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FIDELITY CHINA SPECIAL SITUATIONS PLC

Annual Report for the year ended 31 March 2019



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Investment Objective and Overview

The investment objective of the Company is to achieve long-term capital growth from an actively managed portfolio made up primarily of securities issued by companies listed in China and Chinese companies listed elsewhere. The Company may also invest in listed companies with significant interests in China.

The Company weathered the volatility of 2018/19 and the Portfolio Manager, Dale Nicholls, has positioned the portfolio to benefit from China's annual GDP growth of around 6% and the even greater growth rate of retail consumption.

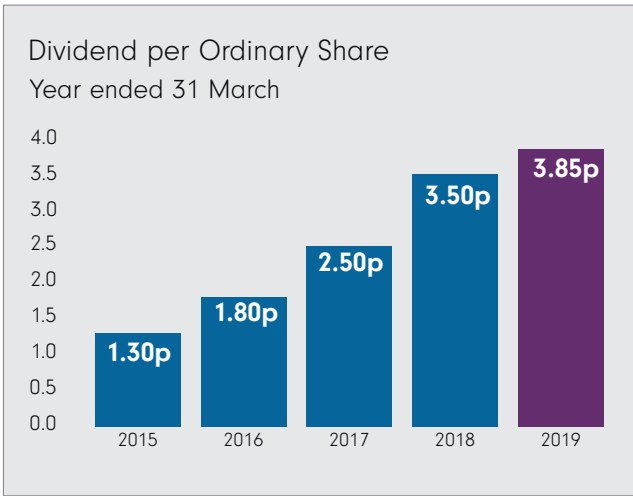
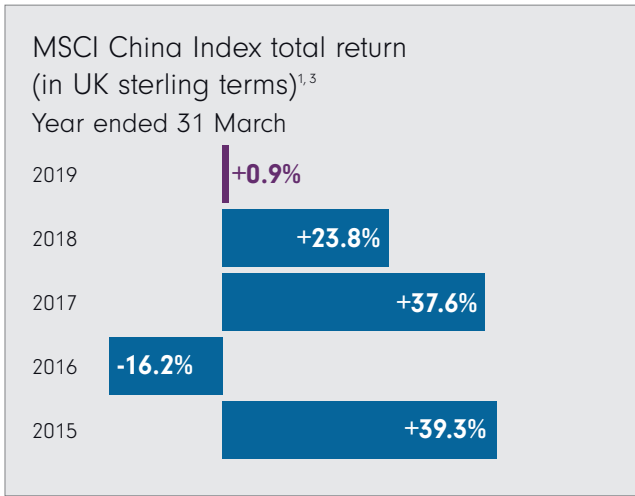
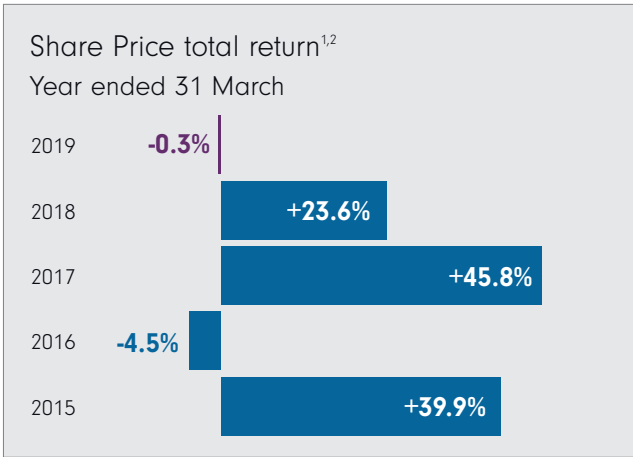
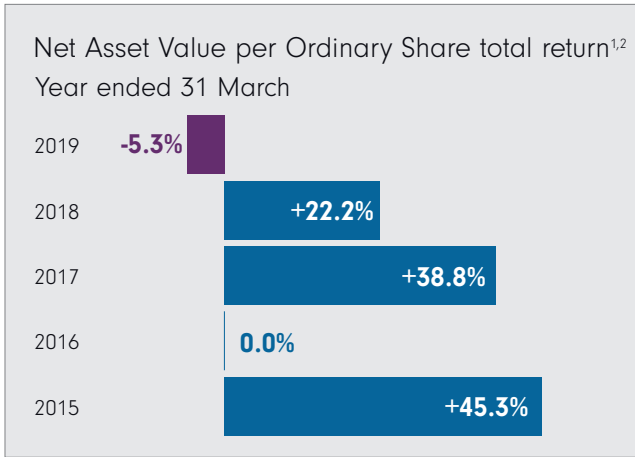
The Board believes strongly in offering investors some specialist China exposure to include in their overall investment portfolio and is confident in the long-term outlook for the shares in Fidelity China Special Situations PLC.

**Nicholas Bull, Chairman
Fidelity China Special Situations PLC**



The Year at a Glance

In the reporting year, the Company's net asset value per ordinary share returned -5.3% and the share price -0.3%, whilst the Benchmark Index rose by +0.9% (all performance data on a total return basis).



1 Includes reinvested income.
2 Alternative Performance Measures. See Note 22 on page 74.
3 The Company's Benchmark Index.

As at 31 March 2019

Equity Shareholders' Funds

£1,401.6m

Market Capitalisation

£1,291.5m

Capital Structure

Ordinary Shares of 1 penny held outside Treasury

549,574,480

Summary of the key aspects of the Investment Policy

The Portfolio Manager will focus on identifying companies which are most likely to benefit from China's growth and changing economy.

The Company is not restricted in terms of size or industry of companies included in the portfolio and may invest in unlisted securities.

The Company may also invest into other transferable securities, collective investment schemes, money market instruments, cash and deposits and is also able to use derivatives for gearing purposes and efficient portfolio management.

The Company operates a variable management fee arrangement which is calculated by referencing performance relative to the MSCI China Index (in UK sterling terms).

Financial Highlights

	2019	2018
Assets as at 31 March		
Gross Asset Exposure	£1,767.1m	£1,806.6m
Net Assets	£1,401.6m	£1,502.9m
Gearing ¹	26.1%	20.2%
Net Asset Value ("NAV") per Ordinary Share	255.03p	272.55p
Number of Ordinary Shares held outside Treasury	549,574,480	551,414,480
Share Price at year end	235.00p	239.00p
Share Price – year high	268.00p	260.00p
Share Price – year low	182.40p	190.10p
Discount at year end	7.9%	12.3%
Discount – year high	14.2%	14.6%
Discount – year low	7.3%	9.8%
Earnings for the year ended 31 March – see page 49		
Revenue Earnings per Ordinary Share ²	4.06p	3.80p
Capital (Loss)/Earnings per Ordinary Share ²	(18.21p)	45.86p
Total (Loss)/Earnings per Ordinary Share ²	(14.15p)	49.66p
Ongoing Charges for the year to 31 March	1.02%	1.11%
Variable Management Fee	-0.09%	0.00%
Ongoing Charges including Variable Management Fee for the year to 31 March ³	0.93%	1.11%

1 See Note 20 on page 73.

2 Based on the weighted average number of Ordinary Shares held outside of Treasury during the year.

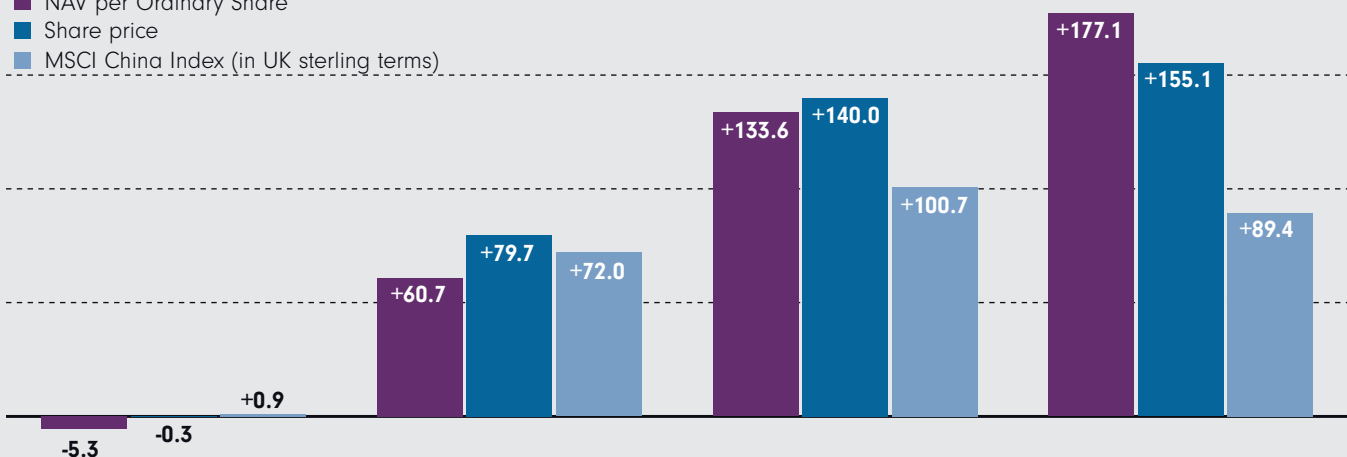
3 Ongoing charges (excluding finance costs and taxation) expressed as a percentage of average Net Asset Values for the year (prepared in accordance with methodology recommended by the Association of Investment Companies ("AIC")). The prior year ongoing charge has been restated from that recommended by MiFID II which included interest on bank loans and overdrafts to the one recommended by the AIC which excludes such costs.

Sources: Fidelity and Datastream.

Past Performance is not a guide to future returns.

Standardised Performance Total Return¹ (%)

■ NAV per Ordinary Share
■ Share price
■ MSCI China Index (in UK sterling terms)



1 year ended 31 March 2019 3 years ended 31 March 2019 5 years ended 31 March 2019 Since launch² to 31 March 2019

1 Includes reinvested income.

2 Launch Date 19 April 2010.

NAV per Ordinary Share and Share Price Total Returns for the 1 year ended 31 March 2019 are Alternative Performance Measures. See Note 22 on page 74.

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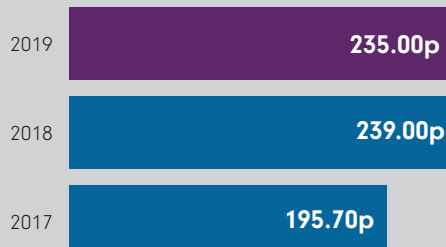
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Unlisted Investments and Top 10 Holdings

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Share Price as at 31 March



Record since Launch

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Chairman's Statement



I have pleasure in presenting the Annual Report of Fidelity China Special Situations PLC for the year ended 31 March 2019.

Nicholas Bull, Chairman

£1,401.6m

(As at 31 March 2019)
Equity Shareholders' Funds

-5.3%

(Year ended 31 March 2019)
Net Asset Value per Ordinary Share (total return)

-0.3%

(Year ended 31 March 2019)
Share Price (total return)

+0.9%

(Year ended 31 March 2019)
Benchmark Index (total return)

In 2018/19 China displayed two of its enduring characteristics: volatility in the stock market and economic growth continuing at a rate in excess of 6% per annum. Following a strong performance the previous year, the Company's share price fell during the year and then recovered to finish close to where it had started. All of this demonstrates that, with China, patience is rewarded and an investment in the Company should be viewed over the medium to long-term.

During 2018, the concerns about trade and policies put in place in China to restrict growth in credit clearly impacted business sentiment and growth and this contributed to the weaker stock market. Since the end of 2018, more stimulative policy, particularly for the private sector, has supported the economy and the stock market has performed markedly better in the opening months of 2019.

China's growth rate of 6.6% for 2018 continues to run way in excess of developed market economies. Increasingly investors are seeing the benefit of having a portion of their overall portfolio dedicated to China and our Company was designed, from the start, to fill that need.

As investors focus more on China itself, rather than seeing it as merely another emerging market, more dedicated China funds have been launched and I want to set out clearly how we differentiate ourselves.

First, as an investment trust, we are closed ended. This enables our Portfolio Manager, Dale Nicholls, to invest in smaller and mid-sized stocks where he sees the best growth even if they are somewhat illiquid; and for us to invest in unlisted stocks which we can hold for a period of years in anticipation of them becoming quoted on a stock market. Furthermore, we are able to add a level of gearing to the portfolio to enhance returns.

Second, we have focused on the inherent growth in the New China Economy. The middle class in China continues to grow in size and in its spending power. The economy is increasingly driven by consumption and our approach from the start has been to build a diversified portfolio of stocks across the consumer sector.

Third, we have avoided certain parts of the stock market, in particular the banks and the larger State Owned Enterprises, many of which are components of our Benchmark Index, unless there is a compelling investment case for specific stocks.

Dale Nicholls is supported by a large team of analysts in China enabling him to identify and invest in companies that are not well researched and therefore potentially undervalued. In the debate between active and passive management I firmly believe that, when investing in an emerging market like China, active management is rewarded. The performance of the Company over five years and since launch against our Benchmark Index reflects this.

Risks

The principal risks facing the Company and investors, as identified by the Board, are set out on pages 16 and 17.

Performance Review

Over the reporting year, the Company's NAV total return was -5.3%, underperforming the MSCI China Index (the Company's Benchmark Index) return of +0.9%. The Company's share price total return was -0.3%. The year was adversely affected by the general underperformance of small and mid-cap stocks but, as Dale Nicholls comments in his report, aggregate earnings for the companies in the portfolio are expected to grow over 20% in the current financial year.

Despite the one year returns, the NAV and share price performance (on a total return basis) over Dale Nicholls' 5 year tenure as Portfolio Manager and since launch to 31 March 2019, remain well ahead of the Index (see table below).

Total returns (%)	5 years	Since launch ¹
NAV per ordinary share ²	+133.6	+177.1
Share price ²	+140.0	+155.1
MSCI China Index	+100.7	+89.4

¹ Launch date 19 April 2010.

² Alternative Performance Measures.

MSCI and China 'A' Shares

The Company's Benchmark Index is the MSCI China Index (in UK sterling terms) against which we measure our performance.

On 28 February 2019, the MSCI announced that it will increase the weight of China 'A' shares in the MSCI Indices, which includes the MSCI China, by increasing the inclusion factor from 5% to 20% in three steps:

- Step 1 in May 2019 increased the index inclusion factor of all China 'A' Large Cap shares in the MSCI Indices from 5% to 10% and added ChiNext Large Cap shares with a 10% inclusion factor;
- Step 2 in August 2019 will increase the inclusion factor of all China 'A' Large Cap shares in the MSCI Indices from 10% to 15%; and
- Step 3 in November 2019 will increase the inclusion factor of all China 'A' Large Cap shares in the MSCI Indices from 15% to 20% and add China 'A' Mid Cap shares, including eligible ChiNext shares, with a 20% inclusion factor to the MSCI Indices.

This increased weighting reflects China's growing significance in the world's financial markets in line with its importance as an economic leader. The consequent increase in attention and focus by investors around the world should enhance the demand for China stocks to the benefit of our Company.

Due Diligence visit to China

The Board undertook its annual due diligence visit to China in November 2018, visiting Beijing, Hangzhou and Shanghai. During the trip we met members of Fidelity International's investment and research teams and spent time with the analysts who cover the individual stocks in which we are invested.

In each city we met economists and industry experts as well as with the executive management teams of 12 companies, each of which we visited with Dale Nicholls and the relevant Fidelity research analyst.

Among the portfolio names we saw were Alibaba, China's largest e-commerce and cloud provider; 21Vianet, one of the country's biggest independent operators of internet data centres; CICC, a leading investment bank; Hollysys, a controls systems provider; Zhejiang Sanhua, a manufacturer of thermal controls components; and Focus Media, the country's largest operator of indoor and cinema advertising. We also met the management team at Wuxi Biologics, a contract development and manufacturing organisation for biologic drugs, as well as senior executives at China Renaissance, a rapidly expanding investment bank.

Details of our largest holdings, as well as of the unlisted companies we have exposure to, are set out on pages 11 to 13.

Our visit reconfirmed our confidence in the Portfolio Manager and his team of research analysts.



The Board's visit to Zhejiang Sanhua.

Unlisted Companies

The Company is permitted to invest up to 10% of its Gross Assets in unlisted companies. Starting with BNN Technology (known as DJI Holdings pre-IPO) in May 2011 (IPO in July 2014) and then Alibaba Group in September 2012 (IPO in 2014), we have

Chairman's Statement continued

invested in nine unlisted companies ahead of their planned IPO, four of which have now listed.

At the start of the year we held four investments representing 4.3% of Gross Asset Exposure. During the year, two were listed on the stock exchange and we made three new investments. At the end of the year, we held five investments representing 4.8% of the Company's Gross Asset Exposure.

Gearing

The Company has a three-year unsecured fixed rate facility agreement with Scotiabank Europe PLC for US\$150,000,000. The interest rate is fixed at 3.01% per annum until the facility terminates on 14 February 2020.

To achieve further gearing, the Company uses contracts for difference ("CFDs") on a number of holdings in its portfolio. Further details are in Note 20 on page 73.

At 31 March 2019, the Company's gearing, defined as the Gross Asset Exposure in excess of Net Assets, was 26.1% (2018: 20.2%). Net gearing which nets off short positions was 20.9% (2018: 14.2%). The level of gearing is determined by the Manager within the limit set by the Company's Prospectus of 30%.

Dividend

The Board recommends a final dividend of 3.85 pence per ordinary share for the year ended 31 March 2019 for approval by shareholders at the Annual General Meeting ("AGM") to be held on 24 July 2019. This represents an increase of 10% over the 3.50 pence paid in respect of the prior year. The dividend will be payable on 30 July 2019 to shareholders on the register on 28 June 2019 (ex-dividend date 27 June 2019).

Shareholders may choose to reinvest their dividends to purchase more shares in the Company. Details of the Dividend Reinvestment Plan are set out on page 82.

The Board has taken a conservative approach to paying dividends and over time, the Company's revenue reserve has been built up in order to potentially smooth dividend growth, if necessary, in future years.

Discount Management

The Board recognises that the Company's share price is affected by the interaction of supply and demand in the market and investor sentiment towards China and the performance of the NAV per share. Recognising these factors, the Board regularly reviews the level of the Company's discount and the ways in which it can be managed so that the shares can trade at a level closer to the NAV.

The Company's discount narrowed from 12.3% at the start of the reporting year to 7.9% at the end of its reporting year. During this period, the Board authorised the repurchase of 1,840,000 ordinary shares to be held in Treasury. These share repurchases will have benefited shareholders as the NAV per share has been enhanced slightly by purchasing shares at a discount. Since the year end and as at the date of this report, the Company has not repurchased any further ordinary shares into Treasury or for cancellation.

Since the year end and up to 31 May 2019, the discount has traded in the range of 5.8% to 9.8% and has therefore been below 10% for a period of 2 months. Against this backdrop, the Board has decided to adopt a formal discount control policy whereby it will seek to maintain the discount in single digits in normal market conditions and will, subject to market conditions, repurchase shares with the objective of stabilising the share price discount within a single digit range.

At the forthcoming AGM, the Board is seeking to renew the annual authority to repurchase up to 14.99% of the Company's shares, to be either cancelled or held in Treasury, as it has done each year previously.

Fidelity as Manager

The Board has contracted with Fidelity to provide the Company with investment management and administrative services. In reviewing Fidelity, the Board notes Fidelity's leadership position in fund management in China where it employs a significant number of analysts on the ground in both Shanghai and Hong Kong. Furthermore, the performance of the Portfolio Manager, Dale Nicholls, since his appointment five years ago, has been well ahead of the Benchmark Index making the Company one of the best performing specialist China funds available to investors.

Management Fees

As mentioned in last year's Annual report and effective from 1 July 2018, the Board agreed a new fee arrangement with FIL Investment Services (UK) Limited, the Company's Alternative Investment Fund Manager (the "Manager"). The new fee reduced the annual base fee of 1.00% of Net Assets to 0.90% of Net Assets per annum. In addition and effective from 1 October 2018, there is a +/- 0.20% variation fee based on the Company's NAV per share performance relative to the Company's Benchmark Index. The maximum fee that the Company will pay is 1.10% of Net Assets, but if the Company underperforms against the Benchmark Index, then the overall fee could fall as low as 0.70% of Net Assets. The revised management fee provides an overall reduction from the previous management fee structure.

The base management fee paid from 1 April to 30 June 2018 was at 1.00% of Net Assets and for the remaining nine months to 31 March 2019, it was at the revised rate of 0.90%. The variable element of the new fee structure, which was effective from 1 October 2018, was -0.09%. Full details of the new fee calculation are set out in the Directors' Report on page 28.

Ongoing Charges

The Ongoing Charge for the year was 1.02% (2018: 1.11% (restated)). The variable fee element of the management fee was a credit of 0.09%, therefore the Ongoing Charge including the variable fee was 0.93%. The prior year Ongoing Charge of 1.35% has been restated to 1.11% from the methodology recommended by MiFID II, which included interest on bank loans and overdrafts, to the methodology recommended by the AIC which excludes such costs. I am pleased to report that the revised management fee has contributed to the reduction in the Ongoing Charge for this year.

Board of Directors

As reported last year, John Ford did not stand for re-election at last year's AGM and left the Board on 25 July 2018 and we thank him for his contribution.

David Causer has served on the Board since the Company's IPO on 19 April 2010, and having completed nine years, will step down from the Board at the conclusion of this year's AGM on 24 July 2019. I would like to thank him on behalf of the Board and all of the Company's stakeholders for his unfailing dedication and attention to detail as Chairman of the Audit and Risk Committee and for his wisdom as a Board member. He will be missed.

Mike Balfour was appointed to the Board on 1 October 2018. His appointment was through a specialist consultancy firm hired to identify a new Director. Mike has over 30 years' experience in financial services and is a member of the Institute of Chartered Accountants of Scotland. He is a non-executive Director of Standard Life Investment Property Income Trust plc, Martin Currie Global Portfolio Trust plc and Perpetual Income and Growth Investment Trust plc. He is Chairman of the Investment Committee of TPT Retirement Solutions and sits on its Management Board. He was chief executive of Thomas Miller Investment Ltd until 2016 and was previously chief executive at Glasgow Investment Managers and chief investment officer at Edinburgh Fund Managers Limited. Mike's early investment management career was focused on the nascent equity markets of Asia.

As part of the Board's succession plan, Mike will succeed David as Audit and Risk Committee Chairman on 24 July 2019 following the AGM.

Vera Hong Wei resigned from the Board on 31 October 2018 and the Board appointed a specialist consultancy firm to identify a new Director. I am pleased to welcome Linda Yueh as a new member of the Board with effect from 1 June 2019. Linda is an economist, corporate lawyer, financial broadcaster and author and brings a diverse range of skills to the Board. She is an experienced non-executive Director of FTSE companies and her core skills include her grasp of the larger macro-economic trends transforming conditions in the global economy and reshaping markets, in particular the geo-economic factors on equity and debt markets. Much of her academic work has focused on China and she has written several books about it. Further details are included in her biography on page 27.

In accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies, all Directors, with the exception of Mike Balfour and Linda Yueh, are subject to annual re-election at the forthcoming AGM. Mike Balfour having been appointed during the reporting year and Linda Yueh on 1 June 2019 are both subject to election at the AGM on 24 July 2019. The Directors' biographies can be found on page 27, and, between them, they have a wide range of appropriate skills and experience to form a balanced Board for the Company.

Board Succession

The Board has spent a considerable amount of time discussing its succession plan for the next three years. Details of this can be found in the Corporate Governance Statement on page 31.

Environmental, Social and Governance ("ESG")

The standards of ESG in China, as in other emerging markets, are not as developed as in more mature markets. However, as a stock picker, our Portfolio Manager attempts to assess the quality of governance in the companies he researches and visits as experience has shown in China, that better governed companies make better investments.

Environmental standards are increasing too with President Xi putting a focus on this, both in power generation on a macro scale and also on a micro scale, in the discharge practices of manufacturing companies, which has had a significant effect on a number of businesses. Dale Nicholls comments more on this in his Portfolio Manager's Review on page 9.

Outlook

The Company's objective is to enable shareholders to achieve a capital increase in their investment by participating in China's growing economy.

We weathered the volatility of 2018/19 and I believe that our Portfolio Manager, Dale Nicholls, has positioned the portfolio to benefit from China's annual GDP growth of around 6% and the even greater growth rate of retail consumption.

The Board believes strongly in offering investors some specialist China exposure to include in their portfolio and is confident in the long-term outlook for the shares in Fidelity China Special Situations PLC.

Annual General Meeting – Wednesday, 24 July 2019

The AGM of the Company will be held at 11.00 am on Wednesday 24 July 2019 at **155 Bishopsgate, London EC2M 3YD**. Full details of the meeting are given on pages 75 to 77.

This is an opportunity for shareholders to meet the Portfolio Manager, Dale Nicholls, and the Board.

I hope that you are able to join us.



Nicholas Bull
Chairman
4 June 2019

Portfolio Manager's Review



Dale Nicholls was appointed as Portfolio Manager of Fidelity China Special Situations PLC on 1 April 2014. He has 25 years of investment experience and also manages the Fidelity Pacific Fund. He spends much of his time travelling within China to meet the management teams and competitors of companies in which he invests or may choose to invest, visiting well over 100 companies a year.

