Fidelity China Special Situations PLC

Annual Report

For the year ended 31 March 2015

Contents

The Investment Objective and Performance

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 or Hong Kong and Chinese companies listed elsewhere. The Company may also invest in listed companies with significant interests in China and Hong Kong.

Investment Performance (year to 31 March 2015)

Net Asset Value ("NAV") per Share total return	+45.3%
Share Price total return	+39.9%
Benchmark Index – MSCI China Index total return (in UK sterling terms)	+39.3%

As at 31 March 2015

Equity Shareholders' Funds	£944.1m
Market Capitalisation	£820.3m
Capital Structure:	
Ordinary Shares of 1 penny held outside Treasury	571,254,480

Standardised Performance Total Return[1] %

	1 Year ended 31 March 2015	3 Years ended 31 March 2015	Since launch[2] to 31 March 2015
NAV	+45.3	+101.0	+72.4
Share Price	+39.9	+83.6	+48.7
MSCI China Index (in UK sterling terms)	+39.3	+45.4	+31.4

1 Includes reinvested income
2 The Company launched on 19 April 2010

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

Summary of Results

	2015	2014
Assets at 31 March		
Gross Asset Exposure	£1,189.1m	£806.6m
Net Assets	£944.1m	£656.2m
Gearing	25.9%	22.9%
Net Asset Value per Ordinary Share	165.27p	114.84p
Number of Ordinary Shares held outside Treasury	571,254,480	571,354,480
Stock market data at 31 March		
Share Price at year end	143.60p	103.80p
Share Price year high	144.00p	108.80p
Share Price year low	97.20p	81.00p
Discount at year end	13.1%	9.6%
Discount year high	14.1%	13.0%
Discount year low	5.0%	4.9%
Earnings for the year ended 31 March		
Revenue return per Ordinary Share[1]	1.41p	1.18p
Capital return per Ordinary Share[1]	50.17p	16.39p
Total return per Ordinary Share[1]	51.58p	17.57p
Dividend for the year ended 31 March		
Dividend proposed per Ordinary Share	1.30p	1.15p
Ongoing charges for the year to 31 March[2]	1.29%	1.45%

1 Based on the weighted average number of Ordinary Shares held outside Treasury in issue during the year

2 Ongoing charges (excluding finance costs and taxation) as a percentage of average Net Asset Values for the year (prepared in accordance with methodology recommended by the Association of Investment Companies)

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

Chairman's Statement

John Owen
Chairman

I have pleasure in presenting the fifth Annual Report of Fidelity China Special Situations PLC for the year ended 31 March 2015.

The Company celebrated its fifth anniversary on 19 April 2015. Over this time, the Net Asset Value ("NAV") per share had risen to just over 200 pence. An investor who bought £1,000 of shares in the IPO in 2010 and reinvested all dividends would after five years have had a holding worth £1,690, an increase in value of 69.0%.

For the year under review, the Company's NAV increased by 45.3% and the share price by 39.9%. The NAV outperformed our Benchmark Index, the MSCI China Index in sterling terms, by 6.0%.

I am also pleased to report that What Investment Trust has recently named Fidelity China Special Situations PLC as the "Best Emerging Markets Investment Trust".

PERFORMANCE REVIEW

This reporting period represents Dale Nicholls' first full year as Portfolio Manager. It has been a positive start for Dale building on the solid foundations for the portfolio put in place by Anthony Bolton, the previous portfolio manager, whose major contribution I would like to acknowledge.

The NAV and the share price of the Company are now at an all time high, although the discount of the share price to the NAV has widened. We believe that the discount is largely a reflection of ongoing negative investor sentiment towards China and profit-taking after exceptionally strong returns. Despite the country recording some of the best share price returns in the world in 2014, investors remain cautious. Since the year end we have also increased our buybacks of shares in the market. We have increased our marketing spend and the marketing activities of the Portfolio Manager to focus on some of these concerns – a number of which are addressed in the Portfolio Managers' Report.

One stand-out factor in China over the last year has been reform. We are now in the third year of the current government's tenure and it will likely be characterised by the implementation of further reform. In President Xi Jinping's first year at the helm, he announced a high level vision for China, which included changing the country's hukou system and one child policy. His second year was dominated by an anti-corruption campaign, which, despite acting as a form of austerity, enabled the government to build a general consensus on reform. This year looks set to start the reform implementation in earnest. Fiscal and monetary policy are likely to feature high on the agenda and we are already seeing some very important developments in the stock market, such as the opening up of Shanghai-Hong Kong Stock Connect, explained further in the Portfolio Manager's Review.

As highlighted last year, the Chinese economy is in a new development phase as the government looks to move away from an economic model driven by state-directed investment spending towards one more reliant on the increasingly wealthy Chinese consumer. The ongoing reform programme in China supports this view and should lead to interesting investment opportunities, which are well represented in the portfolio. The government has also reduced its GDP growth target to a 'new normal' of 7% per annum – an attractive growth rate compared to the rest of the world but also a more realistic and sustainable outlook for China's economy.

