assets £000	Foreign currency monetary liabilities £000	Net foreign currency monetary assets £000
Hong Kong dollar	17,535	-	17,535	33,201	-	33,201
Indian rupee	1,156	(76)	1,080	-	-	-
Indonesian rupiah	2,128	(11)	2,117	705	-	705
Korean won	19,132	6	19,138	15,405	-	15,405
Malaysian ringgit	8,599	(74)	8,525	4,982	(90)	4,892
Philippine peso	-	-	-	677	-	677
Singapore dollar	8,741	(216)	8,525	9,330	(90)	9,240
Taiwan dollar	12,277	(13)	12,264	14,992	-	14,992
Thai baht	1,190	40	1,230	1,565	-	1,565
US dollar	3,868	(20,547)	(16,679)	4,106	(22,703)	(18,597)
<b>Total</b>	<b>74,626</b>	<b>(20,891)</b>	<b>53,735</b>	<b>84,963</b>	<b>(22,883)</b>	<b>62,080</b>
UK sterling	7,625	(624)	7,001	290	(209)	81
<b>Balance sheet total</b>	<b>82,251</b>	<b>(21,515)</b>	<b>60,736</b>	<b>85,253</b>	<b>(23,092)</b>	<b>62,161</b>

#### Liquidity risk

The Company's assets mainly comprise readily realisable securities, which can be easily sold to meet funding commitments if necessary. Short-term flexibility is achieved by the use of overdraft facilities as required. Details of the Company's borrowing commitments are explained in note 13 to the accounts.

The maturity profile of the Company's financial liabilities at 31 July 2002 and 2001 is as follows:

	2002 £000	2001 £000
Within one year	-	22,444
After more than two years but less than five years	20,437	-
	<b>20,437</b>	<b>22,444</b>

Short-term debtors and other short-term creditors are excluded from the above analysis.

#### Counterparty risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver either the shares (on a purchase) or the cash (on a sale) after the Company has fulfilled its responsibilities. There is also a counterparty risk associated with deposit takers.

The Company buys and sells investments on a delivery versus payment basis.

## Notes to the Accounts

The Company only buys and sells investments through brokers which have been approved by the Manager as acceptable counterparties. Additionally, Fidelity sets limits as to the maximum exposure to any individual broker at any time, the limits being reviewed on a regular basis.

### 11 Debtors

	2002 £'000	2001 £'000
Securities sold for future settlement	166	-
Income tax recoverable	-	271
UK Corporation tax recoverable	-	8
Other debtors	558	101
	<u>724</u>	<u>380</u>

### 12 Creditors - amounts falling due within one year

	2002 £'000	2001 £'000
Fixed rate unsecured loan @ 7.03% per annum	-	22,444
Securities purchased for future settlement	395	90
Accruals	397	194
Tax payable	85	-
Loan interest payable	112	259
Overdraft	-	106
Other creditors	89	-
	<u>1,078</u>	<u>23,093</u>

### 13 Creditors - amounts falling due after one year

	2002 £'000	2001 £'000
Fixed rate unsecured loan @ 6.28% per annum	20,437	-
	<u>20,437</u>	<u>-</u>

The fixed rate loan from HSBC bank of US\$32 million was drawn down on 27 September 2001 at a rate of 6.28% per annum. The loan is for a period of five years and is due to be repaid on 27 September 2006. The Company has entered into an arrangement with HSBC whereby if total borrowings exceed 49% of the Company's assets, sufficient money is placed in a charged account with HSBC to reduce borrowings below 49%. On 31 July 2002 no money was lodged with HSBC.

## 14 Called-up share capital

	2002 £'000	2001 £'000
<b>Authorised:</b>		
200,000,000 ordinary shares of 25p each	<u>50,000</u>	<u>50,000</u>
<b>Issued, allotted and fully paid:</b>		
<b>Beginning of year</b>	<b>24,092</b>	<b>25,105</b>
Exercise of 5,857 warrants on 30 November 2000	-	1
Repurchase of 100,000 ordinary shares on 9 January 2001	-	(25)
Repurchase of 200,000 ordinary shares on 14 March 2001	-	(50)
Repurchase of 250,000 ordinary shares on 21 March 2001	-	(63)
Repurchase of 3,356,000 ordinary shares on 12 June 2001	-	(839)
Repurchase of 150,000 ordinary shares on 28 June 2001	-	(37)
Repurchase of 250,000 ordinary shares on 22 August 2001	(63)	-
Repurchase of 1,000,000 ordinary shares on 24 August 2001	(250)	-
Repurchase of 250,000 ordinary shares on 30 August 2001	(63)	-
Repurchase of 175,000 ordinary shares on 7 September 2001	(43)	-
Repurchase of 275,000 ordinary shares on 21 September 2001	(69)	-
Repurchase of 750,000 ordinary shares on 7 November 2001	(187)	-
Repurchase of 165,000 ordinary shares on 19 February 2002	(41)	-
<b>End of year</b>	<u><b>23,376</b></u>	<u><b>24,092</b></u>
93,505,653 (2001: 96,370,653) ordinary shares of 25p each		

At 31 July 2002 there were 20,468,547 (2001: 20,468,547) warrants outstanding. Holders have the right to subscribe for ordinary shares at 100p on 29 November 2002 and subsequently on 30 November in any of the years 2003 to 2006, both inclusive.