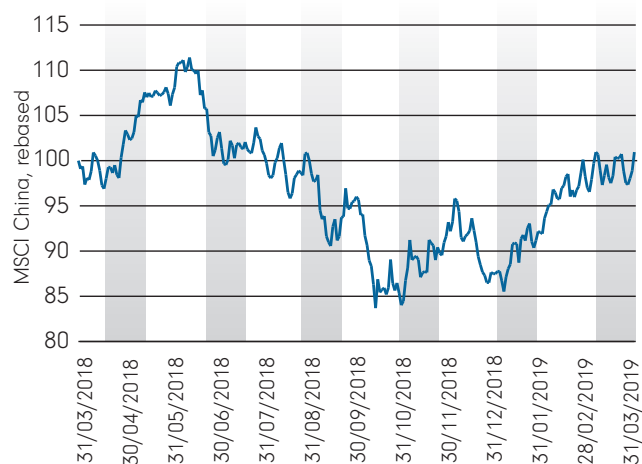
Question

2018 was a challenging year for Chinese equities. What were the drivers and what has changed more recently?

Answer

The last 12 months have been volatile. The MSCI China Index started the reporting period strongly, rising 11% to mid-June 2018. From then until mid-October 2018, the Index fell 25%. We then saw a 21% bounce to 31 March 2019.

MSCI China Index

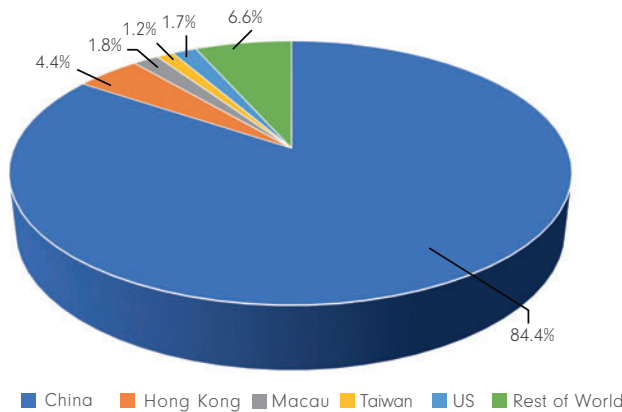


Source: Thomson Reuters, MSCI China Index (in UK sterling terms) from 31 March 2018 to 31 March 2019.

The year started with optimism following a strong 2017 driven by the technology sector, and especially tech giants like Alibaba and Tencent. However, optimism quickly turned to pessimism as President Trump announced trade tariffs of around US\$200bn of Chinese products to the US, with the potential for them to ramp up to 25% on all exports, sparking fears for China's export sector. Through to April 2019, negotiations were seemingly moving in the right direction, but more recently, the decision to go ahead with 25% tariffs on US\$200bn of Chinese exports has been made, with the prospect for the remaining US\$300bn of exports also to be implemented.

While the daily news flow on the negotiations continues to drive gyrations in the market, I would like to stress the limited potential direct impact tariffs are likely to have on the holdings in the portfolio given its low exposure to exporters. Some 90% of the total revenues of the companies in the portfolio come from Greater China, including Hong Kong and Macau.

Sales by Geography



I remain positive on the prospects for a trade deal being reached, the simple reason being the mutual damage to both economies that a prolonged full-blown trade war would bring, starting with higher prices for US consumers. While incremental lower value-add production capacity is shifting to locations with lower labour costs, China remains entrenched in global supply chains, and the full implementation of the proposed tariffs would cause significant disruption. While some parts of the negotiation will be complex and difficult to reach full consensus, particularly around issues such as government support in strategic sectors, we believe both sides will be increasingly incentivised to reach agreement. To the degree negotiations push towards a more open economy with less support for State Owned Enterprises, this could actually be positive for private sector companies which make up the majority of the portfolio.

The economy began to show real signs of a slowdown in the second half of 2018. While concerns over trade and related uncertainty were clearly impacting the mindsets of company management teams, in my view a more significant factor was the slowdown in credit growth impacting liquidity, particularly for smaller companies. This was particularly evident in the so-called 'shadow banking' areas which have been on a downtrend since the beginning of 2018.

This slowdown in the broader economy was clearly reflected in industrial production which slowed to just over 5% growth, while the manufacturing Purchasing Managers' Index dipped below the 50-point level separating expansion from contraction. Non-manufacturing indices saw less of a slowdown but consumption trends were also impacted, particularly for larger ticket items. The automobile market finished 2018 down 4%, the first decline in over two decades. Retail sales growth, slowed to just over 8%, the slowest rate in the last decade.

These factors certainly impacted sentiment in markets, both for foreign investors and even more so in the domestic market with 'A' share indices correcting 24% from the peak. This drove valuations to levels at or near historical lows for many parts of the market.

Towards the end of 2018, we saw increased government policy action to address the slowdown in the economy. On the monetary side, there were increasingly aggressive cuts in the reserve requirement ratio for banks and strong support for increased lending, particularly for smaller companies, but also for local governments and their financial vehicles. On the fiscal side, we saw increased moves to push ahead with infrastructure programmes, but also changes in income tax policy through raising tax thresholds and increasing the proportion of people who will pay no tax at all.

These measures, combined with increasing signs of progress on the trade negotiation front, shifted sentiment positively from the beginning of 2019. Recent economic indicators have also started to accelerate once again. The sentiment I get from companies on the ground has clearly turned more positive. We need to watch how policy develops going forward. This increased focus of policy on supporting individuals should be a positive for our consumption slant in the portfolio. On the other hand, the pick-up in credit growth raises concerns over the commitment to deleveraging over the mid-term and needs to be monitored.

The slowdown in China needs to be kept in perspective. The economy grew 6.6% in 2018 with faster growth in consumption as part of the structural shift that remains in place for years to come. These are impressive growth rates for any economy, let alone one on track to be the largest in the world. The aggregate growth numbers also mask significant structural shifts that are occurring on the ground. While growth expectations for the companies in the portfolio may have been tempered somewhat, the vast majority still have robust growth prospects. Aggregate earnings for the companies in the portfolio are expected to grow over 20% in the next 12 months. Stock market sentiment in China is often concentrated too much on short-term growth trends relative to the long-term growth prospects for underlying companies, creating opportunities for stock pickers focused on the long-term.

Question

How has the Company performed in the year under review?

Answer

The Company posted a Net Asset Value total return of -5.3% over the review period, while the MSCI China Index returned +0.9%. The share price also lagged the market, but recorded a more modest fall of -0.3%. The share price discount to NAV narrowed from 12.3% to 7.9%.

Underperformance over the year predominantly came in the six-month period from 30 April 2018 to 31 October 2018 when the market fell into bear market territory. Larger declines were in the consumer and technology related areas of the portfolio, which is disappointing given this remains the key thrust of the portfolio. Whilst execution by some companies has disappointed, I remain confident in the long-term outlook for the majority of names in the portfolio. Being geared in this environment also hurt performance.

Portfolio Manager's Review continued

The portfolio saw strong returns from long-term holdings CITIC Telecom, Yihai International and China Meidong Auto. Macau telecom operator, CITIC Telecom, continued to report stable earnings and cash flow and an increase in its dividend payout was well received in the market. Hot pot condiment manufacturer Yihai rose more than 68% over the year as its restaurant partner, Haidilao, continues to roll out new restaurants successfully across China and had a highly successful IPO. Furthermore, Yihai grew third-party sales, especially in condiments used for home cooking. China Meidong Auto is a car dealership that has been held in the portfolio throughout my tenure as Portfolio Manager of the Company. Once again, it reported rising profits, despite a tough environment for auto sales, supported by ongoing growth in the margin-accretive after-sales care and servicing business.

The portfolio also saw a significant return from Aurora Mobile, a mobile data solution platform. This was an unlisted holding added to the portfolio in 2017 which listed in the US in July 2018. The holding's value was increased ahead of its IPO, and while it had a very volatile start, the company has generated significant value for shareholders.

The three largest detractors from relative performance actually came from not owning large, relatively defensive and mostly State Owned Enterprises: China Mobile, CNOOC and Ping An Insurance.

Goodbaby, a baby product manufacturer, also declined over the review period. Its key US distributor, Toys R Us, went into administration and this has severely disrupted its US business, and we are yet to see the benefits of various restructuring efforts which have hurt earnings in the short-term. While admittedly we need to see better execution going forward, the potential for improvement in operations supported by strong brands combined with an attractive valuation, the risk-reward balance is positive for the company from here on. China Pacific Insurance, a larger bet in the portfolio, also underperformed. This has been driven by concerns over margins and investment returns which, I believe are overdone, and with the company near trough valuations, this remains a core holding.

Question

How has the Company benefited from its ability to invest in unlisted securities?

Answer

The Company continues to be active in the unlisted domain. At the start of the period under review, it held four unlisted holdings: Xiaoju Kuaizhi ('Didi Chuxing'), Meituan Dianping (formerly China Internet Plus Holdings), Shanghai Yiguo ('Yiguo') and Aurora Mobile (known as Jiguang pre-listing). In 2018 Meituan and Aurora listed in Hong Kong and New York respectively. The Company continues to hold Aurora for its strong potential for continued growth by leveraging its access to the broadest data set. Meituan was sold due to the perceived risks relating to increased competition across a range of online services.

The Company added three new unlisted holdings over the year: (i) DJI International, a drone manufacturing company; (ii)

Sensetime, China's leading AI company focused on computer vision and deep learning; and (iii) ByteDance, which operates various content platforms globally including Toutiao in China, the leading news aggregator, and Douyin, a strongly growing short video platform, which is also growing strongly overseas under the name TikTok. The Company held 4.8% in unlisted investments at the year end. New opportunities continue to be evaluated but we remain disciplined around valuation.

Question

MSCI has announced that it will increase the weight of China 'A' Shares in its indices. How encouraged are you by this?

Answer

This was a clear endorsement of the positive changes we have seen in China's capital markets over the last few years. 'A' shares were included in MSCI indices from last year at an inclusion rate of 5%, meaning 'A' shares were only 5% of their true market-cap value. Later in the year, MSCI announced that it will increase the inclusion factor to 20% and add more 'A' share companies to the Index over multiple stages throughout 2019. This means 'A' shares will move from being around 2.5% to more than 10% of MSCI China Index by the end of 2019. This is also recognition of the wide gap between China's weight in global GDP and its representation in global markets. China's market weight in indices is expected to grow in the future, and I believe it is likely to be a key factor behind the biggest asset allocation shift in global equities we will see in the next decade. The portfolio currently holds around 11% in 'A' shares.

Question

What have been the key changes to the portfolio during the period under review?

Answer

Portfolio turnover for the year stood at 33%. Yihai was the largest disposal as valuations looked stretched after its strong rally. A number of positions related to travel were also trimmed or sold from the portfolio. China International Travel Service (duty free), Shanghai International Airport (airport), and China Lodging (hotel operator) were all decreased. The travel industry still has a robust growth outlook, but valuations looked less compelling as stocks increased in value. Meituan was also a large disposal. Post the IPO lock-in period, the position was sold amid increased competition in online services.

The Company made some significant additions in investment banks. CITIC Securities, China International Capital Corporation ("CICC") and China Renaissance are all new positions. CITIC Securities and CICC are market leading brokers with strong potential growth coming from a significant IPO pipeline, more 'A' share flows from foreign investors and increasing institutional investors entering the financial system. Their scale, experience and established contacts means that they are two of the primary broker companies that investors look to for capital market activity. China

Renaissance is a specialist investment bank primarily focused on technology and other developing sectors. Their extensive industry expertise and contacts makes it an intermediary of choice for technology companies looking to enter the market. Elsewhere within financials, the Company has added to its holdings in insurance companies, including a new position in China Taiping Insurance. The insurance sector was badly hit in the 2018 bear market amid concerns for their investment book, moving valuations to historically low levels in many cases, and levels that compare favourably with other global insurers despite far better growth prospects. The long-term opportunity remains attractive as the industry is still in its infancy; it is tied closely to the rise of the middle class and their propensity to protect wealth.

The Company has capitalised on emerging opportunities in the technology sector. Secoo is a leader in luxury e-commerce, building strong relations with well-known global brands, and trades at a significant discount to global peers. Kingsoft is set to benefit from a recovery in on-line game approvals, reduced losses in its cloud business as the market consolidates, and from continued strong growth in its WPS ("Writer, Presentation and Spreadsheets", previously known as Kingsoft Office) software business. Alibaba and Tencent remain core positions in the portfolio – their ecosystems continue to expand and will occupy an even greater share of the Chinese economy.

As mentioned previously, we have also seen activity in the Company's unlisted holdings.

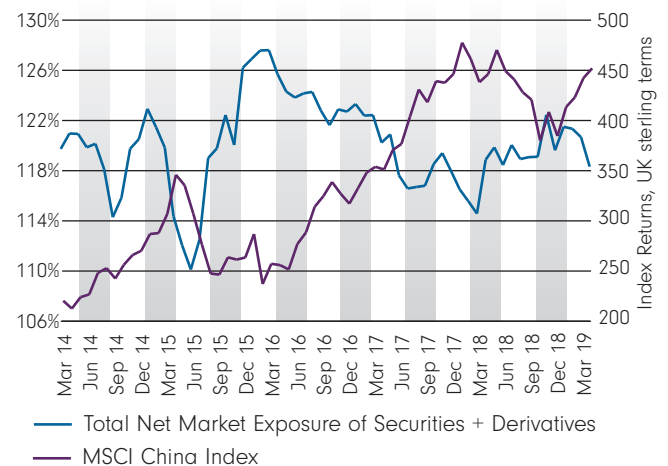
Question

How have you been making use of gearing?

Answer

Levels of gearing in the portfolio really reflect the opportunities that I see in the market. During periods when opportunities are abundant, I look to put more capital to work. As can be seen in the chart opposite, this typically coincides with weak market sentiment, as we saw in late 2018. During this time, I saw particular opportunity in the more market sensitive areas such as investment banks and insurance and added to the long positions in the companies discussed above. Conversely, when markets rally and valuations are less attractive, it often leads to fewer long opportunities and more short opportunities, thus net gearing tends to decrease, as has been the case in the first quarter of 2019. The fact that overall gearing levels remain relatively high reflects the fact that I still see significant value in the market, and believe in leveraging the resources the Company has at its disposal in order to capitalise on those opportunities.

Net Gearing v Index



Question

Is Corporate Governance improving?

Answer

When evaluating how companies are governed, we aim to invest in companies that are fully compliant with local laws and regulations and are good corporate citizens. Going more deeply, our analysis focuses on the degree to which management priorities are aligned with the interests of minority shareholders. Meeting with management teams regularly is a key part of this process. This is part of the reason a large proportion of the portfolio is invested in private sector companies in which management have a significant stake in the business as opposed to State Owned Enterprises.

Engaging with companies on broader Economic, Social and Governance ("ESG") issues is something we are committing more and more resources to. An example is the engagement that we are having with companies in the whole chain of apparel production, from upstream textiles through to the actual brands. We expect disclosures to improve on how companies are managing their workforce and meeting environmental requirements. Another great example is Alibaba, one of the Company's top holdings, releasing a detailed report on ESG, driven directly by senior management.

It is worth noting that environmental standards have improved significantly across a range of industries over the past few years.

In many cases, the data available on governance of Chinese companies is inaccurate or simply out of date. We are aware that companies in certain areas may not be fully compliant, but note that those showing improvement, including better disclosure, may often enjoy higher valuations. As investor demand for ESG themes increases, it has the potential to drive the cost of capital lower for companies that deliver strongly in this area.

Portfolio Manager's Review continued

Question

What is your outlook for the current year?

Answer

China remains a good stock-picking market. Volatility seems likely to continue and macro-economic and geopolitical noise will continue to impact the market from time to time. We remain focused on what matters most – the companies. For those operating in the sectors which are the main focus for the portfolio, such as, consumer, information technology and healthcare, the underlying growth drivers are strong. In these so called “New China” areas levels of innovation remain high – we continue to see new players emerging.

The continuing growth of the middle class is an overarching theme supporting consumption, which remains the biggest driver of growth in China. In addition to rising penetration across a range of categories, we are seeing increasing ‘premiumisation’ and trading up which should not be a surprise as incomes rise. While many foreign players occupy strong market positions, we continue to see local players asserting themselves and building strong businesses from sportswear to toothpaste to coffee chains.

The underperformance of the Company relative to the Benchmark over the period is disappointing but I believe that many of the smaller-sized companies have good potential to be recognised by the market as they continue to grow earnings. We have positive examples of companies such as China Meidong. We are seeing signs of improvements reflected in a strong start to performance in 2019. The Fidelity team continues to work hard to uncover these ideas and follow the execution of their strategies.

While valuations have moved up recently from last year's lows, there is still significant value to be found, particularly when viewed relative to other markets. China will continue to grow as a proportion of global markets and thus become harder and harder to ignore for international investors. I remain confident in the fundamentals and values of the companies in the portfolio and their ability to grow earnings over the mid-term. This should result in continued growth in the Net Asset Value of the Company. My conviction is also reflected in my personal holding in the Company which has increased over the period.



Dale Nicholls

Portfolio Manager

4 June 2019

Case studies of past successful Unlisted Investments to IPO



Alibaba Group Holdings

Now one of the most illustrious names in Chinese technology, Alibaba is an e-commerce company headquartered in Hangzhou providing consumer-to-consumer, business-to-consumer and business-to-business sales services.

The Company invested in Alibaba on 17 September 2012, buying 25,000 preference shares at US\$1,000 per share. The value of this at purchase was £15.4m.

On 19 September 2014, Alibaba's initial public offering ("IPO") was the largest in history. The value of the Company's investment at IPO was £74.8m.



Aurora Mobile ('Jiguang')

Jiguang is China's leading mobile big data solutions platform and provides a suite of services to mobile app developers.

As at 31 March 2018, its services were used by approximately 318,000 mobile app developers in a range of industries, such as media, entertainment, gaming, financial services, tourism, e-commerce, education and healthcare.

The Company invested in Jiguang on 18 May 2017, buying 2,441,572 shares at a cost of US\$5.3962 per share. The value of this at purchase was £10.1m. The company listed as an ADR on NASDAQ on 26 July 2018. The valuation at IPO was £25.5m.



Meituan Dianping (formerly China Internet Plus Holdings)

Meituan Dianping develops and operates a platform providing online group buying services. The company operates a social commerce website, which offers online group discounts for movie tickets, restaurants, entertainment, and health/fitness sectors.

The Company invested in Meituan Dianping on 31 March 2016, buying 3,108,000 shares at a price of US\$3.2173 per share. The value of this at purchase was £7.0m. The company listed in Hong Kong on 20 September 2018. The valuation at IPO was £13.9m.

Unlisted Investments as at 31 March 2019



Xiaoju Kuaizhi ('Didi Chuxing')

(Purchased: August 2015)

Xiaoju Kuaizhi, popularly known as Didi Chuxing, offers a wide range of transportation options for more than 550m users - including 'Taxi', 'Express', 'Premier', 'Luxe', 'Bus', 'Designated Driving', 'Enterprise Solutions', 'Bike Sharing', 'E-Bike Sharing' and 'Car Rental', as well as food delivery. It has over 31m drivers and partners with names like Grab, Lyft, Ola, 99, Taxis and Careem in a global ride-hailing network.



Shanghai Yiguo ('Yiguo')

(Purchased: December 2016)

Yiguo operates China's leading fresh food e-commerce platform and is the exclusive operator of the fresh food segment on Alibaba's T-Mall Supermarket. China's fresh grocery market continues to grow rapidly and in 2018 Yiguo introduced an order-based tracking system to improve logistics and safety.



SenseTime

(Purchased: June 2018)

SenseTime is an artificial intelligence company which focuses on computer vision and deep-learning technologies. Founded in 2014 it is best known for its image recognition and surveillance work, but it also develops autonomous driving technology.



ByteDance

(Purchased: November 2018)

ByteDance is a leading internet entertainment and social media company with hundreds of millions of users in China. Despite the threat of Baidu, Alibaba and Tencent, ByteDance is one of the few contenders able to capture significant time-spent and advertisement revenue in China. Among the most appealing features of the company is its product development capability and its success in the overseas market.

DJI International

(Purchased: May 2018)

DJI International is a manufacturer of drones.

Top 10 Holdings

as at 31 March 2019

(based on Gross Asset Exposure expressed as a percentage of Net Assets)

Industry Information Technology



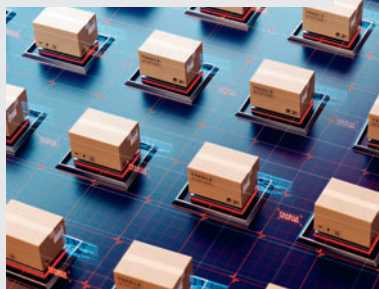
Tencent Holdings

Gross Asset Exposure

13.3%

Tencent Holdings is one of the largest internet and technology companies in the world and Asia's most valuable company in terms of market value. Its business spans social network, music, web portals, e-commerce, mobile games, internet services, payment systems, smartphones, and multiplayer online games, which are all among the world's biggest and most successful in their respective categories. Tencent's applications are hosted on its WeChat platform, which has more than 1 billion monthly active users.

Industry Information Technology



Alibaba Group Holdings

Gross Asset Exposure

9.5%

Alibaba Group Holdings is a Chinese multinational e-commerce, retail, internet, AI and technology conglomerate. It runs the biggest e-commerce platform in the world with online sales and profits surpassing all US retailers (including Walmart, Amazon and eBay) combined. On China's Singles' Day on 11 November 2018, it recorded sales of US\$30.8 billion on over 1 billion orders in one day. It has a significant stake in Ant Financial, which includes China's leading mobile payment system, Alipay.

Industry Financials



China Pacific Insurance Group

Gross Asset Exposure

4.8%

China Pacific Insurance Group is China's third largest insurer and offers a broad range of protection, investment and wealth management services. It has one of the largest agent forces in China, employing 900,000 agents throughout the country.

Industry Financials



China Life Insurance Company

Gross Asset Exposure

3.1%

China Life Insurance Company is the largest insurer in China and it offers a wide range of life, accident, and health insurance products and services. Founded in 1949, it is now one of the Fortune Global 500 companies.

Industry Healthcare



Hutchison China MediTech

Gross Asset Exposure

2.9%

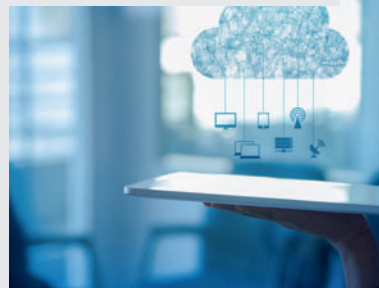
Hutchison China MediTech ("HCM") is a leader in China's growing biopharmaceutical sector, specialising in therapies for oncology and immunological diseases. It has a number of potential drugs in its development pipeline, with multinationals such as AstraZeneca and Eli Lilly teaming up with it to develop its work further. HCM has a strong traditional Chinese medicine business that acts as a stable cash generator for its biopharmaceutical business.

Industry Consumer Discretionary

China Meidong Auto Holdings

Gross Asset Exposure**2.6%**

China Meidong Auto Holdings is a mid-sized automobile dealership headquartered in Guangdong. It operates 45 dealerships covering world-renowned brands which are popular among Chinese consumers, including BMW, Lexus, Toyota and Hyundai, but differentiates itself from the competition by offering exceptional auto servicing.

Industry Information Technology

Kingsoft

Gross Asset Exposure**2.1%**

Kingsoft is a software and internet services company and has four subsidiaries, namely Seasun, Cheetah Mobile, Kingsoft Cloud and WPS. It has research and development centres and offices in Beijing, Zhuhai, Chengdu, Dalian, Guangzhou and Hong Kong and has been effective in securing significant overseas market share in regions including North America, Europe, Japan and Malaysia.

Industry Information Technology

Kingdee International

Gross Asset Exposure**2.0%**

Kingdee International is a software and cloud services provider and has software parks in Shenzhen, Shanghai and Beijing. Kingdee has provided corporate management software and cloud services for more than 6.8m enterprises and government organisations. In 2017, the company became an enterprise partner of Amazon AWS Cloud in China and last year signed a strategic cooperation contract with Huawei. To date Kingdee has served over 80m users.

Industry Financials

Noah Holdings

Gross Asset Exposure**1.9%**

Noah Holdings is a leading independent wealth and asset management service provider in China with a focus on investment and asset allocation services for high net worth individuals. In 2018, Noah distributed US\$16.0 billion of financial products. Noah had assets under management of US\$24.6 billion as of 31 December 2018.

Industry Financials

China Taiping Insurance Holdings

Gross Asset Exposure**1.9%**

China Taiping Insurance Holdings is a state-owned financial and insurance group. In 2000, the company became the first Chinese-funded insurer to be listed overseas. China Taiping was founded in 1929 in Shanghai as a national insurance brand and now has around 2,000 business outlets and total assets of around RMB 550bn. Its business channels include, among others, life, general, pension and internet insurance, reinsurance, asset management, securities brokerage, financial leasing and real estate investment.

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Manager's Review on pages 2 to 10 form part of the Strategic Report.

Business and Status

The Company carries on business as an investment company and has been accepted as an approved investment trust by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is registered as an investment company under Section 833 of the Companies Act 2006 and its ordinary shares are listed and traded on the London Stock Exchange. It is not a close company and it has no employees.

Objective

The Company's objective is to achieve long-term capital growth from an actively managed portfolio made up primarily of securities issued by companies listed in China and Chinese companies listed elsewhere. The Company may also invest in listed companies with significant interests in China.

Strategy

In order to achieve this objective, the Company operates as an investment company which has an actively managed portfolio of investments. As an investment company, it is able to gear the portfolio and the Board takes the view that long-term returns for shareholders can be enhanced by the use of gearing in a carefully considered and monitored way.

As part of the strategy, the Board has delegated the management of the portfolio and certain other services to Fidelity. The Portfolio Manager aims to achieve a total return on the Company's Net Assets over the long-term in excess of the equivalent return on the MSCI China Index (the Benchmark Index), as expressed in UK sterling. The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving the objective. The Board recognises that investing in equities is a long-term process and that the Company's returns will vary from year to year.

The Company's objective, strategy and principal activity have remained unchanged throughout the year ended 31 March 2019.

Investment Philosophy, Style and Process

The Portfolio Manager makes full use of Fidelity's extensive investment research presence and investment licenses in China. He focuses on undervalued companies which have good long-term growth prospects and which have been underestimated by the wider market. Company visits and management meetings comprise an important part of the investment process. He has a bias to small and medium-sized companies, where lower levels of research by competitors leads to greater opportunities for mispricing – but he is not constrained and may invest in large or mega-cap companies such as State Owned Enterprises where mispricing appears.

The Portfolio Manager has identified the growth of the middle class and a refocusing on China's economy towards domestic consumption as key drivers of its economy and the stock market in the coming years; he therefore focuses on those products and services that cater for this growth within China.

The Portfolio Manager may invest in companies listed domestically in China (including Hong Kong) or elsewhere (such as the United States) where those companies' primary revenue exposures are within China. The Company is also able to invest up to 10% of the portfolio in unlisted companies with a view to their Initial Public Offering, thereby providing investors in the Company with some of the broadest access to investment opportunities in China.

Investment Policy

The Company invests in a diversified portfolio consisting primarily of securities issued by companies listed in China and Chinese companies listed on other stock exchanges. The Company may also obtain exposure to other listed companies which have significant interests in China.

The Company may invest through equities, index linked, equity linked and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions, equity related securities, forward transactions and other interests including derivative instruments. Forward transactions and derivatives, including futures, options and contracts for difference, may be used to enhance portfolio performance as well as for efficient portfolio management and hedging. The Company's interest in any single investment will not, on acquisition, exceed 15% of the portfolio value.

The Investment Managers are not required to ensure that the Company's cash resources are fully invested at all times. Accordingly, there may be times when the Company holds cash or money market instruments pending investment.

The Company may invest in China "A" Shares both directly through the Investment Manager's Qualified Foreign Institutional Investor ("QFII") license and indirectly through third parties who have a QFII facility.

During the year the Company invested in equity linked notes, futures, put options and long and short contracts for difference and utilised the QFII licence of the Investment Manager.

Unlisted Investments

The Company is permitted to invest up to 10% of Gross Assets in unlisted securities which carry on business, or have significant interests, in China.

As at 31 March 2019, the Company held five (2018: four) unlisted investments with a fair value of £66,686,000 (2018: £64,339,000) representing 4.4% (2018: 4.0%) of Gross Assets.

Use of Derivative Instruments

The Company may use derivative instruments for efficient portfolio management, gearing and hedging purposes. They may also be used to achieve the investment objective (i.e. to enhance portfolio performance).

The Board has adopted a policy that the Gross Asset Exposure of short positions held by the Company will not in aggregate exceed 15% of Gross Assets.

As at 31 March 2019, the Company's exposure to short derivative instruments represented 7.0% (2018: 11.7%) of Gross Assets.

It is the Board's policy that total exposure to any single counterparty from all activities, including, but not limited to, the management of cash and the use of derivatives should not exceed 15% of Gross Assets. Derivative exposures are included after the netting off of off-setting positions and allowing for any collateral placed by the counterparty with the Company.

As at 31 March 2019, the Company's largest exposure to any single counterparty from all derivative activities was 9.0% (2018: 9.0%) of Gross Assets.

Investment in other Listed Investment Companies

The Company may invest no more than 10%, in aggregate, of its Gross Assets at the time of acquisition in other listed investment companies (including listed investment trusts), but this restriction will not apply to investments in investment companies or investment trusts which themselves have stated investment policies to invest no more than 15% of their Gross Assets in other listed investment companies (including listed investment trusts).

As at 31 March 2019, the Company held no investments in other listed investment companies (2018: nil).

Borrowing and Gearing policy

The Board considers that long-term capital growth can be enhanced by the judicious use of borrowing. The Board is responsible for the Company's gearing strategy with day-to-day decisions being made by the Investment Manager within the remit set by the Board in line with the Company's Prospectus.

The Company may borrow up to 25% of Net Assets and the Gross Asset Exposure of the Company, whether from borrowing or the use of derivatives, may not exceed the Net Assets of the Company by more than 30%. The Portfolio Manager is responsible for operating within these limits.

During the year, the Gross Asset Exposure of the Company did not exceed the Net Assets of the Company by more than 30%. As at 31 March 2019, Gross Asset Exposure in excess of Net Assets was 26.1% (2018: 20.2%).

Foreign Exchange Hedging Policy

The Company's Financial Statements are denominated in UK sterling, while investments are made and realised in currencies other than UK sterling, including Chinese renminbi, Hong Kong dollars and US dollars. It is the Company's policy not to hedge the underlying currencies of the holdings in the portfolio but rather to take the currency risk into consideration when making investment decisions.

Dividend Policy

The Company's objective is to achieve long-term capital growth, and thus the Board does not expect dividends to constitute a material element of any return to shareholders. However, in order

to continue to qualify as an investment company, the Company is required by Section 1159 of the Corporation Tax Act 2010 to distribute sufficient net income so that it retains no more than 15% of its net income in any reporting year.

Performance

The Company's performance for the year ended 31 March 2019, including a summary of the year's activities, and details on trends and factors that may impact the future performance of the Company, are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 10. The Forty Largest Holdings, the Distribution of the Portfolio, the Attribution Analysis and the Record since Launch are on pages 21 to 26.

Results and Dividends

The Company's results for the year ended 31 March 2019 are set out in the Income Statement on page 49. The revenue return was 4.06 pence and the capital loss was 18.21 pence, giving a total loss of 14.15 pence per ordinary share.

The Directors recommend that a final dividend of 3.85 pence (2018: 3.50 pence) per ordinary share be paid on 30 July 2019 to shareholders who appear on the register as at close of business on 28 June 2019 (ex-dividend date 27 June 2019).

Key Performance Indicators

The Board's intention is for the NAV and share price to outperform the Benchmark Index and, from now on, that the discount should be maintained in single digits in normal market conditions. It also aims to keep the Ongoing Charge as low as possible. The Board therefore deems these to be the Company's key performance indicators ("KPIs") and are also comparable to those reported by other investment companies. The Company's KPIs for the current and prior year are set out in the table below.

	Year ended 31 March 2019 %	Year ended 31 March 2018 %
Net Asset Value total return ¹	-5.3	+22.2
Share Price total return ¹	-0.3	+23.6
MSCI China Index total return	+0.9	+23.8
Discount to Net Asset Value	7.9	12.3
Ongoing Charges ²	1.02	1.11

¹ Alternative Performance Measures. See Note 22 on page 74.

² The Board regularly considers the costs of running the Company to ensure they are reasonable and competitive.

Sources: Fidelity and Datastream.

In addition to the KPIs set out above, the Board also monitors the factors contributing to investment results, as set out in the NAV Attribution Analysis table on page 25. Long-term performance is also monitored and the Record since Launch on page 26 shows this performance.

Strategic Report continued

Principal Risks and Uncertainties and Risk Management

As required by provision C.2.1 of the 2016 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/ the "Manager"), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks and uncertainties that the Company faces. The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of existing and emerging risks, is updated and reviewed regularly in the form of comprehensive

reports considered by the Audit and Risk Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and uncertainties and to ensure that the Board can continue to meet its UK corporate governance obligations.

The Board considers the following as the principal risks faced by the Company. The risks are unchanged from those reported in the prior year apart from some updates and the addition of the "Key Person risk" and the classification of the "Cybercrime risk" as a principal risk.

Principal Risks	Description and Risk Mitigation
Market, Economic and Geopolitical risk	<p>Investing in an emerging market such as the People's Republic of China (PRC) subjects the Company to a higher level of market risk than investment in a more developed market. This is due, among other things, to the existence of greater market volatility, lower trading volumes, the risk of political and economic instability (such as the ongoing trade wars between the US and China and the ongoing tensions in the Korean peninsula which could have material economic adverse impacts to China and the region), legal and regulatory risks, risks relating to accounting practices, disclosure and settlement, a greater risk of market shut down, standards of corporate governance and more governmental limitations on foreign investment than are typically found in developed markets. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success. The Board reviews material economic, market and legislative changes at each Board meeting.</p> <p>The Company has exposure to a number of companies with all or part of their business in Variable Interest Entity ("VIE") structures. A VIE structure facilitates foreign investment in sectors of the Chinese domestic economy which prohibit foreign ownership. The essential purpose of the VIE structure is to convey the economic benefits and operational control of ownership without direct equity ownership itself. As these entities have a controlling interest that is not based on the majority of voting rights, there is a risk to investors of being unable to enforce their ownership rights in certain circumstances. The proportion of the portfolio which is invested in companies operating a VIE structure is monitored on a monthly basis by the Manager and holdings are reported to the Board on a regular basis. As at 31 March 2019, 44.8% of the companies in the portfolio had a VIE structure (Benchmark Index: 40.2%).</p>
Investment Performance risk	<p>The achievement of the Company's investment performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to NAV and share price underperformance compared to the Benchmark Index.</p> <p>The Company has a clearly defined strategy and investment remit. Borrowing and derivative limits are set by the Board in line with the Company's Prospectus. The portfolio is managed by a highly experienced Portfolio Manager who is supported by a large team of analysts. The Board relies on the Portfolio Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the portfolio against the Company's Benchmark Index and that of its competitors and the outlook of the markets with the Portfolio Manager. The emphasis is on long-term investment performance and the Board accepts that by targeting long-term results the Company risks volatility in the shorter-term.</p> <p>Performance for the financial year is outlined in the Chairman's Statement and Portfolio Manager's Review on pages 2 to 10.</p>

Principal Risks	Description and Risk Mitigation
Key Person risk	There is a risk that the Manager has an inadequate succession plan for key individuals. The loss of the Portfolio Manager could lead to potential performance, operational or regulatory issues. The Manager identifies key dependencies which are then addressed through succession plans. Fidelity has succession plans in place for portfolio managers which have been discussed with the Board.
Discount Control risk	Due to the nature of investment companies, the Board cannot control the discount at which the Company's share price trades to Net Asset Value. However, it can influence this through its share repurchase policy and through creating demand for the Company's shares through good performance and an active investor relations programme. The Company's share price, NAV and discount volatility are monitored daily by the Manager and regularly reported to the Board. Further details of the Board's discount control policy are provided in the Chairman's Statement on page 4.
Gearing risk	The Company has the ability to invest up to the total of any loan facilities in equities. The principal risk is that the Portfolio Manager fails to use gearing effectively, resulting in a failure to outperform in a rising market or underperform in a falling market. Other risks are that the cost of gearing may be too high or that the term of the gearing inappropriate in relation to market conditions. The Company has a US\$150,000,000 fixed rate unsecured facility agreement with Scotiabank Europe PLC which has been fully drawn down. In addition, the Company can also use contracts for difference ("CFDs") to obtain further gearing exposure. The Board regularly considers the level of gearing and gearing risk.
Currency risk	The functional and presentational currency of the Company in which it reports its results is UK sterling. Most of its assets and its income are denominated in other currencies, mainly Hong Kong dollars, US dollars and Chinese renminbi. Consequently, it is subject to currency risk on exchange rate movements between UK sterling and these other currencies. It is the Company's current policy not to hedge against currency risks. The loan facility is denominated in US dollars and, therefore, the effect of US dollar exchange rate movements on assets denominated in US dollars will be offset by their effect on the loan facility. Further details can be found in Note 19 to the Financial Statements on pages 64 to 73.
Cybercrime risk	The risk from cybercrime is significant. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever increasing threat and the Board is updated on these as part of the reporting it receives from the Manager.

Other risks facing the Company include:

Tax and Regulatory risks

There is a risk of the Company not complying with the tax and regulatory requirements in the UK and China.

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in the Company being subject to tax on capital gains.

The Board monitors tax and regulatory changes at each Board meeting and through active engagement with regulators and trade bodies by the Manager.

Operational risks

The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures,

accounting records and the maintenance of regulatory and legal requirements. The Registrar, Custodian and Depositary are all subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal control reports are received by the Board on an annual basis and any concerns are investigated.

Viability Statement

In accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long-term capital growth. The Board considers long-term to be at least five years, and accordingly, the Directors believe that five years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period.

Strategic Report continued

In making an assessment on the viability of the Company, the Board has considered the following:

- The ongoing relevance of the investment objective in prevailing market conditions;
- The Company's NAV and share price performance;
- The principal risks and uncertainties facing the Company as set out above and their potential impact;
- The future demand for the Company's shares;
- The Company's share price discount to the NAV;
- The liquidity of the Company's portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts.

The Company's performance has been strong for the five year reporting period to 31 March 2019 with a NAV total return of 133.6%, a share price total return of 140.0% and a Benchmark Index total return of 100.7%. The Board regularly reviews the investment policy and considers whether it remains appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

- The Investment Managers' compliance with the Company's investment objective and policy, its investment strategy and asset allocation;
- The fact that the portfolio comprises sufficient readily realisable securities which can be sold to meet funding requirements if necessary;
- The Board's discount management policy; and
- The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company's total assets.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement which is included in the Directors' Report on page 28.

Board Diversity

The Board's search for new non-executive directors is based on the benefits of having a diverse range of skills, knowledge, experience, perspectives and background, and includes gender. The Board's intention will always be to appoint the best person for the job and it confirms that there will be no discrimination on the grounds of gender, social and ethnic background, cognitive and personal strengths.

The Board's overriding intention is to ensure that it is made up of the best combination of people in order to achieve long-term capital growth for the Company's shareholders from an actively managed portfolio of investments. To this effect, the Board, as part of its succession plan, will continue to appoint individuals who, together as a Board, will aim to ensure the continued optimal promotion of the Company in the marketplace. In terms of diversity, there were four male Directors and one female Director on the Board as at 31 March 2019. This will change to three male and two female Directors when David Causer does

not seek re-election at the AGM to be held on 24 July 2019 and Linda Yueh, who was appointed to the Board on 1 June 2019, is elected by shareholders at the same meeting. The Board composition will then exceed the target of 33% of women on FTSE 350 company boards by 2020 which has been set by the Hampton-Alexander Review. This is the independent review body which aims to increase the number of women on FTSE 350 boards. The Board notes the recommendations of the Parker Review Committee for each FTSE 250 company to have at least one director from an ethnic minority background by 2024 so as to improve the ethnic and cultural diversity of UK company boards.

Board Apprentice Scheme

During the year, the Board decided to participate in the Board Apprentice Scheme (the "Scheme") with a view to offering a potential non-executive director of the future the opportunity to observe the workings of a board. The objective of the Scheme is to increase diversity on boards. The successful candidate has been selected and she will be observing the meetings of the Board and its committees for a period of one year. The apprentice will not receive a fee but the Board hopes that the experience will assist her ambition to become a non-executive director elsewhere at a point in the future.

Employees, Social, Community and Human Rights Issues

The Company has no employees and all of its Directors are non-executive and its day-to-day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees.

The Fidelity group of companies (including the Manager, FIL Investment Services (UK) Limited and FIL Investments International) encourages Environmental, Social and Governance ("ESG") factors in its investment decision making process. It has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and submits an annual report detailing how it incorporates ESG into its investment analysis.

The Company has not adopted a policy on human rights as it has no employees and its operational processes are delegated. As an investment company, the Company does not provide goods and services in the normal course of business and has no customers. Accordingly, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015.

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

Greenhouse Gas Emissions

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

Socially Responsible Investment

The Manager's primary objective is to produce superior financial returns for the Company's shareholders. It believes that high standards of corporate social responsibility ("CSR") make good

business sense and have the potential to protect and enhance investment returns. Consequently, its investment process takes social, environmental and ethical issues into account when, in the Manager's view, these have a material impact on either investment risk or return. ESG factors which are taken into consideration are reported in both the Chairman's Statement on page 5 and the Portfolio Manager's Review on page 9.

Corporate Engagement

The Board believes that the Company should, where appropriate, take an active interest in the affairs of the companies in which it invests and that it should exercise its voting rights at their general meetings. It delegates the responsibility for corporate engagement and shareholder voting to the Investment Managers who update the Board on any issues and activities. These activities are reviewed regularly by the Investment Managers' corporate governance team.

Future Developments

Some trends likely to affect the Company in the future are common to many investment companies together with the impact of regulatory change. The factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 10.

By order of the Board

FIL Investments International

Secretary

4 June 2019

Promoting the Success of the Company

The Board has early adopted Section 172(1) of the Companies Act 2006 which requires it to explain how the Directors have discharged their duties in promoting the success of Fidelity China Special Situations PLC (the "Company"). Directors must act in the way that is most likely to promote the success of the Company for the benefit of its shareholders. This includes having regard (amongst other matters) to the likely consequences of any decision in the long-term, fostering relationships with the Company's stakeholders and the desirability of the Company in maintaining a reputation for high standards of business conduct.

The Company was launched in 2010 to offer investors the opportunity to include in their portfolio some exposure to the growing economy of China. The Board considers this is best achieved via the investment trust structure constructing a portfolio of individually chosen shares in underlying companies whose business is in China.

The stock market in China is not as well researched as some of the more developed economies and therefore considerable research is done in house by our Manager to identify suitable investments. The Board works with the Portfolio Manager to ensure that he has the necessary resources available to him and that those resources are of the desired quality.

The Board, with the Portfolio Manager, sets an overall investment strategy and reviews this at an annual strategy day which is separate from the regular cycle of board meetings.

In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the maximum size of individual holdings, the total aggregate percentage of unlisted investments in the portfolio, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored.

Our mandate is to invest in China, an emerging market with varying quality of available information. It is the Directors' view that well-governed companies make better investments and the Portfolio Manager and his team therefore perform extensive due diligence into the companies in which the Company invests.

It is one of our long-term objectives that the share price should trade at a level close to the underlying net asset value of the shares. In the past, we have attempted to achieve this through the mechanism of share repurchases. We have now formalised this policy into a published intention to execute share repurchases (in normal market conditions) in order to keep the discount in single figures.

Share price discounts and premiums are determined by supply and demand. The Directors have focused the marketing of the Company particularly on explaining, through the press, the characteristics of investing in China, largely to dispel sentiment-based negative misperceptions.

We are also mindful that investors expect their funds to be managed for a competitive fee. Over the years since launch, we have renegotiated the fees payable to the Managers and progressively reduced them to the current level. The Company's Ongoing Charge for the year of 1.02% has reduced significantly from 1.93% in 2011 and the Board will continue to keep this under review.

The opportunity to invest in China through a dedicated investment product is now more widely available and the Directors are keen to set out clearly their approach to investment and the Company's differentiation from competitor products, through the medium of the Annual Report and the Company's pages on the Manager's website.

It is important that shareholders have access to both the Portfolio Manager and the Board. The Portfolio Manager visits the UK twice a year from China to meet with shareholders, stock market analysts, journalists and other commentators. During the year, the Chairman and Senior Independent Director are both available to meet shareholders. Dale Nicholls will be presenting at the AGM on 24 July 2019 and shareholders will have the opportunity to meet him and members of the Board.

As long-term investors, we look to the future – the Portfolio Manager in constructing the portfolio and the Board in governing the Company. The performance of the Company and its reputation for transparency and good governance are paramount to its long-term success for the benefit of all its stakeholders.

On behalf of the Board

Nicholas Bull
Chairman
4 June 2019

Forty Largest Holdings

as at 31 March 2019

The Gross Asset Exposures shown below measure the exposure of the Company's portfolio to market price movements in the shares owned or in the shares underlying the derivative instruments. The Fair Value is the value the portfolio could be sold for and is the value shown on the Balance Sheet. Where a contract for difference ('CFD') is held, the fair value reflects the profit or loss on the contract since it was opened and is based on how much the share price of the underlying shares has moved.

	Gross Asset Exposure £'000	% ¹	Fair Value £'000
Long Exposures – shares unless otherwise stated			
Tencent Holdings (shares and long CFDs) Internet, mobile and telecommunications services provider	185,976	13.3	88,268
Alibaba Group Holdings (shares and long CFD) e-commerce group	133,674	9.5	127,534
China Pacific Insurance Group (shares and long CFDs) Insurance company	67,798	4.8	5,620
China Life Insurance Company (shares and long CFD) Insurance company	43,273	3.1	1,580
Hutchison China MediTech Pharmaceutical and healthcare group	40,734	2.9	40,734
China Meidong Auto Holdings Automobile dealership and maintenance group	36,220	2.6	36,220
Kingsoft (shares and long CFD) Software and internet services company	29,632	2.1	9,420
Kingdee International (long CFD) Enterprise management and e-commerce software company	28,166	2.0	3,544
Noah Holdings Asset managers	26,941	1.9	26,941
China Taiping Insurance Holdings (shares and long CFD) Insurance company	26,091	1.9	3,683
21Vianet Group Internet and data center service provider	25,078	1.8	25,078
China Petroleum & Chemical Corporation (long CFD) Oil and gas company	23,115	1.7	(5,601)
DJI International (unlisted) Manufacturer of drones	23,066	1.6	23,066
Xiaoju Kuaizhi ('Didi Chuxing') (unlisted) Mobile taxi booking applications developer	22,132	1.6	22,132
China Biologic Products Holdings Blood plasma-based biopharmaceutical company	21,773	1.6	21,773
CITIC Securities (long CFD) Investment bank	21,089	1.5	3,956
Zhejiang Dahua Technology Provider of video surveillance products and services	19,815	1.4	19,815
China International Capital Corporation (shares and long CFD) Financial services	19,661	1.4	18,839
Aurora Mobile Limited Mobile applications cloud service provider	19,542	1.4	19,542
CITIC Telecom International Holdings (long CFD) Telecommunications provider	19,483	1.4	6,661

Forty Largest Holdings continued

	Gross Asset Exposure £'000	% ¹	Fair Value £'000
New Oriental Education & Technology Group Private educational services provider	18,946	1.4	18,946
Kweichow Moutai Moutai liquor producer and distributor	18,208	1.3	18,208
China Unicom (Hong Kong) Limited Telecommunications operator	16,775	1.2	16,775
Shangri-La Asia Luxury hotel group	16,701	1.2	16,701
Chailease Holding Financial services	16,242	1.2	16,242
Sinosoft Technology Group e-Government solutions developer	15,980	1.1	15,980
Li Ning Sporting goods manufacturer	15,551	1.1	15,551
JD.Com e-commerce company	15,447	1.1	15,447
Shanghai International Airport Shanghai's primary international airport operator	14,848	1.1	14,848
Qingdao Port International Container port operator	14,287	1.0	14,287
Fanhua Insurance company	14,276	1.0	14,276
Shenzhen Yuto Packaging Technology High-end brand packaging solutions provider	13,691	1.0	13,691
Fufeng Group International bio-fermentation products manufacturer	13,276	0.9	13,276
Sinopec Engineering Group Engineering, procurement and construction contracting business	13,144	0.9	13,144
Ctrip.com International Travel services provider	12,861	0.9	12,861
Sinotrans (long CFD) Freight forwarding, logistics, storage and terminal services provider	12,730	0.9	(4,948)
Sunny Optical Technology Group Optic and optical related products designer and manufacturer	12,683	0.9	12,683
WuXi AppTec Pharmaceutical, biopharmaceutical and medical device outsourcing provider	12,669	0.9	12,669
Zhejiang Sanhua Intelligent Controls Home appliance manufacturer	12,495	0.9	12,495
TK Group Holdings Manufacturing company	12,479	0.9	12,479
Forty largest long exposures (2018: 79.5%)	1,126,548	80.4	774,416
Other long exposures (2018: 47.2%)	673,191	48.0	582,792
Total long exposures before hedges (147 holdings)	1,799,739	128.4	1,357,208

	Gross Asset Exposure £'000	% ¹	Fair Value £'000
Less: hedging exposures			
iShares FTSE A50 China Index ETF (short CFDs)	(26,539)	(1.9)	2,205
Hang Seng China Enterprises Index (future)	(42,859)	(3.0)	(737)
Total hedging exposures	(69,398)	(4.9)	1,468
Total long exposures after the netting of hedges	1,730,341	123.5	1,358,676
Short exposures			
Short CFDs (6 holdings)	36,784	2.6	(6,441)
Gross Asset Exposure²	1,767,125	126.1	
Portfolio Fair Value³			1,352,235
Net Assets excluding derivative instruments			49,353
Net Assets			1,401,588

1 Gross Asset Exposure is expressed as a percentage of Net Assets.

2 Gross Asset Exposure comprises market exposure to investments of £1,423,161,000 (per Note 10: Investments on page 60) plus market exposure to derivative instruments of £343,964,000 (per Note 11: Derivative instruments on page 61).

3 Portfolio Fair Value comprises Investments of £1,423,161,000 plus derivative assets of £19,235,000 less derivative liabilities of £90,161,000 (per the Balance Sheet on page 51).

A full list of the Company's holdings at 31 March 2019 will be available on the Company's page of the Manager's website at www.fidelityinvestmenttrusts.com from the day of the AGM.