## 15 Reserves

	2002						
	share premium account £'000	capital redemption reserve £'000	other reserve £'000	warrant reserve £'000	capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000
<b>Beginning of year</b>	<b>7</b>	<b>1,614</b>	<b>60,680</b>	<b>7,369</b>	<b>(17,292)</b>	<b>(13,480)</b>	<b>(829)</b>
Exchange losses	-	-	-	-	(244)	(13)	-
Net gain/(loss) on realisation of investments	-	-	-	-	(4,768)	-	-
Increase in unrealised appreciation	-	-	-	-	-	3,793	-
Exchange (loss)/gain on loans	-	-	-	-	(1,712)	3,719	-
Retained net loss for the year	-	-	-	-	-	-	(802)
Repurchase of ordinary shares	-	716	(1,398)	-	-	-	-
<b>End of year</b>	<u><b>7</b></u>	<u><b>2,330</b></u>	<u><b>59,282</b></u>	<u><b>7,369</b></u>	<u><b>(24,016)</b></u>	<u><b>(5,981)</b></u>	<u><b>(1,631)</b></u>

## Notes to the Accounts

### 16 Net asset value per share

The basic net asset value per ordinary share is based on net assets of £60,736,000 (2001: £62,161,000) and on 93,505,653 (2001: 96,370,653) ordinary shares, being the number of ordinary shares in issue at the year end.

The fully-diluted net asset value per ordinary share has been calculated on the assumption that the outstanding warrants of 20,468,547 at 31 July 2002 (2001: 20,468,547) were exercised on that date. As the fully-diluted net asset value per ordinary share exceeds the basic net asset value per ordinary share this year it has therefore not been stated.

The basis of the calculation is considered to be more appropriate than the basis given in FRS14 as it is consistent with the calculation of fully-diluted net asset value which is prepared in accordance with guidelines laid down by the Association of Investment Trust Companies and is provided to the London Stock Exchange on an ongoing basis.

### 17 Reconciliation of movement in shareholders' funds

	2002 £'000	2001 £'000
<b>Opening shareholders' funds</b>	<b>62,161</b>	<b>102,261</b>
Exercise of warrants	-	5
Repurchase of ordinary shares	(1,398)	(2,516)
Total recognised losses	(27)	(37,589)
<b>Closing shareholders' funds</b>	<b>60,736</b>	<b>62,161</b>

### 18 Reconciliation of net cash movements to movement in net debt

	2002 £'000		2001 £'000
<b>Beginning of year</b>	<b>(19,045)</b>		<b>(20,390)</b>
Net cash inflow	1,161		2,470
Unrealised foreign exchange loss	(13)		(38)
7.03% fixed rate unsecured loan repaid	(21,709)		-
6.28% fixed rate unsecured loan drawn down	21,709		-
Foreign exchange movement on fixed rate unsecured loans	2,007		(1,087)
<b>Change in net debt</b>	<b>3,155</b>		<b>1,345</b>
<b>End of year</b>	<b>(15,890)</b>		<b>(19,045)</b>
	2002 £'000	change in the year £'000	2001 £'000
<b>Analysis of balances</b>			
Cash at bank	4,547	1,042	3,505
Fixed rate unsecured loans	(20,437)	2,007	(22,444)
Overdraft	-	106	(106)
<b>End of year</b>	<b>(15,890)</b>	<b>3,155</b>	<b>(19,045)</b>

## 19 Analysis of changes in financing during the year

	share capital £'000	2002 loan £'000	total £'000	share capital £'000	2001 loan £'000	total £'000
<b>Beginning of year</b>	93,762	22,444	116,206	96,273	21,357	117,630
Cash outflow from repurchase of shares	(1,398)	-	(1,398)	(2,516)	-	(2,516)
Cash inflow from exercise of warrants	-	-	-	5	-	5
7.03% fixed rate unsecured loan repaid	-	(21,709)	(21,709)	-	-	-
6.28% fixed rate unsecured loan drawn down	-	21,709	21,709	-	-	-
Change in value of fixed rate unsecured loans	-	(2,007)	(2,007)	-	1,087	1,087
<b>End of year</b>	<b>92,364</b>	<b>20,437</b>	<b>112,801</b>	<b>93,762</b>	<b>22,444</b>	<b>116,206</b>

## 20 Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	2002 £'000	2001 £'000
Net return before finance costs and taxation	667	495
Scrip dividends	(3)	(70)
Interest income on the Institutional Cash Fund	(164)	-
Increase / (decrease) in other creditors	292	(24)
(Decrease) / increase in other debtors	(457)	41
Tax on investment income	(81)	(246)
<b>Net cash inflow from operating activities</b>	<b>254</b>	<b>196</b>

## 21 Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments as at 31 July 2002 (2001: nil).

## 22 Related party disclosures

The Directors have complied with the provisions of FRS8 which require disclosure of related party transactions and balances. Full details are set out in the Directors' Report on page 17.