Distribution of the Portfolio

as at 31 March 2019

	Gross Asset Exposure % ¹	Benchmark Index £'000
Industry		
Consumer Discretionary	35.5	22.5
Communication Services	22.2	26.0
Information Technology	20.6	3.0
Financials	18.7	22.1
Industrials	12.5	5.3
Healthcare	9.6	3.0
Consumer Staples	6.3	2.6
Materials	2.6	2.0
Energy	1.8	4.9
Real Estate	1.0	5.9
Utilities	0.4	2.7
Total excluding derivatives	131.2	100.0
Derivatives	-5.1	-
Total including derivatives	126.1	100.0
Share Type		
Listed in Hong Kong	43.9	27.3
Listed in US	29.1	25.4
China "H" Shares	21.8	30.8
China "A" Shares	11.8	2.5
Red Chips	6.8	13.4
Unlisted	4.8	-
Listed in Taiwan	3.3	-
Listed in United Kingdom	3.0	-
China "B" Shares	1.1	0.6
Listed in Australia	0.5	-
Total	126.1	100.0
Size of Company (Market Cap)		
Large - above £5bn	52.6	89.5
Medium - between £1bn - £5bn	38.7	10.5
Small - below £1bn	30.0	-
Unlisted	4.8	-
Total	126.1	100.0

¹ Gross Asset Exposure is expressed as a percentage of Net Assets.

Attribution Analysis

Analysis of NAV total return for the year ended 31 March 2019	%
Impact of:	
MSCI China Index (in UK sterling terms)	+0.9
Stock Selection	-4.5
Gearing	-0.7
Currency translation	-0.6
Share Repurchases	+0.1
Other Costs	-0.8
Cash	+0.3
NAV total return for the year ended 31 March 2019	-5.3
Ten Highest Contributors to NAV total return	%
CITIC Telecom International Holdings	+0.8
China Meidong Auto Holdings	+0.7
Yihai International Holding	+0.7
Alibaba Group Holdings	+0.6
Aurora Mobile Limited	+0.6
China Internet Plus Holdings	+0.6
Hutchison China MediTech	+0.4
Li Ning	+0.4
Shanghai International Airport	+0.4
China International Capital Corporation	+0.3
Ten Highest Detractors to NAV total return	%
Tencent Holdings	-1.6
Vipshop Holdings	-0.7
Fang Holdings	-0.5
Goodbaby International Holdings	-0.5
Meituan Dianping	-0.5
Best Inc	-0.4
Brilliance China Auto	-0.4
China Pacific Insurance Group	-0.4
Sinotruk Hong Kong Limited	-0.4
Shangri-La Asia	-0.3

Note: Derivative positions are included in the above investment positions.
Source: Fidelity.

Record since Launch

For the year ended 31 March	2019	2018	2017	2016	2015	2014	2013	2012	2011 ¹
Investment Performance									
Net Asset Value per ordinary share total return (%) ²	-5.3	+22.2	+38.8	+0.0	+45.3	+19.5	+15.7	-18.5	+5.2
Share Price total return (%) ²	-0.3	+23.6	+45.8	-4.5	+39.9	+14.1	+15.0	-26.4	+10.0
MSCI China Index total return (in UK sterling terms) (%)	+0.9	+23.8	+37.6	-16.2	+39.3	-6.9	+12.2	-12.6	+3.3
Assets									
Gross Asset Exposure (£m)	1,767.1	1,806.6	1,586.9	1,155.3	1,189.1	806.6	774.2	628.5	746.0
Net Assets (£m)	1,401.6	1,502.9	1,243.8	908.5	944.1	656.2	634.2	559.0	684.0
Gearing (%)	26.1	20.2	27.6	27.2	25.9	22.9	22.1	23.8	15.8
Net Asset Value per ordinary share (pence)	255.03	272.55	225.36	164.18	165.27	114.84	97.09	84.72	104.20
Share price data at year end									
Share price (pence)	235.0	239.00	195.70	136.00	143.60	103.80	92.00	80.80	110.00
(Discount)/premium (%)	(7.9)	(12.3)	(13.2)	(17.2)	(13.1)	(9.6)	(5.2)	(4.6)	5.6
Earnings and dividends paid									
Revenue earnings per ordinary share (pence) ³	4.06	3.80	2.92	2.07	1.41	1.18	1.25	0.99	0.47
Capital (loss)/earnings per ordinary share (pence) ³	(18.21)	45.86	60.01	(2.24)	50.17	16.39	11.76	(20.33)	3.67
Total (loss)/earnings per ordinary share (pence) ³	(14.15)	49.66	62.93	(0.17)	51.58	17.57	13.01	(19.34)	4.14
Dividend per ordinary share (pence)	3.85	3.50	2.50	1.80	1.30	1.15	1.00	0.75	0.25
Ongoing charges (%)⁴	1.02	1.11	1.16	1.20	1.29	1.45	1.80	1.70	1.93

¹ From launch on 19 April 2010 to 31 March 2011.

² Alternative Performance Measures.

³ Based on the weighted average number of ordinary shares in issue during the year.

⁴ Ongoing charges (excluding finance costs and taxation) expressed as a percentage of average Net Asset Values for the year (prepared in accordance with methodology recommended by the Association of Investment Companies ("AIC")). The 2018 ongoing charge has been restated from that recommended by MiFID II which included interest on bank loans and overdrafts to one recommended by the AIC which excludes such costs.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

Board of Directors



Nicholas Bull FCA

Chairman (since 22 July 2016)
Appointed 4 February 2010
Member of the Audit and Risk Committee until 20 November 2018



Mr Bull is the Senior Independent Director of Coats Group plc. He is a Trustee of the Design Museum, Camborne School of Mines Trust and also Deputy Chairman of the Trustees of the Conran Foundation; he is a member of the Advisory Panel of the charity INTO University. He was a Member of Council of the University of Exeter from 2009 until 2018 and a Director, then Chairman, of hotels group De Vere from 2010 until the completion of its asset disposal programme in 2015. He was also Chairman of the Advisory Board of City stockbroker, Westhouse Securities. Previously Mr Bull worked for 30 years as a corporate finance practitioner with Morgan Grenfell (subsequently Deutsche Bank), Société Générale and ABN AMRO in London, Sydney, Singapore and Hong Kong. He is a qualified Chartered Accountant.



Elisabeth Scott

Senior Independent Director
(since 22 July 2016)
Appointed 1 November 2011



Ms Scott is a non-executive Director of Dunedin Income Growth Investment Trust PLC and Allianz Technology Trust PLC. She is also non-executive Chairman of India Capital Growth Fund Limited and a Director of the Association of Investment Companies (AIC). She is a past non-executive Director of Pacific Horizon Investment Trust PLC. She worked in the asset management industry in Hong Kong from 1992 to 2008, where she was Managing Director and Country Head of Schroder Investment Management (Hong Kong) Limited and Chairman of the Hong Kong Investment Funds Association.



David Causer FCA

Director
Appointed 4 February 2010



Mr Causer is a non-executive Director and Audit Committee Chairman of Schroder Income Growth Fund plc. He is a qualified Chartered Accountant and a member of the Securities Institute. He has held a number of senior positions within financial services organisations, including as Finance Director of Mercury Asset Management Group plc and as a Managing Director of Merrill Lynch Investment Managers until 2001. He was Finance Director of The British Red Cross Society until December 2007. He is also a Trustee of a number of charities and a former public member of Network Rail.



The Hon. Peter Pleydell-Bouverie DL

Director
Appointed 4 February 2010



Mr Pleydell-Bouverie is an investment professional with over 30 years of investment experience, particularly in the Far East and emerging markets. His current non-executive positions include acting as CIO and Trustee on investment committees for family and charitable trusts. He is also a Deputy Lieutenant of the County of Wiltshire. He spent ten years with FIL where he was Investment Director until 1996, managing Japanese-focused unit trusts, offshore funds, pension funds and the Fidelity Emerging Markets Fund. Prior to this, he was an associate Director at Kleinwort Grieveson Investment Management and fund manager at Grieveson, Grant and Co, where he also managed Asia-focused investment funds.

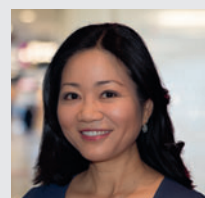


Mike Balfour

Director
Appointed 1 October 2018



Mr Balfour is a non-executive Director of Martin Currie Global Portfolio Trust plc, Perpetual Income and Growth Investment Trust plc and Standard Life Investment Property Income Trust plc. He is also Chairman of the Investment Committee of TPT Retirement Solutions and sits on its Management Board. He was chief executive of Thomas Miller Investment Ltd until 2016 and was previously chief executive at Glasgow Investment Managers and chief investment officer at Edinburgh Fund Managers Limited. His early investment management career was focused on the nascent equity markets of Asia. He is a qualified Chartered Accountant.



Linda Yueh

Director
Appointed 1 June 2019



Dr Linda Yueh is a Fellow in Economics at St Edmund Hall, Oxford University and Adjunct Professor of Economics at London Business School. She is also Visiting Professor at LSE IDEAS, the International Affairs, Diplomacy & Strategy centre at the London School of Economics. She has written numerous books and served as editor for several series of books. She is a Non-Executive Director of Rentokil Initial plc and Chair of Baillie Gifford's The Schiehallion Fund. She is a past Non-Executive Director of JPMorgan Asian Investment Trust plc and Baillie Gifford's Scottish Mortgage Investment Trust plc.

All the Directors are non-executive Directors and all are considered to be independent by the Board.

Committee membership key

Audit and Risk Investment Management Engagement Nomination and Remuneration Committee Chair

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 March 2019.

The Company was incorporated in England and Wales as a public limited company on 22 January 2010 under the registered number 7133583 and was launched as an investment trust on the London Stock Exchange on 19 April 2010.

Management Company

FIL Investment Services (UK) Limited ("FIL") is the Company's appointed Alternative Investment Fund Manager (the "AIFM"/"Manager"). FIL, as the Manager, has delegated investment management (other than in unlisted securities) of the Company to FIL Investment Management (Hong Kong) Limited ("FIMHK") and for unlisted securities and the role of company secretary to FIL Investments International ("FIL").

The Management Agreements will continue unless and until terminated by either party giving to the other not less than twelve months' notice in writing. However, they 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 Agreements may also be terminated forthwith as a result of a material breach of the Agreements or on the insolvency of the Investment Managers or the Company. In addition, the Company may terminate the Agreements by not less than two months' notice if the Investment Managers cease to be a subsidiary of FIL Limited.

The Board reviews the Management Agreements at least annually and details are included in the Corporate Governance Statement on page 33.

Fee Arrangements for the 3 months to 30 June 2018

The respective Management Agreements provided investment management services to the Company for an annual fee of 1.00% of the Net Asset Value of the Company excluding the value of any investment in any fund which is managed by the Manager. Fees are calculated and paid monthly.

No performance fee was chargeable for the period 1 April to 30 June 2018.

In addition and with effect from 1 April 2018, the fee paid to FIL for providing accounting, administrative and secretarial services to the Company pursuant to a Secretarial Services Agreement reduced from £600,000 per annum to £100,000. Therefore, for the period 1 April to 30 June 2018, the fee paid was £25,000.

Revised Fee Arrangements since 1 July 2018

The Company adopted a new variable management fee ("VMF") arrangement on 1 July 2018 which provides an overall reduction from the previous fee structure.

The new fee reduced the annual base fee of 1.00% of Net Assets to 0.90% of Net Assets per annum, with a +/-0.20% variation fee based on the Company's NAV per share performance relative to the MSCI China Index (in UK sterling terms) (the Company's Benchmark Index). The maximum fee that the Company will now pay is 1.10% of Net Assets, but if the Company underperforms

against the MSCI China Index, then the overall fee could fall as low as 0.70% of Net Assets.

The VMF element is calculated daily by referencing the performance of the Company's NAV to the performance of the MSCI China Index. The period used to assess the performance will be from 1 July 2018 until a 3 year history has been established after which period, the performance period will start to roll on a 3 year basis. The variable element of the fee will increase or decrease 0.033% for each percentage point of 3 year NAV per share outperformance or underperformance over the MSCI China Index to a maximum of +0.20% or a minimum of -0.20%.

The first three months from 1 July 2018 were charged solely at the base rate of 0.90% of Net Assets. The variable element of the fee commenced on 1 October 2018 at which point a 3 month performance period was established.

The total management fee for the year ended 31 March 2019 was £11,543,000 (2018: £14,193,000) as detailed on Note 4 on page 57. This was made up of a base fee of £12,780,000 (2018: £14,193,000) and a credit of £1,237,000 (2018: £nil) on the variable element of the fee due to underperformance of the NAV.

The Board

Nicholas Bull, David Causer, Peter Pleydell-Bouverie and Elisabeth Scott all served on the Board throughout the year ended 31 March 2019 and up to the date of this report. John Ford did not stand for re-election at the last AGM and left the Board on 25 July 2018. Vera Hong Wei resigned from the Board on 31 October 2018. Mike Balfour was appointed to the Board on 1 October 2018 and Linda Yueh was appointed to the Board on 1 June 2019. They will both be standing for election at the AGM on 24 July 2019. A brief description of all serving Directors as at the date of this report is shown on page 27 and indicates their qualifications for Board membership.

In line with the Board's succession plan, which is detailed on page 31, David Causer will not be seeking re-election at the AGM on 24 July 2019.

Directors' and Officers' Liability Insurance

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

Going Concern Statement

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt the going concern basis for at least twelve months from the date of this Annual Report. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on pages 17 and 18.

Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 24 July 2019.

Disclosure of Information to the Auditor

As required by Section 418 of the Companies Act 2006, each Director in office as at the date of this report confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as a Director to make himself/herself aware of any audit information, and to establish that the Company's Auditor is aware of that information.

Corporate Governance

The Corporate Governance Statement forms part of this report and can be found on pages 31 to 35.

Registrar, Custodian and Depositary Arrangements

The Company employs Link Asset Services as its Registrar to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets, and J.P. Morgan Europe Limited as its Depositary, which is primarily responsible for the oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 5 on page 57.

Share Capital

The Company's share capital comprises ordinary shares of 1 penny each and are fully listed on the London Stock Exchange. As at 31 March 2019, the issued share capital was 571,354,480 (2018: 571,354,480) of which 21,780,000 (2018: 19,940,000) shares were held in Treasury. Shares in Treasury do not have voting rights, therefore the total number of shares with voting rights was 549,574,480 (2018: 551,414,480).

Premium/Discount Management: Enhancing Shareholder Value

The Board recognises the importance of the relationship between the Company's share price and the NAV per share and monitors this closely. It seeks authority from shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV, either for cancellation or holding in Treasury. The Board will exercise these authorities to keep the discount in single digits in normal market circumstances and as mentioned in the Chairman's Statement on page 4.

Share Issues

No ordinary shares were issued during the year ended 31 March 2019 (2018: nil) and none has been issued since the year end and as at the date of this report.

The authorities to issue ordinary shares and to disapply pre-emption rights expire at the AGM on 24 July 2019 and therefore resolutions renewing these authorities will be put to shareholders at this AGM.

Share Repurchases

During the year ended 31 March 2019, the Company repurchased 1,840,000 ordinary shares for holding in Treasury (2018: 500,000). Since the year end and as at the date of this report, no ordinary shares have been repurchased into Treasury.

The authority to repurchase ordinary shares expires at the AGM on 24 July 2019 and a resolution to renew the authority to repurchase ordinary shares, either for cancellation or to buy into Treasury, will be put to shareholders at this AGM.

Substantial Share Interests

As at 31 March and 30 April 2019, notification had been received that the shareholders listed in the table below held more than 3% of the voting share capital of the Company.

Shareholders	31 March 2019	30 April 2019
Fidelity Platform Investors	25.39	25.24
Hargreaves Lansdown	14.03	14.15
Lazard Asset Management	9.97	10.55
Alan & Gill Gray Foundation	6.53	6.53
City of London Investment Management	4.56	4.31

An analysis of shareholders as at 31 March 2019 is detailed in the table below.

Shareholders as at 31 March 2019	% of voting share capital
Retail Investors ¹	64.19
Mutual Funds	14.05
Pension Funds	11.44
Charities	6.53
Insurance Funds	2.03
Other	1.76
Total	100.00

¹ Includes Fidelity Platform Investors (25.39%).

Additional Information required in the Directors' report

Information on proposed dividends, financial instruments and greenhouse emissions is set out in the Strategic Report on pages 14 to 19.

Directors' Report continued

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.

Fidelity Platform Investors

If you hold your shares in the Company through the Fidelity Platform, you have the right to attend the Company's AGM and vote on the proposed resolutions. For the forthcoming AGM and future AGMs, the voting process will take place online. In the past, you would have received a Form of Direction and an Attendance Card with instructions on how to vote in the post. Fidelity will no longer be providing paper forms of direction. All Fidelity Platform Investors will receive a letter setting out the voting process.

Paperless Proxy Voting

Link Asset Services, the Registrar, will also be providing an online process for voting on the resolutions to be proposed at the Company's AGM. Details of how this will work are included in the Notes to the Notice of Meeting on pages 76 and 77. There is an option to contact the Registrar to receive a paper proxy form should this be preferred or required.

If you have sold, transferred or otherwise disposed of all your shares in the Company, you should pass this document, together with any accompanying documents as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

At the AGM on 24 July 2019, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 75 and 76, including the items of special business summarised below.

Authority to Allot Shares

Resolution 11 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £571,354. If passed, this resolution will enable the Directors to allot a maximum of 57,135,448 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company (including Treasury Shares) as at 4 June 2019, and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury Shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at NAV per share or at a premium to NAV per share.

Authority to Disapply Pre-emption Rights

Resolution 12 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 or sale of Treasury shares for cash up to an aggregate nominal value of £571,354 (including Treasury shares) (approximately 10% of the issued ordinary share capital of the Company as at 4 June 2019 and equivalent to 57,135,448 ordinary shares).

Authority to Repurchase Shares

Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (82,381,214) of the ordinary shares in issue (excluding Treasury shares) on 4 June 2019, either for immediate cancellation or for retention as Treasury shares at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set from time to time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

Recommendation: The Board considers that each of the resolutions is likely to promote the success of the Company and is 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.

By Order of the Board

FIL Investments International

Secretary

4 June 2019

Corporate Governance Statement

This Corporate Governance Statement forms part of the Directors' Report. The Company is committed to maintaining 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.

Corporate Governance Codes

The Board follows the principles of the UK Corporate Governance Code ("UK Code") issued by the Financial Reporting Council (the "FRC") in 2016 and has adopted key aspects of the revised code published in July 2018. The Board also follows the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies ("AIC") in 2016 and has also taken into consideration requirements of the latest AIC Code issued in February 2019. The FRC has confirmed that investment companies which report against the AIC Code will meet their obligations under the UK Code and paragraph 9.8.6 of the Listing Rules. This statement, together with the Statement of Directors' Responsibilities on page 39, sets out how the principles have been applied.

The AIC Code can be found on the AIC's website at www.theaic.co.uk and the UK Code can be found on the FRC's website at www.frc.org.uk.

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code provisions relating to the role of the chief executive, executive directors' remuneration, and the need for an internal audit function. The Board considers that these provisions are not relevant to the position of the Company, as it is an externally managed investment company and all its day to day management and administrative functions are delegated to the Manager. It therefore has no executive directors, employees or internal operations.

THE BOARD

Board Composition

As at the date of this report, the Board, chaired by Nicholas Bull, consists of six non-executive Directors and will change to five when David Causer steps down at the AGM on 24 July 2019. The Directors believe that, between them, they have good knowledge and wide experience of business in China, the Asia Region and of investment companies, and that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company.

Elisabeth Scott is the Senior Independent Director and fulfils the role of sounding board for the Chairman, intermediary for the other Directors as necessary and acts as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate.

Biographical details of all Directors are on page 27.

Board's Succession Plan

Three of the current Directors have been in post since the launch of the Company on 19 April 2010 and to avoid losing valuable corporate history knowledge and specific skillsets simultaneously, the Board has put a clearly defined succession plan in place. David Causer, having completed his nine-year tenure, will not seek re-election at the forthcoming AGM and will be replaced as Audit and Risk Committee Chairman by Mike Balfour after the AGM. Peter Pleydell-Bouverie will remain on the Board for a tenth year and will step down at the AGM in 2020. While this means the length of his tenure will exceed the recommended period of nine years, the Board considers him to remain independent. Elisabeth Scott will remain on the Board until the AGM of 2021 when she will have completed nine years. Nicholas Bull as Chairman will step down at the AGM in 2022 when he will have served six years as a Director and six years as Chairman. The Board considers him to continue to be independent.

Tenure Policy

Subject to the above, Directors are appointed to the Board, subject to election and subsequent annual re-election by shareholders at Annual General Meetings, for a maximum term of nine years.

Board Responsibilities and Board Meetings

The Board has overall responsibility for the Company's affairs and for promoting the long-term success of the Company. All matters which are not delegated to the Company's Investment Managers under the Management Agreements are reserved for the Board's decision. Matters reserved for the Board and considered at meetings include decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, Board appointments, and the appointments of the Investment Managers and Company Secretary. The Board also considers shareholder issues including communication and investor relations.

All Directors are independent of the Investment Managers and considered to be free from any relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts and is satisfied that none has arisen in the year under review.

All Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. Each Director is entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 32 gives the attendance record for the meetings held during the reporting year. The Portfolio Manager and key representatives of the Investment Managers are in attendance at these meetings.

Corporate Governance Statement continued

Board's attendance record for the reporting year

	Regular Board Meetings	Nomination and Remuneration Committee Meetings	Audit and Risk Committee Meetings	Management Engagement Committee Meetings
Nicholas Bull ¹	5/5	1/1	2/2	1/1
Mike Balfour ²	3/3	0/0	2/2	0/0
David Causer	5/5	1/1	3/3	1/1
John Ford ³	2/2	1/1	n/a	n/a
Peter Pleydell-Bouverie	5/5	1/1	3/3	1/1
Elisabeth Scott	5/5	1/1	3/3	1/1
Vera Hong Wei ⁴	2/3	1/1	1/1	1/1
Linda Yueh ⁵	n/a	n/a	n/a	n/a

1 Stepped down as Member of the Audit and Risk Committee on 20 November 2018.

2 Appointed on 1 October 2018.

3 Resigned on 25 July 2018.

4 Resigned on 31 October 2018.

5 Appointed on 1 June 2019.

Figures in the table above indicate those meetings for which each Director was eligible to attend and attended in the year. Regular Board meetings exclude ad hoc meetings for formal approvals as well as the annual due diligence visit to China.

Between these meetings there is regular contact with the Investment Managers and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Investment Managers being present.

In addition to the formal Board and Committee meetings, the Board undertakes an annual due diligence trip to China. During this trip, the Board meets with the management of existing and potential investee companies alongside the Portfolio Manager. The Board also meets with Fidelity's research and analysts teams, thereby gaining valuable insight. Further information on the most recent trip can be found in the Chairman's Statement on page 3.

Company Secretary

The Board has access to the advice and services of the Company Secretary. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Changes to the Board

Changes to the Board take place in accordance with the Companies Act 2006, the Company's Articles of Association and the AIC Code. The Nomination and Remuneration Committee is responsible for identifying possible candidates. However, any proposal for the appointment of a new Director is discussed and approved by the entire Board.

Director Training

Upon appointment, each Director is provided with all relevant information regarding the Company and receives an induction on the investment operations and administration functions of

the Company, together with a summary of their duties and responsibilities to the Company. Directors also receive regular briefings from, amongst others, the AIC, the Company's Independent Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that affect the Company and/or the Directors.

Election and Re-Election of Directors

All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. As the Company is a constituent member of the FTSE 350 Index, all other Directors are subject to annual re-election. Directors standing for election and re-election at this year's AGM are listed with their details on page 27. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the AGM.

Board Evaluation

An annual evaluation of the Board, its Directors and its Committees is undertaken ahead of each AGM. It takes the form of written questionnaires and discussions. For the year under review, the performance and contribution to the Company of each Director was considered. The performance of the Chairman is evaluated by the other Directors in the Chairman's absence. It was concluded that the Chairman and each Director have been effective and that they continue to demonstrate commitment to their roles. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and action is taken on the basis of the results. The Board considers the tenure of individual Directors during the evaluation process.

As a FTSE 350 Company and in accordance with Code B.6.2 of the 2016 UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation every third year. The next external evaluation will be for the year ending 31 March 2021.

Directors' Remuneration and Share Interests

Details of the Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 37 and 38.

BOARD COMMITTEES

The Board has four Committees through which it discharges certain of its corporate governance responsibilities. These are the Audit and Risk Committee, the Investment Committee, the Management Engagement Committee and the Nomination and Remuneration Committee. Terms of reference of each Committee can be found on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

Audit and Risk Committee

The Audit and Risk Committee is chaired by David Causer and consists of all of the Directors, except for Nicholas Bull who stepped down as a member on 20 November 2018. This is in line with the recommendation of the 2018 UK Corporate Governance Code that a chairman of a board should not be a member of an audit committee. Mr Bull will generally be invited to attend the Audit and Risk Committee meetings. Full details are disclosed in the Report of the Audit and Risk Committee on pages 40 to 42.

Investment Committee

Composition

The Investment Committee (the "Committee") is chaired by Peter Pleydell-Bouverie and consists of all of the Directors, except for Linda Yueh. A representative of the Unlisted Investment Manager, with the requisite investment experience, attends the Committee meetings on an advisory basis.

Role and Responsibilities

The Committee is charged with reviewing and monitoring the ongoing performance of the investments, discussing with the Investment Managers the strategy for the investment portfolios, and in particular reviewing pre-IPO investment opportunities. Once investments are made in unlisted companies, the Committee is responsible for determining the valuations proposed by the Manager's Fair Value Committee and agreeing the valuations with the Audit and Risk Committee and reporting to the Board as appropriate.

The Committee meets as and when appropriate or as required by the Chairman of the Committee.

Management Engagement Committee

Composition

The Management Engagement Committee (the "Committee") is chaired by Nicholas Bull and consists of all of the Directors.

Role and Responsibilities

The Committee is charged with reviewing and monitoring the performance of the Investment Managers and for ensuring that the terms of the Management Agreements remain competitive and reasonable for shareholders. It meets at least once a

year and reports to the Board, making recommendations as appropriate.

Managers Reappointment

Ahead of the forthcoming AGM, the Committee has reviewed the performance of the Investment Managers and the revised fee basis and concluded that it is in the interests of shareholders that the appointments of the Investment Managers should continue. Details of the current fee arrangements are in the Directors' Report on page 28. The revised fee structure is also detailed in the Chairman's Statement on page 4.

Nomination and Remuneration Committee

Composition

The Nomination and Remuneration Committee (the "Committee") is chaired by Elisabeth Scott and consists of all of the Directors because the Board deems them all to be independent.

Role and Responsibilities

The Committee is charged with reviewing the composition, size and structure of the Board and makes recommendations to the Board as appropriate. It is charged with nominating new Directors for consideration by the Board, and in turn for approval by shareholders. The search for a candidate is carried out against a set of objective criteria, with due regard for the benefits of diversity on the Board, including gender, social and ethnic backgrounds, cognitive and personal strengths. New Directors are appointed on the basis of merit. For Mike Balfour's appointment, Elisabeth Scott, as Chairman of the Nomination and Remuneration Committee, met with a short-list of professional recruitment companies. It was agreed to appoint Webster Partners Ltd., who have no connection with the Company, to assist the Board in recruiting a new independent non-executive director. Experience to fulfil the role of audit chair was a key focus of the recruitment process. When Vera Hong Wei resigned from the Board on 31 October 2018, Elisabeth Scott met with representatives of three professional recruitment companies. It was agreed that the services of Sapphire Partners, who have no connection with the Company, would be engaged to assist the Board in recruiting a new independent non-executive director. Diversity was a key focus of this exercise. As a result of this process, Linda Yueh was appointed on the Board with effect from 1 June 2019.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM, it has considered the performance and contribution to the Company of each Director and concluded that each Director has been effective and continues to demonstrate commitment to their role. Accordingly, the Committee has recommended their continued service to the Board with the exception of David Causer, who having completed nine years on the Board and as Audit and Risk Committee Chairman, will not seek re-election at the forthcoming AGM. Mike Balfour and Linda Yueh being newly appointed, will be subject to election at the AGM.

The Committee also considers the remuneration of the Directors, and takes into account their roles, their responsibilities and the time involved in carrying out their duties effectively. It also makes itself aware of directors' fees of other comparable investment trust companies. Further details can be found in The Remuneration Policy on page 36.

Corporate Governance Statement continued

Succession Planning

The Committee is responsible for succession planning and for Directors' appointments. Details of the Board's succession plan for the next three years is detailed on page 31.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Set out on page 39 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report on pages 43 to 48.

The Board has a responsibility to present fair, balanced and understandable annual and half-yearly financial statements. All financial statements are reviewed by the Audit and Risk Committee and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

Risk Management and Internal Controls

The Board is responsible for the Company's systems of risk management and internal controls and for reviewing their effectiveness. The review takes place at least once a year. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. It is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company although these tasks have been delegated on a day-to-day basis to the Manager. The system extends to operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager. The Manager provides regular reports on controls and compliance issues to the Audit and Risk Committee and the Board. In carrying out its review, the Audit and Risk Committee has regard to the activities of the Manager, the Manager's compliance and risk functions and the work carried out by the Company's Auditor and also includes consideration of internal controls of similar reports issued by other service providers.

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. The purpose of this assessment is to identify any new emerging risks and take the action necessary to mitigate their potential impact. It confirms that there is an effective robust ongoing process in place to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 March 2019 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Investment Managers, which are subject to inspection by the Manager's internal and external audit processes, provide sufficient assurance that a sound system of internal controls is maintained to safeguard shareholders' investments

and the Company's assets. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit and Risk Committee meets the Manager's internal audit representative at least once a year. It receives a summary of the Manager's externally audited internal controls report on an annual basis.

Whistle-Blowing Procedure

Part of the Investment Managers' role in ensuring the provision of a good service, pursuant to the Management Agreements, includes the ability for employees of FIL to raise concerns through a workplace concerns escalation policy ("whistle-blowing procedure"). FIL has advised the Board that it 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 FIL 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 Investment Managers, 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.

Criminal Finances Act 2017

The Company is subject to the Criminal Finances Act 2017 and follows a zero tolerance policy to tax evasion and its facilitation. The Directors are fully committed to complying with all legislation and appropriate guidelines which are designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Company, its service providers, counterparties and business partners operate.

Responsibility as an Institutional Shareholder

The Board has adopted the Manager's Principles of Ownership in relation to investments. These Principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. Fidelity is a signatory to the UK Stewardship Code which sets 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.

Relations with Shareholders

Communication with shareholders is given a high priority by the Board and it liaises with the Manager and the Company's broker who are in regular contact with the Company's major

institutional investors to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors are available to meet with shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and receives regular reports from the Manager on meetings attended with shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. If any shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at investmenttrusts@fil.com or write to the address provided on page 84. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, the Senior Independent Director or the Board as a whole, as appropriate.

The Board encourages all shareholders to attend the AGM on 24 July 2019 at which they will have the opportunity to meet and address questions to the Chairman and other members of the Board, the Portfolio Manager and representatives of the Investment Managers and the Manager.

The Notice of Meeting on pages 75 to 77 sets out the business of the AGM and the special business resolutions are explained more fully on page 30 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of Meeting and related papers are notified to shareholders at least 20 working days before the Meeting.

Voting rights in the Company's shares

Every person entitled to vote on a show of hands has one vote. On a poll every shareholder who is present in person or by proxy or representative has one vote for every ordinary share held. At general meetings, all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. The proxy voting results are disclosed on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

Articles of Association

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

On behalf of the Board

Nicholas Bull

Chairman

4 June 2019

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 March 2019 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

An ordinary resolution to approve the Directors' Remuneration Report (excluding the Remuneration Policy) will be put to shareholders at the AGM on 24 July 2019. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 43 to 48.

Directors Remuneration

The fee structure has remained unchanged since 1 April 2015, and is as follows: Chairman – £42,000; Senior Independent Director – £31,500; Chairman of the Audit and Risk Committee – £32,000; Chairman of the Investment Committee – £31,500; and Directors – £26,500. Levels of remuneration are reviewed to ensure that they remain competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Remuneration Policy

The Remuneration Policy is subject to a binding vote, in the form of an ordinary resolution at every third AGM. A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. The current policy, which was approved at the AGM on 26 July 2017, is set out below.

The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum. Subject to this overall limit, and based on the recommendations of the Nomination and Remuneration Committee, it is the Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs; the level of fees payable to non-executive directors in the industry generally; the requirement to attract and retain individuals with suitable knowledge and experience; and the role individual Directors fulfil. Other than fees and reasonable travel expenses incurred in attending to the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long-term incentive schemes or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

The level of Directors' fees is determined by the whole Board. Directors do not vote on their own individual fees. The Nomination and Remuneration Committee reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager and research from third parties and it includes information on the fees of other similar investment trusts. As a

FTSE 350 company, and in accordance with Code B.6.2 of the UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation every third year of its performance and also includes input into the appropriate level of Directors' fees from an independent source.

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 Company's Articles of Association. Copies of the Directors' letters of appointment are available at each of the Company's AGMs and can be obtained from the Company's registered office.

In common with most investment trusts there is no Chief Executive Officer and there are no employees.

The Company's Remuneration Policy will apply to new Board members, who will be paid at the same level of fees as current Board members.

Voting on the Remuneration Policy

The Remuneration Policy (the "Policy"), as set out above, was approved at the AGM on 26 July 2017 with 99.48% of votes cast in favour, 0.31% of votes cast against and 0.21% of votes withheld. The next vote will be put to shareholders at the AGM in 2020. The Policy has been followed throughout the year ended 31 March 2019 and up to the date of this report.

Voting on the Directors' Remuneration Report

At the AGM held on 25 July 2018, 99.47% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 March 2018, 0.32% of votes were cast against and 0.21% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 March 2019 will be put to shareholders at the AGM on 24 July 2019, and the votes cast will be disclosed on the Company's pages of the Manager's website at: www.fidelityinvestmenttrusts.com.

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £167,986 (2018: £163,873). This includes expenses incurred by Directors in attending to the affairs of the Company and are considered by HMRC to be a taxable expense. Information on individual Directors' fees and taxable expenses (Directors' expenses) are shown in the table on the next page.

	2020 Projected Total (£)	2019 Fees (Audited) (£)	2019 Taxable Expenses (Audited) (£)	2019 Total (Audited) (£)	2018 Fees (Audited) (£)	2018 Taxable Expenses (Audited) (£)	2018 Total (Audited) (£)
Remuneration of Directors							
Nicholas Bull	42,000	42,000	-	42,000	42,000	-	42,000
Mike Balfour ¹	30,167	13,000	2,343	15,343	n/a	n/a	n/a
David Causer ²	10,667	32,000	-	32,000	32,000	-	32,000
John Ford ³	n/a	-	-	-	-	-	-
Peter Pleydell-Bouverie	31,500	31,500	143	31,643	31,500	373	31,873
Elisabeth Scott	31,500	31,500	-	31,500	31,500	-	31,500
Vera Hong Wei ⁴	n/a	15,500	-	15,500	26,500	-	26,500
Linda Yueh ⁵	22,083	n/a	n/a	n/a	n/a	n/a	n/a
Total	167,917	165,500	2,486	167,986	163,500	373	163,873

1 Appointed on 1 October 2018.

2 Retiring on 24 July 2019.

3 Waived his fees and retired on 25 July 2018.

4 Retired on 31 October 2018.

5 Appointed on 1 June 2019.

Directors' fees are paid monthly in arrears. Directors do not serve a notice period if their appointment were to be terminated.

Expenditure on Remuneration and Distributions to Shareholders

The table below shows the total amount paid out in remuneration and in distributions to shareholders. The projected Directors' remuneration for the year ending 31 March 2020 is disclosed in the table above.

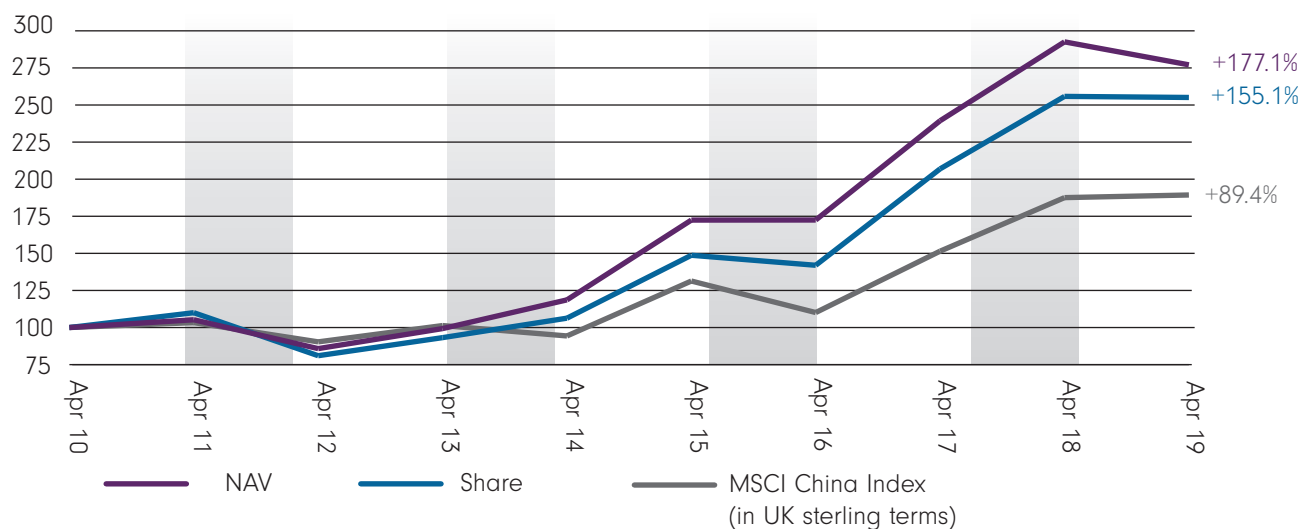
	31 March 2019 £	31 March 2018 £
Expenditure on Remuneration:		
Aggregate of Directors' Fees	167,986	163,873
Distribution to Shareholders:		
Dividend payments	19,282,000	13,798,000
Shares repurchased	4,131,000	1,132,000

Directors' Remuneration Report continued

Performance

The Company's NAV and share price performance are measured against the return of the MSCI China Index (in UK sterling terms) as this is the most appropriate Benchmark in respect of its asset allocation. The graph below shows performance from launch to 31 March 2019.

Total return performance from launch to 31 March 2019



Directors' Interest in Ordinary Shares

Although there is no requirement for the Directors to hold shares in the Company, shareholdings by Directors are encouraged. The table below shows the interests of the Directors in the ordinary shares of the Company. All of the shareholdings are beneficial with the exception of the connected persons holding for John Ford for the prior reporting year.

Directors' Shareholdings (Audited)

	31 March 2019	31 March 2018	Change during year
Nicholas Bull ¹	110,804	90,804	20,000
Mike Balfour ²	45,000	n/a	-
David Causer	65,804	65,804	-
John Ford ³	n/a	24,486	n/a
Peter Pleydell-Bouverie ⁴	93,758	78,683	15,075
Elisabeth Scott	19,819	19,819	-
Vera Hong Wei ⁵	n/a	3,015	-
Linda Yueh ⁶	n/a	n/a	n/a

¹ Purchase of shares.

² 45,000 shares held at date of appointment on 1 October 2018.

³ Retired on 25 July 2018.

⁴ Purchase of shares.

⁵ Resigned on 31 October 2018.

⁶ Appointed on 1 June 2019.

The above shareholdings remain unchanged as at the date of this report.

On behalf of the Board

Nicholas Bull

Chairman

4 June 2019

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 reporting 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 IFRS 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 assume 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 the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors have delegated to the Manager the responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at **www.fidelityinvestmenttrusts.com**. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their own jurisdictions.

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- The Annual 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.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board on 4 June 2019 and signed on its behalf by:

Nicholas Bull
Chairman

Report of the Audit and Risk Committee

I am pleased to present the formal report of the Audit and Risk Committee (the "Committee") to shareholders.

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 March 2019.

Composition

The members of the Committee are myself as Chairman, Mike Balfour, Peter Pleydell-Bouverie and Elisabeth Scott. In line with the recommendation in the 2016 UK Corporate Governance Code, Nicholas Bull is not a member of the Committee. He will generally be invited to attend future Committee meetings. Linda Yueh became a member of the Committee upon her appointment to the Board on 1 June 2019. The Committee considers that collectively its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

The Committee's performance is evaluated annually as part of the overall Board evaluation process.

Role and Responsibilities

The Committee's authority and duties are clearly defined in its terms of reference which are available on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com. These duties include:

- Establishing with the Auditor the nature and scope of the audit, reviewing the Auditor's quality control procedures and reporting, the effectiveness of the audit process and

the Auditor's independence and objectivity with particular regard to the provision of non-audit services;

- Responsibility for making recommendations on the appointment, reappointment and removal of the Auditor;
- Reviewing the effectiveness of the Company's risk management and internal control systems (including financial, operational and compliance controls), considering the scope of the work undertaken by the Manager's internal audit department* and reviewing the Company's procedures for detecting fraud;
- Monitoring the integrity of the Company's half-yearly and annual financial statements to ensure they are fair, balanced and understandable and recommendation of their approval to the Board;
- Reviewing the existence and performance of all controls operating in the Company, including the review of internal controls reporting of its service providers; and
- Reviewing the relationship with and the performance of third party service providers (such as the Registrar, Custodian and Depositary).

* *The Committee, on behalf of the Board, has reviewed the work undertaken by the Manager's internal audit team and has sufficient reassurance that a sound system of internal controls is maintained to safeguard shareholders' investments and the Company's assets.*

Meetings and Business Considered

Since the date of the last Annual Report (11 June 2018), the Committee has met three times and the Auditor attended the February and May 2019 meetings.

The following matters were reviewed at each Committee meeting:

- The Company's risk management and internal controls framework;
- The management fee calculations;
- The Company's compliance with its investment policy limits;
- The fair value process of investments;
- The Depositary's Oversight Reporting;
- The Company's revenue and expenses forecasts and its Balance Sheet; and
- The Committee's Terms of Reference.

In addition, the following matters were considered at these meetings:

November 2018	<ul style="list-style-type: none"> The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board The Going Concern Statement
February 2019	<ul style="list-style-type: none"> The Auditor's engagement letter and audit plan for the Company's year ending 31 March 2019 Internal Audit reporting, including review of the internal audit plan Review of outsourced third party service providers control reports Potential interim dividend payments
May 2019	<ul style="list-style-type: none"> The Auditor's findings from the audit of the Company The Auditor's performance, independence and reappointment Compliance with Corporate Governance and regulatory requirements The Annual Report and Financial Statements and recommendation of its approval to the Board The Viability, Fair, Balanced and Understandable and Going Concern Statements The final dividend payment to be recommended to the Board

Annual Report and Financial Statements

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 39. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, on any issues which may arise in relation to these and on any specific areas which require judgement. The Committee members apply their expertise and knowledge in reviewing disclosures made in order to ensure that the Financial Statements are fair, balanced and understandable.

Significant Issues considered by the Committee during the year

Summarised below are the most significant issues considered by the Committee in respect of these Financial Statements and how these were addressed.

Valuation, existence and ownership of investments (including derivatives and other unlisted investments)	<p>The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(l) and 2(m) on pages 54 and 55. The Committee took comfort from the Depositary's regular oversight reports that investment related activities are conducted in accordance with the Company's investment policy. The Committee received reports from the Manager, the Depositary and an additional internal controls report ("AAF" report) prepared on behalf of the Manager from PricewaterhouseCoopers LLP that controls around the valuation, existence and ownership of investments operate effectively. In addition, the Committee received confirmation from the Auditor that it has tested the valuation of the Company's investments and derivatives by reference to independent sources and had also confirmed the existence and ownership of the Company's investments with the Company's Custodian and that of the derivatives with the Company's counterparties. The valuation of the Company's unlisted investments is proposed by the Manager's Fair Value Committee ("FVC") to the Investment Committee and further reviewed by the Audit and Risk Committee. It receives reporting from the FVC and determines the proposed valuation methodologies for all unlisted investments. The FVC's proposal also includes recommendations from IHS Markit, an external company that provides global financial information and services. Further details of the Investment Committee's role and responsibilities can be found on page 33.</p>
Recognition of Investment Income	<p>Investment income is recognised in accordance with accounting policy Note 2(f) on page 53. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager, including the additional internal controls report ("AAF" report) prepared by PricewaterhouseCoopers LLP on behalf of the Manager, to satisfy itself that adequate systems were in place for properly recording the Company's investment income. Investment income was also tested and reported on by the Auditor.</p>

Report of the Audit and Risk Committee continued

Management fee calculation

A new fee structure was effective from 1 July 2018.

At each Committee meeting, the Manager reports on the accruals for the variable part of the fee that have been included in the Company's NAV and confirms that it has been calculated in accordance with the Management Agreements. These variable management fee accruals are reviewed by the Committee. It also receives reporting on the work carried out by the Auditor that the Company's variable management fee has been calculated in accordance with the terms of the Management Agreements.

The Company confirms that it has complied with the September 2014 Competition and Markets Authority Order in relation to the performance and appointment of the Auditor, as set out below.

Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Auditor for the year ended 31 March 2019. Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 57.

With regard to the independence of the Auditor, the Committee reviewed:

- The audit plan for the year, including the audit team and approach to significant risks;
- The Auditor's arrangements for managing any conflicts of interest;
- The extent of any non-audit services*; and
- The statement by the Auditor that it remains independent within the meaning of the regulations and their professional standards.

* *There were no non-audit services provided to the Company during the reporting year and as at the date of this report.*

With regard to the effectiveness of the audit process, the Committee reviewed:

- The fulfilment by the Auditor of the agreed audit plan;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 March 2019; and
- Feedback from the Manager on the audit of the Company.

The Committee concluded that the Auditor continues to remain independent and the audit process remains effective.

Auditor's Appointment and Audit Tenure

Ernst & Young LLP was appointed as the Company's Auditor on 30 November 2015 following a formal audit tender process. The Committee has reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending its reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the fourth year that the audit partner, Matthew Price, has been in place. The Committee will continue to review the Auditor's appointment each year to ensure that the Company is receiving an optimal level of service. There are no contractual obligations that restrict the Company's choice of auditor.

David Causer

Chairman of the Audit Committee
4 June 2019

Independent Auditor's Report to the Members of Fidelity China Special Situations PLC

Opinion

We have audited the Financial Statements of Fidelity China Special Situations PLC for the year ended 31 March 2019 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related Notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 16 and 17 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 16 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 28 in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on pages 17 and 18 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement • Incorrect valuation and defective title to unlisted securities • Incorrect valuation and defective title to the listed investment portfolio and derivatives
Materiality	<ul style="list-style-type: none"> • Overall materiality of £14.0m which represents 1% of the Company's Net Asset Value as at 31 March 2019

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation

of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Fidelity China Special Situations PLC continued

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement</p> <p><i>Refer to the Audit and Risk Committee Report (page 41); Accounting policies (page 53); and Note 3 of the Financial Statements (page 56).</i></p> <p>The Company had reported revenue of £30.9m (2018: £29.0m), out of which special dividends comprised £2.7m (2018: £4.6m).</p> <p>The investment income receivable by the Company during the year directly affects the Company's ability to pay a dividend to shareholders. There is a risk that income is recognised incorrectly through failure to recognise proper income entitlements or applying appropriate accounting treatment.</p> <p>We identified the allocation of special dividends between revenue and capital to be a fraud risk due to the level of judgement involved in this allocation, which could favour a particular treatment depending on the Company's investment objective.</p> <p>Special dividends can be included within either capital or revenue columns of the income statement, depending on the commercial circumstances behind the payments. According to the AIC SORP, if circumstances dictate, special dividends may be treated as a capital item in those cases when they are paid as a result of capital by nature event such as reconstruction or reorganisation.</p> <p>The largest material special dividends received by the Company during the year were from:</p> <ul style="list-style-type: none"> Stelux Holdings International Limited (£1.4m); China Meidong Auto Holdings Limited (£1.0m). 	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> Walked through the revenue recognition process and obtained an understanding of the design and implementation of the controls; Agreed a sample of dividends to the corresponding announcement made by the investee company and agreed cash received to bank statements; Agreed, for a sample of investee companies, the dividend announcements made by the investee company from an external third party source to the income entitlements recorded by the Company; Performed a review of the income and capital reports to identify special dividends, above our testing threshold of £1.2m, that have been received and accrued during the period; For special dividends above our testing threshold, we considered the recognition criteria applied to the special dividends received during the year and their classification as revenue or capital in accordance with the AIC SORP and underlying circumstances for a dividend payment; Addressed the risk of management override, testing the appropriateness of journal entries and other adjustments made in the preparation of the Financial Statements relating to special dividends; Agreed a sample of accrued dividends to an independent source and to post year end bank statement to assess the recoverability of these amounts; and For the sample selected, we compared the exchange rate used to translate the dividend income received in foreign currency to an independent source. 	<p>We have no matters to report with respect to our procedures performed over incomplete or inaccurate revenue recognition.</p> <p>We confirmed the appropriate accounting classification adopted for the largest special dividends as revenue or capital, including the classification of the £1.4m dividend from Stelux Holdings International Limited as capital and £1.0m dividend from China Meidong Auto Holdings Limited as income.</p>

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Valuation and defective title to unlisted securities</p> <p><i>Refer to the Audit and Risk Committee Report (page 41); Accounting policies (page 54); and Note 19 of the Financial Statements (pages 72 and 73).</i></p> <ul style="list-style-type: none"> At 31 March 2019, the Company had five unlisted investments amounted to £66.7m (2018: four amounted to £64.3m): Xiaoju Kuaizhi ("Didi Chuxing") valued at £22.1m (2018: £20.5m); ByteDance valued at £7.2m which was purchased during the year; Shanghai Yiguo valued at £7.4m (2018: £10.7m); DJI International valued at £23.1m, which was purchased during the year; SenseTime valued at £6.9m, which was purchased during the year. <p>We consider the incorrect valuation and defective title to the unlisted investment portfolio, including incorrect application of exchange rate movements or an inappropriate assessment of stock liquidity to be a fraud risk.</p> <p>For the unlisted investment there is the risk that inaccurate judgements made in the assessment of fair value could materially misstate the value of the investment portfolio in the Balance Sheet, the unrealised gains or losses in the Income Statement and the NAV per share.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> Walked through the investment valuation process to obtain an understanding of the design and implementation of the controls; Reviewed the valuation methodology used by the Manager's Fair Value Committee and confirmed that this was performed in accordance with IFRS and International Private Equity and Venture Capital Valuation Guidelines; Assessed the assumptions and judgements made by the Manager's Fair Value Committee in determining the fair value of the unlisted securities held by the Company at the year end; Discussed with the Audit and Risk Committee the recommendations made by the Manager's Fair Value Committee and conclusions reached by the Company's Investment Committee; Agreed 100% of exchange rates to a relevant independent source; and Agreed 100% of unlisted investment holdings in the portfolio to third party confirmations received from the Custodian. 	<p>We have no matters to report with respect to our procedures performed over defective title of the unlisted securities.</p> <p>We did not identify any material differences in the valuation of unlisted securities.</p>

Independent Auditor's Report to the Members of Fidelity China Special Situations PLC continued

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Valuation and defective title to the listed investment portfolio and derivatives</p> <p><i>Refer to the Audit and Risk Committee Report (page 41); Accounting policies (pages 54 and 55); and Notes 10 and 11 of the Financial Statements (pages 60 and 61).</i></p> <p>The valuation of the listed investment portfolio and derivatives at 31 March 2019 was £1,285.6m (2018: £1,434.1m) comprising £1,356.5m (2018: £1,431.4m) of listed securities and (£70.9)m (2018: £2.7m) of net derivatives.</p> <p>The valuation of the investments and derivatives held in the portfolio is the key driver of the Company's Net Asset Value and total return.</p> <p>The fair value of investments and derivatives is determined by reference to stock exchange quoted market bid prices at the close of business on the year-end date.</p> <p>The incorrect valuation of the investment portfolio, including incorrect application of exchange rates, could have a significant impact on the Financial Statements.</p> <p>In addition, there is a risk of defective title of the entire investment portfolio.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Walked through the investment valuation process to obtain an understanding of the design and implementation of the controls; • Independently valued 100% of the listed investments and derivatives prices in the portfolio using independent pricing sources; • For those investments priced in currencies other than sterling we compared the exchange rates to an independent source; and • Agreed 100% of the holdings in the investment portfolio and derivatives to third party confirmations received from the Custodian or the Company's counterparties. 	<p>We have no matters to report with respect to our procedures performed over incorrect valuation and defective title to the listed investment portfolio and derivatives.</p>

In the prior year, our Auditor's report included a key audit matter in relation to incorrect performance fee calculation. In the current year as a result of the introduction of the Variable Management Fee arrangement the Company reduced the performance related fee from 1% to 0.2%, and thus we no longer consider it to be a significant risk.

An overview of the scope of our audit

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £14.0 million (2018: £15.0 million), which is 1% (2018: 1%) of Company's Net Asset Value. We believe that Net Asset Value provides the most important financial metric on which shareholders would judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £10.5m (2018: £11.3m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.70m (2018: £0.75m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Given the importance of the distinction between revenue and capital for the Company, we also applied a separate testing threshold of £1.2m (2018: £1.1m) for the revenue column of the Income Statement, being 5% of profit before taxation.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on page 29, including the Strategic Report and Directors' Report set out on pages 14 to 20, other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 39** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit and Risk Committee reporting set out on page 40** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 31** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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; 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 39, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the

Independent Auditor's Report to the Members of Fidelity China Special Situations PLC continued

preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the Financial Statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how Fidelity China Special Situations PLC is complying with those frameworks through discussions with the Audit and Risk Committee and the Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by key risks impacting the Financial Statements.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the Financial Statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's report.

Other matters we are required to address

- We were appointed by the Company on 30 November 2015 to audit the Financial Statements for the year ending 31 March 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 March 2016 to 31 March 2019.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

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.

Matthew Price

Senior Statutory Auditor
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
5 June 2019

Notes:

1. The maintenance and integrity of the Fidelity International website is the responsibility of Fidelity International; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Income Statement

for the year ended 31 March 2019

	Notes	year ended 31 March 2019			year ended 31 March 2018		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Revenue							
Investment income	3	19,359	–	19,359	21,761	–	21,761
Derivative income	3	10,287	–	10,287	7,076	–	7,076
Other income	3	1,264	–	1,264	163	–	163
Total income		30,910	–	30,910	29,000	–	29,000
(Losses)/gains on investments at fair value through profit or loss	10	–	(25,386)	(25,386)	–	212,441	212,441
(Losses)/gains on derivative instruments	11	–	(51,505)	(51,505)	–	45,967	45,967
Foreign exchange gains/(losses) on other net assets		–	3,878	3,878	–	(954)	(954)
Foreign exchange (losses)/gains on bank loans		–	(8,357)	(8,357)	–	12,690	12,690
Total income and (losses)/gains		30,910	(81,370)	(50,460)	29,000	270,144	299,144
Expenses							
Investment management fees	4	(3,195)	(8,348)	(11,543)	(3,548)	(10,645)	(14,193)
Other expenses	5	(1,214)	–	(1,214)	(1,630)	–	(1,630)
Profit/(loss) before finance costs and taxation		26,501	(89,718)	(63,217)	23,822	259,499	283,321
Finance costs	6	(3,490)	(10,470)	(13,960)	(2,161)	(6,485)	(8,646)
Profit/(loss) before taxation		23,011	(100,188)	(77,177)	21,661	253,014	274,675
Taxation	7	(688)	–	(688)	(673)	–	(673)
Profit/(loss) after taxation for the year		22,323	(100,188)	(77,865)	20,988	253,014	274,002
Earnings/(loss) per ordinary share	8	4.06p	(18.21p)	(14.15p)	3.80p	45.86p	49.66p

The Company does not have any income or expenses that are not included in the profit/(loss) after taxation for the year. Accordingly the profit/(loss) after taxation for the year is also the total comprehensive income for the year and no separate Statement of Comprehensive Income has been presented.

The total column of this statement represents the Income Statement of the Company and is prepared in accordance with IFRS. The revenue and capital columns are supplementary and presented for information purposes as recommended by the Statement of Recommended Practice issued by the AIC.

All the profit/(loss) and total comprehensive income is attributable to the equity shareholders of the Company. There are no minority interests.

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

The Notes on pages 53 to 74 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2019

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Total equity at 31 March 2018		5,713	211,569	914	335,493	918,558	30,619	1,502,866
Repurchase of ordinary shares	17	-	-	-	(4,131)	-	-	(4,131)
(Loss)/profit after taxation for the year		-	-	-	-	(100,188)	22,323	(77,865)
Dividend paid	9	-	-	-	-	-	(19,282)	(19,282)
Total equity at 31 March 2019		5,713	211,569	914	331,362	818,370	33,660	1,401,588
Total equity at 31 March 2017		5,713	211,569	914	336,625	665,544	23,429	1,243,794
Repurchase of ordinary shares	17	-	-	-	(1,132)	-	-	(1,132)
Profit after taxation for the year		-	-	-	-	253,014	20,988	274,002
Dividend paid	9	-	-	-	-	-	(13,798)	(13,798)
Total equity at 31 March 2018		5,713	211,569	914	335,493	918,558	30,619	1,502,866

Balance Sheet

as at 31 March 2019

Company number 7133583

	Notes	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Investments at fair value through profit or loss	10	1,423,161	1,495,818
Current assets			
Derivative instruments	11	19,235	37,518
Amounts held at futures clearing houses and brokers		81,451	30,247
Other receivables	12	737	10,714
Cash and cash equivalents		86,963	80,439
		188,386	158,918
Current liabilities			
Derivative instruments	11	(90,161)	(34,841)
Bank loans	13	(115,331)	-
Other payables	14	(4,467)	(10,054)
		(209,959)	(44,895)
Net current (liabilities)/assets		(21,573)	114,023
Total assets less current liabilities		1,401,588	1,609,841
Non-current liabilities			
Bank loans	15	-	(106,975)
Net assets		1,401,588	1,502,866
Equity attributable to equity shareholders			
Share capital	16	5,713	5,713
Share premium account	17	211,569	211,569
Capital redemption reserve	17	914	914
Other reserve	17	331,362	335,493
Capital reserve	17	818,370	918,558
Revenue reserve	17	33,660	30,619
Total equity		1,401,588	1,502,866
Net asset value per ordinary share	18	255.03p	272.55p

The Financial Statements on pages 49 to 74 were approved by the Board of Directors on 4 June 2019 and were signed on its behalf by:

Nicholas Bull
Chairman

The Notes on pages 53 to 74 form an integral part of these Financial Statements.

Cash Flow Statement

for the year ended 31 March 2019

	year ended 31 March 2019 £'000	year ended 31 March 2018 £'000
Operating activities		
Cash inflow from investment income	19,592	19,148
Cash inflow from derivative income	10,271	7,078
Cash inflow from other income	1,264	163
Cash outflow from Directors' fees	(207)	(148)
Cash outflow from other payments	(13,180)	(17,335)
Cash outflow from the purchase of investments	(452,059)	(438,969)
Cash outflow from the purchase of derivatives	(8,770)	(7,914)
Cash inflow from the sale of investments	502,367	456,943
Cash inflow from the settlement of derivatives	30,959	66,385
Cash outflow from amounts held at futures clearing houses and brokers	(51,204)	(28,178)
Net cash inflow from operating activities before servicing of finance	39,033	57,173
Financing activities		
Cash outflow from loan interest paid	(3,538)	(3,487)
Cash outflow from CFD interest paid	(7,380)	(3,180)
Cash outflow from short CFD dividends paid	(2,056)	(1,905)
Cash outflow from the repurchase of Ordinary Shares	(4,131)	(1,132)
Cash outflow from dividends paid to shareholders	(19,282)	(13,798)
Cash outflow from financing activities	(36,387)	(23,502)
Increase in cash and cash equivalents	2,646	33,671
Cash and cash equivalents at the start of the year	80,439	47,722
Effect of foreign exchange movements	3,878	(954)
Cash and cash equivalents at the end of the year	86,963	80,439

Notes to the Financial Statements

1 Principal Activity

Fidelity China Special Situations PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 7133583, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

2 Accounting Policies

The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), to the extent that they have been adopted by the European Union, the Companies Acts that apply to companies reporting under IFRS, IFRIC interpretations and, as far as it is consistent with IFRS, 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 November 2014, and updated in February 2018 with consequential amendments. The accounting policies adopted in the preparation of these Financial Statements are summarised below.

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 investments and derivative assets and liabilities.

b) Adoption of new and revised Financial Reporting Standards – The accounting policies adopted are consistent with those of the previous financial year, other than those stated below.

- **IFRS 9: Financial instruments** – In the current financial year the Company has adopted IFRS 9. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting.

For investments and derivative instruments there is no change to comparative figures as they were historically held at fair value through profit or loss under IAS 39 and continue to be measured on this basis under IFRS 9.

Receivables that were previously measured at fair value, or amortised cost where applicable, under IAS 39 continue to be valued on the same basis under IFRS 9. The classification of financial liabilities under IFRS 9 remains the same as under IAS 39. Consequently there are no changes to the comparative figures.

IFRS 9 requires the Company to record expected credit losses on all its receivables either on a 12 month or lifetime basis. As the Company has limited exposure to credit risk, this amendment has not had a material impact on the Financial Statements.

- **IFRS 15: Revenue from Contracts with Customers** – In the current financial year the Company has adopted IFRS 15. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Given the nature of the income streams of the Company, there is no impact to the current measurement and disclosure of revenue.

At the date of authorisation of these Financial Statements, the following IFRS was in issue but not yet effective:

- **IFRS 16: Leases** – This standard is not applicable to the Company as it has no leases.

c) Segmental reporting – The Company is engaged in a single segment business and, therefore, no segmental reporting is provided.

d) Presentation of the Income Statement – In order to reflect better the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement. The revenue profit after taxation for the year is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1159 of the Corporation Tax Act 2010.

e) Significant accounting estimates and judgements – The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The judgements required in order to determine the appropriate valuation methodology of unlisted investments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. These judgements include making assessments of the possible valuations in the event of a listing and other marketability related risks.

f) Income – Income from equity investments and long contracts for difference ("CFDs") is credited to the revenue column of the Income Statement on the date on which the right to receive the payment is established, normally the ex-dividend date. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as a gain in the capital column of the Income Statement. Special dividends are treated as a revenue receipt or a capital receipt depending on the facts and circumstances of each particular case.

Interest received on CFDs, collateral and bank deposits are accounted for on an accruals basis.

Notes to the Financial Statements continued

2 Accounting Policies continued

g) Functional currency and foreign exchange – The Directors, having regard to the Company's share capital, the predominant currency in which its investors operate and the currency in which expenses are paid, have determined its functional currency to be UK sterling. Transactions denominated in foreign currencies are reported in UK sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities and those carried at fair value and denominated in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. All capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserve.

h) Investment management fees and other expenses – These are accounted for on an accruals basis and are charged as follows:

- The base investment management fee is allocated 25% to revenue and 75% to capital;
- The variable investment management fee, effective 1 October 2018, is charged/credited to capital as it is based on the performance of the net asset value per share relative to the Benchmark Index.
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

i) Finance costs – Finance costs comprise interest and fees on bank loans and overdrafts and interest paid on CFDs, which are accounted for on an accruals basis, and dividends paid on short CFDs, which are accounted for on the date on which the obligation to incur the cost is established, normally the ex-dividend date. Finance costs are allocated 25% to revenue and 75% to capital.

j) Taxation – The taxation charge represents the sum of current taxation and deferred taxation.

Taxation currently payable is based on the taxable profit for the year. Taxable profit differs from profit before taxation, as reported in the Income Statement, because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current taxation is calculated using taxation rates that have been enacted or substantially enacted by the Balance Sheet date.

Deferred taxation is the taxation expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding taxation bases used in the computation of taxable profit based on tax rates that have been enacted or substantively enacted when the taxation is expected to be payable or recoverable, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement. Where expenses are allocated between revenue and capital any tax relief in respect of the expenses is allocated between revenue and capital returns on the marginal basis using the Company's effective rate of corporation tax for the accounting period. The Company is an approved Investment Trust under Section 1158 of the Corporation Tax Act 2010 and is not liable for UK taxation on capital gains.

k) Dividend paid to shareholders – Dividends payable to equity shareholders are recognised when the Company's obligation to make payment is established.

l) Investments – The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Under IFRS 9 investments are held at fair value through profit or loss, which is initially taken to be their cost, and is subsequently measured as bid or last traded prices, depending upon the convention of the exchange on which they are listed, where available, or otherwise at fair value based on published price quotations.

Investments which are not quoted, or are not frequently traded, are stated at the Directors' best estimate of fair value. The Manager's Fair Value Committee, which is independent of the Portfolio Manager's team, provides a recommendation of fair values to the Directors based on recognised valuation techniques that take account of the cost of the investment, recent arm's length transactions in the same or similar investments and financial performance of the investment since acquisition.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments within (losses)/gains on investments held at fair value through profit or loss in the capital column of the Income Statement and has disclosed them in Note 10 below.

2 Accounting Policies continued

m) Derivative instruments – When appropriate, permitted transactions in derivative instruments are used. Derivative transactions into which the Company may enter include CFDs, futures, options, warrants and forward currency contracts. Under IFRS 9 derivatives are classified at fair value through profit or loss – held for trading, and are initially accounted and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value as follows:

- CFDs – the difference between the strike price and the value of the underlying shares in the contract, calculated in accordance with accounting policy 2(l) on the previous page;
- Futures – the difference between the contract price and the quoted trade price; and
- Options – the quoted trade price for the contract.

Where such transactions are used to protect or enhance income, if the circumstances support this, the income derived is included in derivative income in the revenue column of the Income Statement. Where such transactions are used to protect or enhance capital, if the circumstances support this, the gains and losses derived are included in (losses)/gains on derivative instruments held at fair value through profit or loss in the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected on the Balance Sheet at their fair value within current assets or current liabilities.

The Company obtains equivalent exposure to equities through the use of CFDs. All gains and losses in the fair value of the CFDs are included in (losses)/gains on derivative instruments held at fair value through profit or loss in the capital column of the Income Statement.

n) Amounts held at futures clearing houses and brokers – Cash deposits are held in segregated accounts on behalf of brokers as collateral against open derivative contracts. These are carried at amortised cost.

o) Other receivables – Other receivables include securities sold for future settlement, accrued income and other debtors and pre-payments incurred in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer) they are classified as current assets. If not, they are presented as non-current assets. Other receivables are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method and as reduced by appropriate allowance for estimated irrecoverable amounts.

p) Cash and cash equivalents – Cash and cash equivalents may comprise cash and short-term money market funds which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

q) 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 rate method. The amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

r) Other payables – Other payables include securities purchased for future settlement, amounts payable on share repurchases, investment management and secretarial fees payable, interest payable and other creditors and expenses accrued in the ordinary course of business. Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

s) Other reserve – The full cost of ordinary shares repurchased and held in Treasury is charged to the other reserve.

Notes to the Financial Statements continued

2 Accounting Policies continued

t) **Capital reserve** – The following are transferred to capital reserve:

- Gains and losses on the disposal of investments and derivatives instruments;
- Changes in the fair value of investments and derivative instruments, held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Variable investment management fees;
- 75% of base investment management fees;
- 75% of finance costs;
- Dividends receivable which are capital in nature; and
- Taxation charged or credited relating to items which are capital in nature.

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, changes in the 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 Statement of Changes in Equity 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, with the exception of level 3 investments which had unrealised investment holding gains of £5,115,000 (2018: £20,886,000).

3 Income

	year ended 31 March 2019 £'000	year ended 31 March 2018 £'000
Investment income		
Overseas dividends	19,359	20,753
Overseas scrip dividends	–	1,008
	19,359	21,761
Derivative income		
Dividends on long CFDs	9,797	7,026
Interest on short CFDs	490	50
	10,287	7,076
Other income		
Interest received on collateral and deposits	1,264	163
Total income	30,910	29,000

Special dividends of £1,393,000 (2018: £2,111,000) have been recognised in capital.

4 Investment Management Fees

	year ended 31 March 2019			year ended 31 March 2018		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Investment management fee – base	3,195	9,585	12,780	3,548	10,645	14,193
Investment management fee – variable	–	(1,237)	(1,237)	–	–	–
	3,195	8,348	11,543	3,548	10,645	14,193

FIL Investment Services (UK) Limited (a Fidelity group company) is the Company's Alternative Investment Fund Manager ("the Manager") and has delegated portfolio management to FIL Investment Management (Hong Kong) Limited and FIL Investments International ("the Investment Managers").

From 1 July 2018 the Company adopted a new fee arrangement which reduced the base management from 1.00% of the net assets to 0.90% of net assets per annum and has removed the existing performance fee of up to 1.00%. In addition, with effect from 1 October 2018, there is a +/-0.20% variation fee based on the Company's NAV per share performance relative to the Company's Benchmark Index. Fees are payable monthly in arrears and are calculated on a daily basis.

Further details of the terms of the Management Agreements are given in the Directors' Report on page 28.

5 Other Expenses

	year ended 31 March 2019 £'000	year ended 31 March 2018 £'000
AIC fees	20	20
Custody fees	255	248
Depository fees	66	68
Directors' expenses	58	57
Directors' fees*	166	164
Legal and professional fees	73	70
Marketing expenses	238	201
Printing and publication expenses	77	50
Registrars' fees	44	54
Secretarial and administration fees payable to the Investment Managers	100	600
Other expenses	85	70
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements	32	28
	1,214	1,630

* Details of the breakdown of Directors' fees are provided within the Directors' Remuneration Report on page 37.

Notes to the Financial Statements continued

6 Finance Costs

	year ended 31 March 2019			year ended 31 March 2018		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Interest on bank loans and overdrafts	892	2,676	3,568	854	2,563	3,417
Interest paid on CFDs	2,084	6,252	8,336	831	2,493	3,324
Dividends paid on short CFDs	514	1,542	2,056	476	1,429	1,905
	3,490	10,470	13,960	2,161	6,485	8,646

7 Taxation

	year ended 31 March 2019			year ended 31 March 2018		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation charge	688	–	688	673	–	673
Taxation charge for the year (see Note 7b)	688	–	688	673	–	673

b) Factors affecting the taxation charge for the year

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 19% (2018: 19%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	year ended 31 March 2019			year ended 31 March 2018		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Profit/(loss) before taxation	23,011	(100,188)	(77,177)	21,661	253,014	274,675
Profit/(loss) before taxation multiplied by the standard rate of UK corporation tax of 19% (2018: 19%)	4,372	(19,036)	(14,664)	4,116	48,073	52,189
Effects of:						
Capital losses/(gains) not taxable *	–	15,460	15,460	–	(51,327)	(51,327)
Income not taxable	(3,678)	–	(3,678)	(4,122)	–	(4,122)
Expenses not deductible	–	1,539	1,539	–	745	745
Excess expenses	(694)	2,037	1,343	6	2,509	2,515
Overseas taxation	688	–	688	673	–	673
Taxation charge (Note 7a)	688	–	688	673	–	673

* The Company is exempt from UK corporation tax on capital gains as it meets the HM Revenue & Customs criteria for an investment company set out in Section 1159 of the Corporation Tax Act 2010.

c) Deferred taxation

A deferred tax asset of £18,897,000 (2018: £17,908,000), in respect of excess expenses of £111,156,000 (2018: £105,342,000) has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 Earnings/(Loss) per Ordinary Share

	year ended 31 March 2019			year ended 31 March 2018		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Earnings/(loss) per ordinary share – basic and diluted	4.06p	(18.21p)	(14.15p)	3.80p	45.86p	49.66p

Earnings/(loss) per ordinary share are based on the revenue profit after taxation for the year of £22,323,000 (2018: £20,988,000), the capital loss after taxation for the year of £100,188,000 (2018: capital profit of £253,014,000) and the total loss after taxation for the year of £77,865,000 (2018: total profit of £274,002,000) and on 550,331,713 (2018: 551,681,603) ordinary shares, being the weighted average number of ordinary shares held outside Treasury during the year. Basic and diluted earnings per share are the same as the Company has no dilutive financial instruments.

9 Dividends Paid to Shareholders

	year ended 31 March 2019 £'000	year ended 31 March 2018 £'000
Dividend paid		
Dividend paid of 3.50 pence per Ordinary Share for the year ended 31 March 2018	19,282	–
Dividend paid of 2.50 pence per Ordinary Share for the year ended 31 March 2017	–	13,798
	19,282	13,798
Dividend proposed		
Dividend proposed of 3.85 pence per Ordinary Share for the year ended 31 March 2019	21,159	–
Dividend proposed of 3.50 pence per Ordinary Share for the year ended 31 March 2018	–	19,289
	21,159	19,289

The Directors have proposed the payment of a dividend for the year ended 31 March 2019 of 3.85 pence per Ordinary Share which is subject to approval by shareholders at the Annual General Meeting on 24 July 2019 and has not been included as a liability in these Financial Statements. The dividend will be paid on 30 July 2019 to shareholders on the register at the close of business on 28 June 2019 (ex-dividend date 27 June 2019).

Notes to the Financial Statements continued

10 Investments at Fair Value through Profit or Loss

	2019 £'000	2018 £'000
Total investments*	1,423,161	1,495,818
Opening book cost	1,155,104	1,045,403
Opening investment holding gains	340,714	249,863
Opening fair value of investments	1,495,818	1,295,266
Movements in the year		
Purchases at cost	446,028	441,671
Sales – proceeds	(493,299)	(453,560)
Sales – gains in the year	86,792	121,590
Movement in investment holding (losses)/gains in the year	(112,178)	90,851
Closing fair value of investments	1,423,161	1,495,818
Closing book cost	1,194,625	1,155,104
Closing investment holding gains	228,536	340,714
Closing fair value of investments	1,423,161	1,495,818

* The fair value hierarchy of the investments is shown in Note 19 below.

	year ended 31 March 2019 £'000	year ended 31 March 2018 £'000
(Losses)/gains on investments		
Gains on sales of investments	86,792	121,590
Investment holding (losses)/gains	(112,178)	90,851
	(25,386)	212,441

Investment transaction costs incurred in the acquisition and disposal of investments, which are included in the (losses)/gains on investments were as follows:

	year ended 31 March 2019 £'000	year ended 31 March 2018 £'000
Investment transaction costs		
Purchases transaction costs	601	567
Sales transaction costs	609	555
	1,210	1,122

The portfolio turnover rate for the year was 32.7% (2018: 32.0%).

11 Derivative Instruments

	year ended 31 March 2019 £'000	year ended 31 March 2018 £'000
Net (losses)/gains on derivative instruments		
Realised gains on CFDs	21,083	71,507
Realised gains/(losses) on futures	2,505	(5,123)
Realised losses on options	(7,375)	(4,270)
Movement in investment holding losses on CFDs	(63,613)	(21,265)
Movement in investment holding losses on futures	(1,073)	(151)
Movement in investment holding (losses)/gains on options	(3,032)	5,269
	(51,505)	45,967

	2019 fair value £'000	2018 fair value £'000
Fair value of derivative instruments recognised on the Balance Sheet*		
Derivative instrument assets	19,235	37,518
Derivative instrument liabilities	(90,161)	(34,841)
	(70,926)	2,677

* The fair value hierarchy of the derivative instruments is shown in Note 19 below.

	fair value £'000	2019 gross asset exposure £'000	fair value £'000	2018 gross asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	(65,953)	376,578	(9,865)	408,938
Short CFDs	(6,441)	36,784	2,190	45,356
Short CFDs (hedging exposure)	2,205	(26,539)	1,099	(25,566)
Futures (hedging exposure)	(737)	(42,859)	336	(27,807)
Put options (hedging exposure)	-	-	8,917	(90,189)
	(70,926)	343,964	2,677	310,732

Notes to the Financial Statements continued

12 Other Receivables

	2019 £'000	2018 £'000
Amounts due from dissenters claim	–	5,354
Securities sold for future settlement	36	3,750
Accrued income	646	1,551
Other receivables	55	59
	737	10,714

13 Bank Loans – repayable within one year

	2019 £'000	2018 £'000
Fixed rate unsecured US dollar loan		
US dollar 150,000,000 @ 3.01%	115,331	–

The current loan agreement with Scotiabank Europe PLC is due to be repaid on 14 February 2020 (see Note 15 below).

14 Other Payables

	2019 £'000	2018 £'000
Securities purchased for future settlement	1,858	7,798
Investment management, secretarial and administration fees	820	1,439
Finance costs payable	1,100	–
Accrued expenses	689	817
	4,467	10,054

15 Bank Loans – repayable after more than one year

	2019 £'000	2018 £'000
Fixed rate unsecured US dollar loan		
US dollar 150,000,000 @ 3.01%	–	106,975

On 14 February 2017, the Company entered into a three year unsecured loan agreement with Scotiabank Europe PLC. The interest rate is fixed at 3.01% per annum until the agreement terminates on 14 February 2020.

16 Share Capital

	number of shares	2019 £'000	number of shares	2018 £'000
Issued, allotted and fully paid				
Ordinary shares of 1 penny each – Held outside Treasury				
Beginning of the year	551,414,480	5,514	551,914,480	5,519
Ordinary shares repurchased into Treasury	(1,840,000)	(18)	(500,000)	(5)
End of the year	549,574,480	5,496	551,414,480	5,514
Held in Treasury				
Beginning of the year	19,940,000	199	19,440,000	194
Ordinary shares repurchased into Treasury	1,840,000	18	500,000	5
End of the year	21,780,000	217	19,940,000	199
Total share capital		5,713		5,713

The shares held in Treasury carry no rights to vote, to receive a dividend or to participate in a winding up of the Company.

17 Reserves

The share premium account represents the amount by which the proceeds from share issues, less the associated costs, exceed the nominal value of the ordinary shares issued. High Court approval was given on 21 April 2010 to cancel the account at that date and as a result £452,232,000 was transferred to the other reserve. Subsequently, the Company issued 157,654,480 Ordinary Shares resulting from its C share issue and 45,000,000 Ordinary Shares in separate issues pursuant to the authorities granted by shareholders. The share premium account cannot be used to fund share repurchases and it is not distributable by way of dividend.

The capital redemption reserve represents the nominal value of Ordinary Shares repurchased and cancelled. It cannot be used to fund share repurchases and it is not distributable by way of dividend.

The other reserve is a distributable premium reserve created on 21 April 2010 when High Court approval was given for the share premium account at that date to be cancelled. As a result £452,232,000 was transferred from the share premium account to the other reserve. It can be used to fund share repurchases. During the year 1,840,000 (2018: 500,000) ordinary shares were repurchased and held in Treasury. The cost of these repurchases amounting to £4,131,000 (2018: £1,132,000) was charged to this reserve.

The capital reserve represents realised gains or losses on investments and derivatives sold, increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund share repurchases and it is distributable by way of dividend. The Board has stated that it has no current intention to pay dividends out of capital.

The revenue reserve represents the net revenue surpluses recognised in the revenue column of the Income Statement that have not been distributed as dividends to shareholders. It is distributable by way of dividend.

18 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £1,401,588,000 (2018: £1,502,866,000) and on 549,574,480 (2018: 551,414,480) ordinary shares, being the number of ordinary shares held outside Treasury at the year end. It is the Company's policy that ordinary shares held in Treasury will only be issued at a premium to net asset value per share and, therefore, the shares held in Treasury have no dilutive effect.

Notes to the Financial Statements continued

19 Financial Instruments

Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Investment Managers, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, economic and geopolitical, investment performance, key person, discount control, gearing, currency and cybercrime risks. Other risks identified are tax and regulatory and operational risks, including those relating to third party service providers covering investment management, marketing and business development, company secretarial, fund administration and operations and support functions. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. Risks identified are shown in the Strategic Report on pages 16 and 17.

This Note is incorporated in accordance with IFRS 7: 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 may comprise:

- Equity shares, equity linked notes and fixed-interest securities;
- Derivative instruments including CFDs, warrants, futures and options written or purchased on stocks and equity indices and forward currency contracts;
- Cash, liquid resources and short-term receivables and payables that arise from its operations; and
- Bank borrowings.

The risks identified by IFRS 7 arising from the Company's financial instruments are market price risk (which comprises interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instrument risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies are consistent with those followed last year.

Market price risk

Interest rate risk

The Company finances its operations through its share capital raised. In addition, the Company has derivative instruments and an unsecured fixed rate loan facility for US\$150,000,000 expiring on 14 February 2020. The Company has drawn down the whole of this facility as disclosed in Note 13 above.

Interest rate risk exposure

The values of the Company's financial instruments that are exposed to movements in interest rates are shown below:

	2019 £'000	2018 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	442,531	418,803
Bank loans	115,331	106,975
	557,862	525,778
Exposure to financial instruments that earn interest		
Short CFDs – exposure plus fair value	59,087	74,211
Amounts held at futures clearing houses and brokers	81,451	30,247
Cash and cash equivalents	86,963	80,439
	227,501	184,897
Net exposure to financial instruments that bear interest	330,361	340,881

19 Financial Instruments continued

Foreign currency risk

The Company's (loss)/profit after taxation and its net assets can be affected by foreign exchange movements because the Company has income, assets and liabilities which are denominated in currencies other than the Company's functional currency which is UK sterling.

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

- movements in currency exchange rates affecting the value of investments and bank loans;
- movements in currency exchange rates affecting short-term timing differences, for example, between the date when an investment is bought or sold and the date when settlement of the transaction occurs; and
- movements in currency exchange rates affecting income received.

Currency exposure of financial assets

The Company's financial assets comprise of equity investments, long positions on derivative instruments, short-term debtors and cash and cash equivalents. The currency exposure profile of these financial assets is shown below:

Currency	investments held at fair value through profit or loss £'000	gross asset exposure to long derivative instruments ¹ £'000	other receivables ² £'000	cash and cash equivalents £'000	2019 total £'000
Australian dollar	7,183	-	-	-	7,183
Canadian dollar	234	-	-	-	234
Chinese renminbi	163,545	-	-	15,731	179,276
Hong Kong dollar	706,607	295,042	4,116	71,202	1,076,967
South Korean won	-	-	-	7	7
Taiwan dollar	45,304	-	-	22	45,326
UK sterling	42,088	-	56	-	42,144
US dollar	458,200	12,138	78,016	1	548,355
	1,423,161	307,180	82,188	86,963	1,899,492

1 The gross asset exposure of long CFDs after the netting of hedging exposures.

2 Other receivables include amounts held at futures clearing houses and brokers.

Notes to the Financial Statements continued

19 Financial Instruments continued

Currency	investments held at fair value through profit or loss £'000	gross asset exposure to long derivative instruments ¹ £'000	other receivables ² £'000	cash and cash equivalents £'000	2018 total £'000
Australian dollar	5,022	-	-	-	5,022
Canadian dollar	449	-	-	-	449
Chinese renminbi	159,652	-	5,975	1,505	167,132
Hong Kong dollar	729,322	284,734	11,547	78,996	1,104,599
Singapore dollar	3,108	-	-	-	3,108
South Korean won	-	-	-	7	7
Taiwan dollar	34,294	-	300	22	34,616
UK sterling	44,741	-	60	(114)	44,687
US dollar	519,230	(19,358)	23,079	23	522,974
	1,495,818	265,376	40,961	80,439	1,882,594

¹ The gross asset exposure of long CFDs after the netting of hedging exposures.

² Other receivables include amounts held at futures clearing houses and brokers.

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 short positions on derivative instruments, US dollar denominated a bank loan and other payables. The currency profile of these financial liabilities is shown below:

Currency	gross asset exposure to short derivative instruments* £'000	US dollar bank loan £'000	other payables £'000	2019 total £'000
Hong Kong dollar	30,777	-	2,202	32,979
UK sterling	-	-	1,075	1,075
US dollar	6,007	115,331	1,190	122,528
	36,784	115,331	4,467	156,582

Currency	gross asset exposure to short derivative instruments* £'000	US dollar bank loan £'000	other payables £'000	2018 total £'000
Hong Kong dollar	45,356	-	7,527	52,883
UK sterling	-	-	1,710	1,710
US dollar	-	106,975	817	107,792
	45,356	106,975	10,054	162,385

* The gross asset exposure of short derivative instruments excluding hedging exposures.

19 Financial Instruments continued

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments. It represents the potential loss the Company might suffer through price movements in its investment positions. 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 Investment Managers are responsible for actively monitoring the portfolio selected in accordance with the overall asset allocation parameters and seeks to ensure that individual stocks also meet an acceptable risk/reward profile. Other price risks arising from derivative positions, mainly due to the underlying exposures, are assessed by the Investment Managers' specialist derivative instruments team.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's assets mainly comprise readily realisable securities and derivative instruments which can be sold easily to meet funding commitments if necessary. Short-term flexibility is achieved by the use of a bank overdraft, if required. The Company has the facility to borrow up to US\$150,000,000 (2018: \$150,000,000) until 14 February 2020. The current borrowing is shown in Note 13 above.

Counterparty risk

Certain derivative instruments in which the Company may invest are not traded on an exchange but instead will be traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps and Derivatives Association's ("ISDA") market standard derivative legal documentation. These are known as Over The Counter ("OTC") trades. As a result the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Investment Managers employ, this risk is minimised by only entering into transactions with counterparties which are believed to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk by the use of internal and external credit agency ratings and evaluates derivative instrument credit risk exposure.

Collateral

For OTC and exchange traded derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 March 2019, £nil (2018: £24,747,000) was held by the brokers, in a segregated collateral account, on behalf of the Company, to reduce the credit risk exposure of the Company. As at 31 March 2019, £81,451,000 (2018: £30,247,000), shown as amounts held at futures clearing houses and brokers on the Balance Sheet, was held by the Company, in a segregated collateral account, on behalf of the brokers, to reduce the credit risk exposure of the brokers. The collateral comprised: Deutsche Bank AG £20,471,000 (2018: £13,300,000) in cash, Goldman Sachs International Ltd £4,852,000 (2018: £nil) in cash, HSBC Bank plc £33,938,000 (2018: £8,986,000) in cash and UBS AG £22,190,000 (2018: £7,961,000) in cash.

Offsetting

To mitigate counterparty risk for OTC derivative transactions, the ISDA legal documentation is in the form of a master agreement between the Investment Trusts managed by Fidelity and the broker. This allows enforceable netting arrangements in the event of a default or termination event. Derivative instrument assets and liabilities that are subject to netting arrangements have not been offset in preparing the Balance Sheet.

Notes to the Financial Statements continued

19 Financial Instruments continued

The Company's derivative instrument financial assets and liabilities recognised in the Balance Sheet and amounts that could be subject to netting in the event of a default or termination are shown below:

	gross amount of recognised financial liabilities set off on the balance sheet		net amount of financial assets presented on the balance sheet	related amounts not set off on balance sheet		2019
	gross amount £'000	the balance sheet £'000	the balance sheet £'000	financial instruments £'000	margin account received as collateral £'000	net amount £'000
Financial assets						
CFDs	19,235	-	19,235	(19,235)	-	-

	gross amount of recognised financial assets set off on the balance sheet		net amount of financial liabilities presented on the balance sheet	related amounts not set off on balance sheet		2019
	gross amount £'000	the balance sheet £'000	the balance sheet £'000	financial instruments £'000	margin account pledged as collateral £'000	net amount £'000
Financial liabilities						
CFDs	(89,424)	-	(89,424)	19,235	70,189	-
Futures (exchange traded)	(737)	-	(737)	-	737	-
	(90,161)	-	(90,161)	19,235	70,926	-

	gross amount of recognised financial liabilities set off on the balance sheet		net amount of financial assets presented on the balance sheet	related amounts not set off on balance sheet		2018
	gross amount £'000	the balance sheet £'000	the balance sheet £'000	financial instruments £'000	margin account received as collateral £'000	net amount £'000
Financial assets						
CFDs	28,265	-	28,265	(6,348)	(21,917)	-
Futures (exchange traded)	336	-	336	-	(336)	-
Options	8,917	-	8,917	-	(8,917)	-
	37,518	-	37,518	(6,348)	(31,170)	-

19 Financial Instruments continued

	gross amount of recognised financial assets set off on the balance sheet		gross amount	related amounts not set off on balance sheet		2018
	gross amount	the balance sheet	£'000	financial instruments	margin account pledged as collateral	net amount
	£'000	£'000	£'000	£'000	£'000	£'000
Financial liabilities						
CFDs	(34,841)	-	(34,841)	6,348	22,286	(6,207)

Credit risk

Financial instruments may be adversely affected if any of the institutions with which money is deposited suffer insolvency or other financial difficulties. All transactions are carried out with brokers that have been approved by the Investment Managers and are settled on a delivery versus payment basis. Limits are set on the amount that may be due from any one broker and are kept under review by the Investment Managers. Exposure to credit risk arises on unsettled security transactions and derivative instrument contracts and cash at bank.

Derivative instrument risk

A Derivative Instrument Charter, including an appendix entitled Derivative Risk Measurement and Management, details the risks and risk management processes used by the Investment Managers. This Charter was approved by the Board and allows the use of derivative instruments for the following purposes:

- to gain exposure to equity markets, sectors or individual investments;
- to hedge equity market risk in the Company's investments with the intention of mitigating losses in the event of market falls;
- to enhance portfolio returns by writing call and put options; and
- to take short positions in equity markets, which would benefit from a fall in the relevant market price, where the Investment Managers believe the investment is overvalued. These positions distinguish themselves from other short exposures held for hedging purposes since they are expected to add risk to the portfolio.

The risk and investment performance of these instruments are managed by an experienced, specialist derivative team of the Investment Managers using portfolio risk assessment tools for portfolio construction.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at the Balance Sheet date, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have increased the loss after taxation for the year and decreased the net assets of the Company by £538,000 (2018: decreased the profit after taxation and decreased the net assets by £585,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Notes to the Financial Statements continued

19 Financial Instruments continued

Foreign currency risk sensitivity analysis

Based on the financial assets and liabilities held and currency exchange rates ruling at the Balance Sheet date, a strengthening of the UK sterling exchange rate by 10% against other currencies, with all other variables held constant, would have increased the loss after taxation for the year and decreased the net assets of the Company by the following amounts:

Currency	2019 £'000	2018 £'000
Australian dollar	653	457
Canadian dollar	21	41
Chinese renminbi	16,297	15,194
Hong Kong dollar	94,908	95,611
Singapore dollar	–	127
South Korean won	–	1
Taiwan dollar	4,121	3,147
US dollar	38,712	37,744
	154,712	152,322

Based on the financial assets and liabilities held and the exchange rates ruling at the Balance Sheet date, a weakening of the UK sterling exchange rate by 10% against other currencies would have decreased the loss after taxation for the year and increased the net assets of the Company by the following amounts:

Currency	2019 £'000	2018 £'000
Australian dollar	798	558
Canadian dollar	26	50
Chinese renminbi	19,920	18,570
Hong Kong dollar	115,998	116,857
Singapore dollar	–	156
South Korean won	1	1
Taiwan dollar	5,036	3,846
US dollar	47,314	46,131
	189,093	186,169

Other price risk sensitivity analysis

Changes in market prices affect the loss after taxation for the year and the net assets of the Company. Details of how the Board sets risk parameters and performance objectives are disclosed in the Strategic Report on pages 14 to 19.

An increase of 10% in the share prices of the listed investments held at the Balance Sheet date would have decreased the loss after taxation for the year and increased the net assets of the Company by £142,316,000 (2018: increased the profit after taxation and increased the net assets by £149,582,000). A decrease of 10% in share prices of the investments designated at fair value through profit or loss would have had an equal but opposite effect.

An increase of 10% in the valuation of unlisted investments held at the Balance Sheet date would have decreased the loss after taxation for the year and increased the net assets of the Company by £6,669,000 (2018: increased the profit after taxation and increased the net assets by £6,434,000). A decrease of 10% in the valuation would have had an equal but opposite effect.

19 Financial Instruments continued

Derivative instruments exposure sensitivity analysis

The Company invests in derivative instruments to gain exposure to the equity market. An increase of 10% in the share prices of the investments underlying the derivative instruments at the Balance Sheet date would have decreased the loss after taxation for the year and increased the net assets of the Company by £27,040,000 (2018: increased the profit after taxation and increased the net assets by £22,002,000). A decrease of 10% in share prices of the investments underlying the derivative instruments would have had an equal but opposite effect.

Fair Value of Financial Assets and Liabilities

Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. As explained in Note 2(l) and (m) above, investments and derivative instruments are shown at fair value. In the case of cash and cash equivalents, book value approximates to fair value due to the short maturity of the instruments. The exception is the US dollar denominated bank loan, its fair value having been calculated by discounting future cash flows at current US dollar interest rates.

	fair value £'000	2019 book value £'000	fair value £'000	2018 book value £'000
Fixed rate unsecured loan of US dollar 150,000,000	114,111	115,331	105,860	106,975

Fair Value Hierarchy

The Company is required to disclose the fair value hierarchy that classifies its 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 valuation techniques used by the Company are explained in Notes 2 (l) and (m) above. The table below sets out the Company's fair value hierarchy:

	level 1 £'000	level 2 £'000	level 3 £'000	2019 total £'000
Financial assets at fair value through profit or loss				
Investments – shares	1,356,458	–	66,703	1,423,161
Derivative instrument assets	–	19,235	–	19,235
	1,356,458	19,235	66,703	1,442,396
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(737)	(89,424)	–	(90,161)
Financial liabilities at fair value				
Bank loan	–	(114,111)	–	(114,111)

Notes to the Financial Statements continued

19 Financial Instruments continued

Financial assets at fair value through profit or loss	level 1 £'000	level 2 £'000	level 3 £'000	2018 total £'000
Investments – shares	1,431,461	–	64,357	1,495,818
Derivative instrument assets	9,253	28,265	–	37,518
	1,440,714	28,265	64,357	1,533,336

Financial liabilities at fair value through profit or loss

Derivative instrument liabilities	–	(34,841)	–	(34,841)
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Financial liabilities at fair value

Bank loan	–	(105,860)	–	(105,860)
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Level 3 investments	2019 £'000	2018 £'000
DJI International	23,066	–
Xiaoju Kuaizhi ('Didi Chuxing')	22,132	20,528
Shanghai Yiguo ('Yiguo')	7,449	10,698
ByteDance	7,227	–
SenseTime	6,812	–
BNN Technology	17	18
Aurora Mobile Limited ('Jiguang')	–	20,479
Meituan Dianping (formerly China Internet Plus Holdings)	–	12,634
	66,703	64,357

DJI International

DJI International is a manufacturer of drones and is an unlisted company. The valuation at 31 March 2019 is based on the cost of the investment when it was purchased in May 2018. As at 31 March 2019, its fair value was £23,066,000.

Xiaoju Kuaizhi ('Didi Chuxing')

Didi Chuxing is a leading Chinese e-commerce company providing transport services and is an unlisted company. The Company holds 565,153 preference shares in Didi Chuxing, which represent 0.05% of the preference shares in issue. The valuation at 31 March 2019 is based on the price of shares when US\$4bn of funding was raised in December 2017. As at 31 March 2019, its fair value was £22,132,000.

Shanghai Yiguo ('Yiguo')

Yiguo operates an e-commerce platform, selling fruit and vegetables online to customers in China and is an unlisted company. The Company holds 318,287 preference shares in Yiguo, which represents 0.88% of the preference shares in issue. The valuation at 31 March 2019 is based on a review of the financial position of the Company as at 30 September 2018. As at 31 March 2019, its fair value was £7,449,000.

ByteDance

ByteDance develops application software and is an unlisted company. The Company holds 190,714 preference shares in ByteDance, which represents 0.01% of the preference shares in issue. The valuation at 31 March 2019 is based on the cost of the investment when it was purchased in November 2018. As at 31 March 2019, its fair value was £7,227,000.

19 Financial Instruments continued

SenseTime

SenseTime develops application technology and is an unlisted company. The Company holds 31,242,000 preference shares in SenseTime, which represents 0.15% of the preference shares in issue. The valuation at 31 March 2019 is based on the price of shares when US\$500m of funding was raised in October 2018. As at 31 March 2019, its fair value was £6,812,000.

BNN Technology

BNN Technology plc is a technology, content and services company. On 4 September 2017, BNN Technology was suspended from trading on AIM and the holding was valued at £4,072,000 based on last trade price. The valuation of BNN Technology was reduced to £18,000 in February 2018 based on a review of the financial position of the Company. As at 31 March 2019, its fair value was £17,000.

Meituan Dianping (formerly China Internet Plus Holdings)

Meituan Dianping develops and operates a platform providing online group buying services. The Company was listed during the year and is therefore now classified as a level 1 investment. The valuation at 31 March 2018 was based on a secondary transaction in the shares on 26 March 2018.

Aurora Mobile Limited ('Jiguang')

Jiguang is China's leading mobile big data platform and mobile application ('app') cloud service provider. The Company listed as an ADR on NASDAQ during the year and is therefore now classified as a level 1 investment. The valuation at 31 March 2018 was based on the price of shares when US\$35m of funding was confirmed in April 2018.

	2019 level 3 £'000	2018 level 3 £'000
Movements in level 3 investments during the year		
Level 3 investments at the beginning of the year	64,357	37,179
Purchases at cost	35,202	10,129
Transfers (out of)/into Level 3*	(33,113)	4,611
Unrealised profits recognised in the Income Statement	257	12,438
Level 3 investments at the end of the year	66,703	64,357

* Financial instruments are transferred out of level 3 when they become listed and into level 3 on the date they are suspended or when they have not traded for thirty days.

20 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital, reserves and gearing, which are disclosed on the Balance Sheet. The Company is managed in accordance with its investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on pages 14 and 15. The principal risks and their management are disclosed in the Strategic Report on pages 16 and 17 and in Note 19 above.

The Company's gearing at the year end is set out below:

	2019 £'000	2018 £'000
Gross asset exposure		
Investments	1,423,161	1,495,818
Long CFDs	376,578	408,938
Total long exposures before hedges	1,799,739	1,904,756
Less: short derivative instruments hedging the above	(69,398)	(143,562)
Total long exposures after the netting of hedges	1,730,341	1,761,194
Short CFDs	36,784	45,356
Gross Asset Exposure	1,767,125	1,806,550
Net Assets	1,401,588	1,502,866
Gearing (Gross Asset Exposure in excess of Net Assets)	26.1%	20.2%

Notes to the Financial Statements continued

21 Transactions with the Managers and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investment Management (Hong Kong) Limited and FIL Investments International. They are all Fidelity group companies.

Details of the current fee arrangements are given in the Directors' Report on page 28. During the year, management fees of £11,543,000 (2018: £14,193,000), and accounting, administration and secretarial fees of £100,000 (2018: £600,000) were payable to the Managers. At the Balance Sheet date, management fees of £820,000 (2018: £1,289,000), and accounting, administration and secretarial fees of £nil (2018: £150,000) were accrued and included in other payables. Fidelity also provides the Company with marketing services. The total amount payable for these services was £238,000 (2018: £201,000). At the Balance Sheet date, £nil (2018: £40,000) was accrued and included in other payables.

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and taxable expenses, relating to reasonable travel expenses, payable to the Directors are given in the Directors' Remuneration Report on pages 37 and 38. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £17,000 (2018: £17,000) of employers' National Insurance contributions were paid by the Company.

22 Alternative Performance Measures

Total return is considered to be an alternative performance measure (as defined in the Glossary of Terms on page 78). NAV total return includes the reinvestment of the dividend in the NAV of the Company on the ex-dividend date. Share price total return includes the reinvestment of the dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company, the impact of dividend reinvestment and the total returns for the years ended 31 March 2019 and 31 March 2018.

	Net asset value per Ordinary Share	Share price
2019		
NAV at 31 March 2018	272.55p	239.00p
NAV at 31 March 2019	255.03p	235.00p
Change in the year	-6.4%	-1.7%
Impact of dividend reinvestment	+1.1%	+1.4%
Total return for the year	-5.3%	-0.3%

	Net asset value per Ordinary Share	Share price
2018		
NAV at 31 March 2017	225.36p	195.70p
NAV at 31 March 2018	272.55p	239.00p
Change in the year	+20.9%	+22.1%
Impact of dividend reinvestment	+1.3%	+1.5%
Total return for the year	+22.2%	+23.6%

23 Post Balance Sheet Event

A subsequent round of funding for SenseTime was finalised post year end. As a result, in April 2019, the valuation was increased by 11% from £6,812,000 to £7,553,000. If this increase in value had been applied at 31 March 2019, the net assets of the Company would have increased by 0.05%.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity China Special Situations PLC will be held at **155 Bishopsgate, London EC2M 3YD, on 24 July 2019 at 11.00 am** for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 March 2019.
2. To declare that a final dividend for the year ended 31 March 2019 of 3.85 pence per ordinary share be paid to shareholders who appear on the register as at close of business on 28 June 2019.
3. To elect Mr Mike Balfour as a Director.
4. To re-elect Mr Nicholas Bull as a Director.
5. To re-elect The Hon Peter Pleydell-Bouverie as a Director.
6. To re-elect Ms Elisabeth Scott as a Director.
7. To elect Dr Linda Yueh as a Director.
8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 36) for the year ended 31 March 2019.
9. To reappoint Ernst & Young 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.

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

Authority to allot shares and dis-apply pre-emption rights

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of ordinary shares (or sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 10% of the number of ordinary shares of the Company (including Treasury shares) in issue on 4 June 2019. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority in order 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. Any ordinary shares held in Treasury would be re-issued at no less than Net Asset Value ("NAV") per share, or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per share.

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 shares in the Company or

to grant rights to subscribe for or to convert any securities into shares in the Company ("relevant securities") up to an aggregate nominal amount of £571,354 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury Shares) as at 4 June 2019) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury Shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting ("AGM") 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. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

12. THAT, subject to the passing of Resolution 11, as set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 11 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:
 - a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £571,354 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 4 June 2019); and
 - b) by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the NAV per share.

and this power shall expire at the conclusion of the next AGM 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.

Authority to repurchase shares

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 4 June 2019 either for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases

Notice of Meeting continued

of ordinary shares will be 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, thereby resulting in an increased NAV per share.

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 1 penny each (the "shares") in the capital of the Company provided that:
- a) the maximum number of shares hereby authorised to be purchased shall be 82,381,214;
 - b) the minimum price which may be paid for a share is 1 penny;
 - c) the maximum price (excluding expenses) which may be paid for a share is the higher of:
 - (i) 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; and
 - (ii) the amount stipulated by Regulatory Technical Standards adopted by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;
 - d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company unless such authority is renewed prior to such time; and
 - e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

By Order of the Board
FIL Investments International
 Secretary
 4 June 2019

Notes to the Notice of Meeting:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company, but must attend the AGM to represent you. To appoint a proxy go to **www.signalshares.com**. If you need help with appointing a proxy online or require a paper proxy form, please contact our Registrar, Link Asset Services, on +44 (0) 371 664 0391, calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
2. To appoint a proxy via the share portal at **www.signalshares.com**, you will need to log in to your share portal account or register if you have not previously done so. To register you will need your Investor Code which can be found on your share certificate or dividend confirmation or by contacting our Registrar, Link Asset Services (details above). In the case of CREST members, you can vote by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in Note 5 below.
3. To be valid, an online proxy appointment or other instrument appointing a proxy must be received by our Registrar, Link Asset Services, no later than 11:00 on Monday 22 July 2019 or no later than 48 hours before any adjourned meeting, excluding non-business days. The appointment of a proxy will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
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 on 22 July 2019. 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 Registrar no later than 11:00 on 22 July 2019.

6. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on 22 July 2019.
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 Note 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 Conduct Authority. As a result, any member holding 3% 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 Conduct 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 AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by close of business on 22 July 2019. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members at close of business 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 4 June 2019 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 571,354,480 ordinary shares. The number of Treasury shares held by the Company was 21,780,000. Therefore, the total number of voting rights in the Company as at 4 June 2019 was 549,574,480.
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.
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 are to be laid before the AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
14. No Director has a service contract with the Company.
15. 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.fidelityinvestmenttrusts.com**.

Registered office: Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Glossary to the Annual Report

ADR (American Depositary Receipt)

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.

AIC

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

AIF

Alternative Investment Fund ("AIF"). The Company is an AIF.

AIFM

Alternative Investment Fund Manager ("AIFM"). The Board has appointed FIL Investment Services (UK) Limited to act as the Company's AIFM.

AIFMD

The Alternative Investment Fund Managers' Directive ("AIFMD") is a European Union Directive implemented on 22 July 2014.

AIM (Alternative Investment Market)

A sub-market designed to help smaller companies access capital from the public market. AIM allows these companies to raise capital by listing on a public exchange with greater flexibility compared to the main market.

Alternative Performance Measures

The Company uses the following Alternative Performance Measures which are all defined in this Glossary of Terms:

- Discount/Premium;
- Net Asset Value (NAV) per Share;
- Ongoing Charges;
- Return (Revenue, Capital and Total Returns); and
- Total Return Performance.

Auditor

Ernst & Young LLP or such other auditor, as the Company may appoint from time to time.

Benchmark Index

MSCI China Index total return (in UK sterling terms) and is a composite of China "B", "H", "Red Chip" and "P Chip" share classes.

Cenkos Securities

The Company's Broker.

China "A" Shares

Shares traded on the Chinese Stock Exchanges in Chinese renminbi. Foreign investors were unable to participate in the China "A" Shares market until the introduction of the QFII program in 2002 which provided a legal framework for licensed QFIIs to invest in China "A" shares on the Chinese Stock exchanges and certain other securities previously not eligible for investment by foreign investors.

China "B" Shares

Shares traded on the Shenzhen Stock Exchange and Shanghai Stock Exchange in Hong Kong dollars and US dollars, respectively. The shares were originally intended to be available only to foreign individuals and institutional investors, however, since February 2001 they have been available to domestic individual investors who trade through legal foreign currency accounts.

China "H" Shares

Shares in companies incorporated in the PRC and listed on the Hong Kong Stock Exchange. They are available to non-Chinese investors and are traded in Hong Kong dollars on the Hong Kong Stock Exchange.

Chinese Renminbi

Currency of the PRC.

Chinese Stock Exchanges

The Shanghai Stock Exchange, the Shenzhen Stock Exchange and any other stock exchange located within the PRC from time to time.

ChiNext

ChiNext is a NASDAQ-style board of the Shenzhen Stock Exchange for innovative, fast-growing companies including high-tech enterprises, especially high tech companies. It started trading in October 2009. The MSCI will add stocks trading on Shenzhen's ChiNext board to its indexes for the first time in May 2019, allowing foreign investors to tap the tech-focused board by investing in the indexes.

Collateral

Assets provided as security.

Contract for Difference (CFD)

A contract for difference is a derivative. It is a contract between the Company and an investment bank at the end of which the parties exchange the difference between the opening price and the closing price of the 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 holds long positions, dividends are received and interest is paid. If the Company holds short positions, dividends are paid.

Custodian

An entity that holds (as intermediary) the Company's assets, arranges the settlement of transactions and administers income, proxy voting and corporate actions. The Company's Custodian is JPMorgan Chase Bank.

Debt

Bank borrowings and long contracts for difference.

Depository

An entity that oversees the custody, cash arrangements and other AIFM responsibilities of the Company. J.P. Morgan Europe Limited act as the Company's [Depository](#).

Derivatives

Financial instruments whose value is derived from the value of an underlying asset or other financial instruments. The main categories of [derivatives](#) are [contracts for difference](#), [warrants](#), [futures](#), and [options](#).

Discount

If the share price of the Company is lower than the [Net Asset Value per Ordinary Share](#), the Company's shares are said to be trading at a [discount](#). It is shown as a percentage of the [Net Asset Value per Ordinary Share](#).

Equity Linked Notes (ELNs)

Debt instruments whose return on investment is linked to specific equities or equity markets. The return on [equity linked notes](#) may be determined by an equity index, a basket of equities, or a single equity.

Fair Value

The carrying value in the Balance Sheet which represents the amount that would be received or paid on disposal of the financial asset or liability.

FIL

FIL Limited and each of its subsidiaries.

FIL Limited

The ultimate parent company of the FIL Group of companies. Incorporated in Bermuda.

Fidelity

FIL Investments International.

Forward Currency Contract

An agreement to buy or sell a currency, at a specified future date and at a pre-agreed price.

Future or Future Contract

An agreement to buy or sell a stated amount of a security, currency or commodity at a specific future date and at a pre-agreed price.

Gross Assets

[Net Assets](#) plus borrowings.

Gross Asset Exposure

The value of the portfolio to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of the [derivatives](#), but excluding [forward currency contracts](#)).

Gross Gearing

[Gross Asset Exposure](#) in excess of [Net Assets](#).

Hedging

A hedge position demonstrates risk reduction qualities by delivering short exposure to an asset which has regional congruence and a correlation of at least 80% to long exposures in the Company's portfolio. It therefore distinguishes itself from a "short" which is a position not opened with the objective of reducing the long exposure in the portfolio. Qualifying hedge exposures do not count towards the short exposure limits. For the purposes of calculating [Gross Asset Exposure](#), the exposure attributed to the hedge positions will be deducted from the exposure of the corresponding long positions. Short positions are added to long positions in arriving at the [Gross Asset Exposure](#).

IHS Markit

[IHS Markit](#) provides critical information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing insights in order to make well-informed decisions.

Index Linked Securities

Debt instruments whose return on investment is linked to changes in interest rates, stock exchanges, or other price indices.

Initial Public Offering (IPO)

An [initial public offering](#) ("IPO") is the first sale of stock by a private company to the public. [IPOs](#) are often issued by smaller, younger companies seeking the capital to expand, but can also be done by large privately owned companies looking to become publicly traded.

Investment Manager

FIL Investment Management (Hong Kong) Limited.

Investment Managers

Together, represents the [Investment Manager](#) and the [Unlisted Investment Manager](#).

Link Asset Services

The Company's [Registrar](#).

Management Agreement

The agreement between FIL Investment Management (Hong Kong) Limited and the Company regarding the management of the Company's investments dated 17 July 2014.

Management Agreements

Together, represents the [Management Agreement](#) and the [Unlisted Management Agreement](#).

Management Fee

The annual management fee is 0.90% of the [Net Assets](#) per annum of the Company.

Manager

FIL Investment Services (UK) Limited is the appointed [Manager](#) under the Alternative Investment Fund Managers' Directive ("AIFMD") and has delegated the investment management of the Company to the [Investment Managers](#).

Glossary to the Annual Report continued

MSCI China Index

The [Benchmark Index](#) of the investment performance of the Company, in UK sterling terms.

MSCI China Mid Cap Index

Designed to measure the performance of the mid cap segment of the China market. The Index represents approximately 15% of the free float-adjusted market capitalisation of the China equity universe.

MSCI China Small Cap Index

Designed to measure the performance of the small cap segment of the China market. The Index represents approximately 14% of the free float-adjusted market capitalisation of the China equity universe.

NASDAQ

A global electronic marketplace for buying and selling securities, as well as the benchmark index for US technology stocks.

Net Assets

The value of the Company's assets minus its liabilities.

Net Asset Value (NAV)

[Net Asset Value](#) is sometimes described as "Shareholders' Funds" and is 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 ordinary share basis.

Net Asset Value (NAV) per Ordinary Share

The [NAV per Ordinary Share](#) is calculated as [Shareholders' Funds](#) divided by the number of Ordinary Shares in issue.

Net Gearing

[Net Gearing](#) is the total of all long exposures, less short exposures and less exposures [hedging](#) the portfolio in excess of [Net Assets](#).

Net Market Exposure

[Net Market Exposure](#) is the total of all long exposures, less short exposures and less exposures [hedging](#) the portfolio.

Ongoing Charges

Total operating expenses (excluding finance costs and taxation) incurred by the Company as a percentage of the average daily [Net Asset Values](#) for the reporting year.

Options

An [option](#) is a contract which gives the right but not the obligation to buy or sell an underlying asset at an agreed price on or before an agreed date. [Options](#) may be calls (buy) or puts (sell) and are used to gain or reduce exposure to the underlying asset on a conditional basis.

P Chips

Companies controlled by mainland China individuals, with the establishment and origin of the company in mainland China. [P Chips](#) are incorporated outside of the [PRC](#) and traded on the Stock Exchange of Hong Kong with a majority of revenues or assets derived from mainland China.

Portfolio

The Company's [portfolio](#) which may be made up of equities, [index linked securities](#), [equity linked notes](#) and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions and other interests including [derivatives](#) (such as [futures](#), [options](#) and [contracts for difference](#)).

Portfolio Manager

Dale Nicholls is the appointed [Portfolio Manager](#) of the Company and is responsible for managing the Company's assets.

PRC

The People's Republic of China (excluding Taiwan, Hong Kong and the Macau Special Administrative Region of the [PRC](#)).

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, to existing shareholders. At each annual general meeting, the Board seeks shareholder approval to disapply [pre-emption right](#) provision, up to 10% of the Company's issued share capital.

Premium

If the share price of the Company is higher than the [Net Asset Value per Ordinary 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 per Ordinary Share](#).

Prospectus

The [Prospectus](#) of the Company dated 7 January 2011.

QFII

The [Investment Manager](#) is a [QFII](#) (a Qualified Foreign Institutional Investor) and as such has been granted a [QFII](#) licence by the China Securities Regulatory Commission ("CSRC") which permits the Company to invest in [China "A" Shares](#) through the [Investment Manager](#) and has received an allocation of quota for onshore investment from the State Administration of Foreign Exchange of the [PRC](#) ("SAFE").

Red Chips

Companies incorporated outside China but which are based in mainland China. [Red Chips](#) are listed on, and are required to observe the filing and reporting requirements of the Hong Kong Stock Exchange. [Red Chips](#) typically have a significant portion of their business interests located in mainland China and many are owned, either directly or indirectly, by organisations or enterprises controlled by the Chinese state, provinces or municipalities.

Registrar

The entity that manages the Company's shareholder register. The Company's [Registrar](#) is Link Asset Services.

Return

The [return](#) generated in a given period from investments:

- **Revenue Return** – reflects the dividends and interest from investments and other income, net of expenses, finance costs and taxation;

- **Capital Return** – reflects the return on the capital, excluding any revenue return; and
- **Total Return** – reflects the aggregate of revenue and capital returns.

Secretarial Agreement

The agreement between the [Secretary](#) and Company regarding the provision of company secretarial and administrative services.

Secretary

FIL Investments International.

Shareholders' Funds

Also described as [Net Asset Value](#), [Shareholders' Funds](#) represent the total value of the Company's assets less the total value of its liabilities as shown in the balance sheet.

Short Stock Exposure

The position of the Company when it has sold a security or [derivative](#) that it does not own but is now committed to eventually purchase in order to satisfy its obligation to sell. It is a strategy used to capitalise on an expected decline in the security's or [derivative's](#) price.

Total Return Performance

The return on the share price or [Net Asset Value](#) per share taking into account the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by the shareholder are assumed to have been reinvested in additional shares (for share price total return) or the Company's assets (for [Net Asset Value](#) total return).

Total Shareholder Return (TSR)

[Total shareholder return \(TSR\)](#) is the total return of shares to shareholders, or the capital gains, plus dividends paid.

Treasury Shares

Ordinary shares of the Company that have been repurchased by the Company and not cancelled but held in Treasury. These shares do not receive dividends, have no voting rights and are excluded from the [Net Asset Value](#) calculation.

Unlisted Investment Manager

FIL Investment Services (UK) Limited.

Unlisted Management Agreement

The agreement between the Company and FIL Investment Services (UK) Limited for the management of the unlisted investments. FIL Investment Services (UK) Limited has delegated this function to FIL Investments International.

Unlisted Companies

Companies not listed on a regulated stock exchange. They are stated at best estimate of [fair value](#), based on recognised valuation techniques which may take account of recent arm's length transactions in the investments. FIL Investment Services (UK) Limited is the Company's [Unlisted Investment Manager](#).

Variable Interest Entity ("VIE")

A [variable interest entity \("VIE"\)](#) structure is designed to facilitate foreign investment in sectors of the Chinese domestic economy which prohibit foreign ownership. The essential purpose of the [VIE](#) structure is to convey the economic benefits and operational control of ownership without direct equity ownership itself. As the controlling interest is not based on having the majority of voting rights, there may be a risk to an investor of being unable to enforce their ownership rights in certain circumstances.

Variable Management Fee ("VMF")

With effect from 1 October 2018, the Company adopted a [Variable Management Fee](#) structure ("VMF"). The base fee is 0.90% of net assets per annum plus a +/- 0.20% variation fee based on performance relative to the Company's [Benchmark Index](#) (the [MSCI China Index](#)). The maximum fee that the Company will pay is 1.10% of [Net Assets](#), but if the Company underperforms against the [Benchmark Index](#), then the overall fee could be as low as 0.70% of [Net Assets](#).

Warrants

A [derivative](#) security that gives the Company the right to purchase securities (usually equity) from the issuer at a specific price and within a certain time frame.

Shareholder Information

Investing in Fidelity China Special Situations PLC

Fidelity China Special Situations PLC is a company listed on the London Stock Exchange and you can buy its shares through a stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in a way that is best for you. Details of how to invest can be found on Fidelity's website at www.fidelityinvestmenttrusts.com.

CONTACT INFORMATION

Shareholders and Fidelity's Platform Investors should contact the appropriate administrator using the contact details given below and in the next column. Links to the websites of major platforms can be found online at www.fidelityinvestmenttrusts.com.

Shareholders on the main share register

Contact Link Asset Services, Registrar to Fidelity China Special Situations PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Telephone: **0871 664 0300** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30 Monday to Friday, excluding public holidays in England and Wales).

Email: enquiries@linkgroup.co.uk

Details of individual shareholdings and other information can also be obtained online from the Registrar's Share Portal at www.signalshares.com. Shareholders are able to manage their shareholding online by registering for the Share Portal, a free and secure online access service. Facilities include:

Account Enquiry – Shareholders can access their personal shareholding, including share transaction history, dividend payment history and obtain an up-to-date shareholding valuation.

Amendment of Standing Data – Shareholders can change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download forms such as change of address, stock transfer and dividend mandates as well as buy and sell shares in the Company.

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0371 664 0391** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Link Share Dealing Service

Link Asset Services offer a low cost share dealing service to buy or sell shares. Further information is available at www.linksharedeal.com, or by telephoning **0371 664 0445** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8:00 – 16:30, Monday to Friday excluding public holidays in England and Wales).

The Link Share Dealing Service allows you to deal in the shares of other companies for which Link Asset Services 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

Link Asset Services offer a Dividend Reinvestment Plan which is a convenient way for shareholders to build up their shareholding by using the dividend money to purchase additional shares in the Company. The plan is provided by Link Asset Services, a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority.

For more information and an application pack call **0371 664 0381** between 9:00 – 17:30 Monday to Friday. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Alternatively you can email: shares@link.co.uk or log onto www.signalshares.com.

Fidelity Platform Investors

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

Website: www.fidelity.co.uk/its.

Private investors: call free on **0800 41 41 10**, 9:00 – 18:00, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 8:00 – 18:00, Monday to Friday.

General enquiries

General enquiries should be made to the Secretary, at the Company's registered office: FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Telephone: **01732 361144**

Email: investmenttrusts@fil.com

Website: www.fidelityinvestmenttrusts.com

If you hold Fidelity China Special Situations PLC shares in an account provided by Fidelity International, you will receive a report every six months detailing all of your transactions and the value of your shares.

ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at www.sharegift.org.uk or by telephoning **020 7930 3737**.

General Data Protection Regulation ("GDPR")

What personal data is collected and how it is used

The Company is an investment trust which is a public limited company and has certain regulatory obligations such as the requirement to send documents to its shareholders, for example, the Annual Report and other documents that relate to meetings of the Company. The Company will therefore collect shareholders' personal data such as names, addresses and identification numbers or investor codes and will use this personal data to fulfil its statutory obligations.

Any personal data collected will be kept securely on computer systems and in some circumstances on paper. Personal information is kept secure in line with Fidelity's Information Security policies and standards. If you are unhappy with how we have used your personal data, you can complain by contacting the UK Data Protection Officer at Fidelity International, Beech Gate, Millfield Lane, Surrey KT20 6RP.

Sharing personal data

In order to assist the Company in meeting its statutory requirements, the Company delegates certain duties around the processing of this data to its third party service providers, such as the Company's Registrar and Printers. The Company has appointed Fidelity to undertake marketing activities for the Company and their privacy statement can be found on the Company's website at <https://investment-trusts.fidelity.co.uk/privacy-policy/>

The Company's agreements with the third party service providers have been updated to be compliant with GDPR requirements. The Company confirms to its shareholders that their data will not be shared with any third party for any other purpose, such as for marketing purposes. In some circumstances, it may be necessary to transfer shareholders' personal data across national borders to Fidelity Group entities operating in the European Economic Area ("EEA"). Where this does occur, the European standard of protections will be applied to the personal data that is processed. Where personal data is transferred within the Fidelity Group, but outside of the EEA, that data will subsequently receive the same degree of protection as it would in the EEA.

How long will personal data be kept for?

We will keep the personal data for as long as is necessary for these purposes and no longer than we are legally permitted to do so.

Requesting access, making changes to your personal data and other important information

Shareholders can access the information that the Company holds about them or ask for it to be corrected or deleted by contacting Fidelity's UK Data Protection Officer, Fidelity International, Beech Gate, Millfield Lane, Surrey KT20 6RP.

Shareholder Information continued

Managers and Advisors

Alternative Investment Fund Manager (AIFM/the Manager)

FIL Investment Services (UK) Limited
Oakhill House
130 Tonbridge Road
Hildenborough
Tonbridge
Kent
TN11 9DZ

Investment Manager

FIL Investment Management
(Hong Kong) Limited
Level 21
Two Pacific Place
88 Queensway
Admiralty
Hong Kong

Unlisted Investment Manager, Secretary and Registered Office

FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP
Email: investmenttrusts@fil.com

Banker and Custodian

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

Depository

J.P.Morgan Europe Limited
25 Bank Street
London
E14 5JP

Financial Adviser and Stockbroker

Cenkos Securities plc
6, 7, 8 Tokenhouse Yard
London
EC2R 7AS

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

Charles Russell Speechlys LLP
5 Fleet Street
London
EC4M 7RD

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Company Information

The Company's initial public offering was on 19 April 2010. The original subscription price for each share was £1. The Company also issued "C" shares of £1 each on 1 March 2011 and these were subsequently converted into new ordinary shares.

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 555** (email address: enquiries@theaic.co.uk).

Price Information

The share price of the Company is published daily in The Financial Times under the heading "Investment Companies". It is also published in the Times and The Daily Telegraph. Price and performance information is also available at www.fidelityinvestmenttrusts.com.

Investors can also obtain current share price information by telephoning Fidelity for free on **0800 41 41 10** 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). The Reuters Code for Fidelity China Special Situations PLC is FCSS, the SEDOL is B62Z3C7 and the ISIN is GB00B62Z3C74.

Net Asset Value ("NAV") Information

The Company's NAV is calculated and released to the London Stock Exchange on a daily basis.

Capital Gains Tax

All UK individuals under present legislation are permitted to have £12,000 of capital gains in the current tax year 2019/2020 (2018/2019: £11,700) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependant on the total amount of taxable income.

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers' Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the investment management (other than in unlisted securities) to FIL Investment Management (Hong Kong) Limited. It has delegated the investment management of the unlisted securities and the company secretarial function to FIL Investments International (another Fidelity group company). Details of current Management Agreements can be found in the Directors' Report on page 28.

The table below discloses information required by the Alternative Investment Fund Managers' Regulations 2013.

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	<p>The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investment Management (Hong Kong) Limited (other than the unlisted securities) and for unlisted securities to FIL Investments International.</p> <p>The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.</p>	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 14 and 15.
Risk management	<p>The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management.</p> <p>The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing.</p> <p>The Board, as part of UK corporate governance, remains responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</p>	The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of risk management and internal controls and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 16 and 17 and in Note 19 to the Financial Statements on pages 64 to 73.
Valuation of illiquid assets	The Directive requires the disclosure of the percentage of the Alternative Investment Fund's assets which are subject to special arrangements arising from their illiquid nature. Further, any new arrangements for managing the liquidity of the Company must be disclosed.	Not Applicable.

Alternative Investment Fund Manager's Disclosure continued

Function	AIFM Role and Responsibility	AIFMD Disclosure
Leverage	<p>The Company uses leverage to increase its exposure primarily to the stockmarkets of China and currently holds long derivatives to achieve this. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times.</p> <p>There are two methods of calculating leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.</p>	<p>The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method.</p> <p>At 31 March 2019, actual leverage was 1.48 for the Gross Method and 1.37 for the Commitment Method.</p>
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 19 on page 67.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity's Global Remuneration Policy Statement. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).	Details of Fidelity International's Global Remuneration Policy can be found at www.fidelityinternational.com/global/remuneration/default.page .

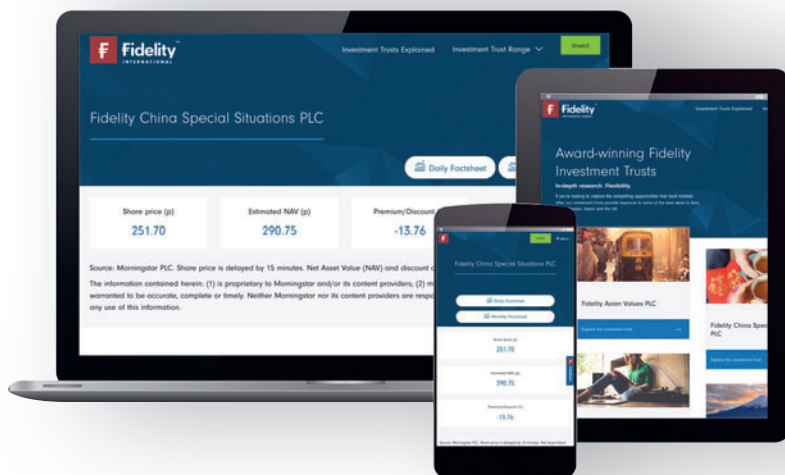
EU Securities Financing Transactions Regulation ("SFTR")

The following disclosures relate to contracts for difference ("CFDs") held by the Company which may be considered Total Return Swaps under the SFTR, which came into force on 12 January 2016.

As at 31 March 2019, all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £'000	Percentage of Net Assets	Collateral Granted £'000	Collateral Received £'000
Deutsche Bank AG (UK)	(14,919)	-1.06%	20,471	-
Goldman Sachs International (UK)	(4,041)	-0.29%	4,852	-
HSBC Bank plc (UK)	(32,944)	-2.35%	33,938	-
UBS AG (UK)	(18,285)	-1.30%	18,553	-

Collateral granted was denominated in US dollars and held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 March 2019 from CFDs was a loss of £42,635,000.





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