Many investors point to this slowing growth rate as a reason to stay away from China. However, as the final results of the Company indicate, economic growth and stock market returns can often be uncorrelated as markets are driven by factors other than GDP. That said, we should highlight that valuations play a large part in investment performance.

While the fundamental drivers of the investment case for China remain as valid now as they were in April 2010 when the Company was launched, valuations in certain parts of the market have risen. This emphasises the need for detailed research and careful stock picking, which the Board believes Dale Nicholls and his team are well able to deliver for our investors.

GEARING

The Company renewed its multicurrency revolving credit facility agreement with Scotiabank Europe PLC for US$150,000,000 on 14 February 2014 to continue for a further three years. The loan has been fully drawn down.

To achieve further gearing, the Company uses Contracts For Difference on a number of holdings in its portfolio. Further details are in Note 19 on page 61.

At 31 March 2015, the Company's gearing, defined as the Gross Asset Exposure in excess of Net Assets, was 25.9% (2014: 22.9%).

DIVIDEND

The Board recommends a dividend of 1.30 pence (2014: 1.15 pence) per Ordinary Share for the year ended 31 March 2015 for approval by shareholders at the forthcoming Annual General Meeting. This represents a 13% increase on the 1.15 pence paid in respect of last year.

The dividend will be payable on 24 July 2015 to shareholders on the register on 19 June 2015 (ex-dividend date 18 June 2015).

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 71.

Chairman's Statement

DISCOUNT AND PREMIUM

The Board recognises that the Company's share price is affected by the interaction of supply and demand in the market, investor sentiment towards China as well as the NAV per share. Recognising these factors, the Board regularly reviews the difference between the market price of the shares and the NAV per share, and reserves the right to manage the difference through repurchasing shares into Treasury or for cancellation. In order to assist in managing the discount, the Board sought and received shareholder approval at last year's Annual General Meeting to hold in Treasury any Ordinary Shares repurchased by the Company, rather than cancelling them. The Treasury Shares carry no voting rights or rights to receive a dividend and have no entitlement in a winding up of the Company. Shares in Treasury do not count in the calculation of NAV per share. No more than 10% of the issued Ordinary Share capital of the Company can be held in Treasury. Any shares held in Treasury would only be re-issued at 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. The Board is seeking shareholder authority to renew this authority at the forthcoming Annual General Meeting.

During the reporting year, in furtherance of this policy, the Board authorised the repurchase at a discount of 100,000 Ordinary Shares which are held in Treasury. Since the year end, the Company has repurchased 7,275,000 Ordinary Shares which are also held in Treasury.

MANAGEMENT AND PERFORMANCE FEES

With effect from 1 April 2014, the annual management fee payable to the Managers was reduced to 1.0% per annum of the Net Asset Value (2014: 1.2%). Further details are included in the Directors' Report on page 20. For the year ending 31 March 2015, the ongoing charges were 1.29% (2014: 1.45%).

The maximum performance fee that is payable was reduced from 1.5% to 1.0% of the average Net Asset Value with effect from the year ending 31 March 2014. In addition, any out-performance against the Company's Benchmark Index (including the 2% hurdle rate), in excess of that required to reach this 1% maximum fee, is no longer carried forward. Any under-performance against the Company's Benchmark Index (including the 2% hurdle rate), must still be made good before a performance fee is payable. The performance fee paid in respect of the year ended 31 March 2015 was £4,744,000 (2014: £6,416,000). Further details are included in the Directors' Report on page 20.

REGULATORY MATTERS

The Board worked with its advisors in order to achieve compliance with the European Alternative Investment Fund Managers Directive ("AIFMD") which came into effect on 22 July 2014. As a result the Board has appointed FIL Investment Services (UK) Limited (a FIL Group company) to act as its Alternative Investment Fund Manager ("AIFM"). FIL Investment Services (UK) Limited has delegated the investment management (other than in unlisted securities) to FIL Investment Management (Hong Kong) Limited and for unlisted securities to FIL Investments International (both acted as the Company's previous Managers). FIL Investments International continues to act as Company Secretary.

An additional requirement of the AIFMD was to appoint a Depositary on behalf of the Company to oversee the custody and cash arrangements of the Company. The Company has appointed J.P. Morgan Europe Limited to act as the Company's Depositary. J.P. Morgan Europe Limited is part of the same group of companies as JPMorgan Chase Bank who continues to act as the Company's Banker and Custodian.

The Alternative Fund Manager's Disclosure report is on page 68.

THE BOARD

In accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies, the entire Board is subject to annual re-election at the forthcoming Annual General Meeting. The Directors' biographies can be found on page 19. The Directors have a wide range of appropriate skills and experience to form a balanced Board for the Company.

THE ANNUAL GENERAL MEETING – 22 JULY 2015

The Annual General Meeting of the Company will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB on Wednesday 22 July 2015 at 11 am.

The Board is looking forward to having the opportunity to speak to shareholders. Dale Nicholls, the Portfolio Manager, will be making a presentation on the year's results and the prospects for the Company for the year to come. We encourage you to join us on this occasion.

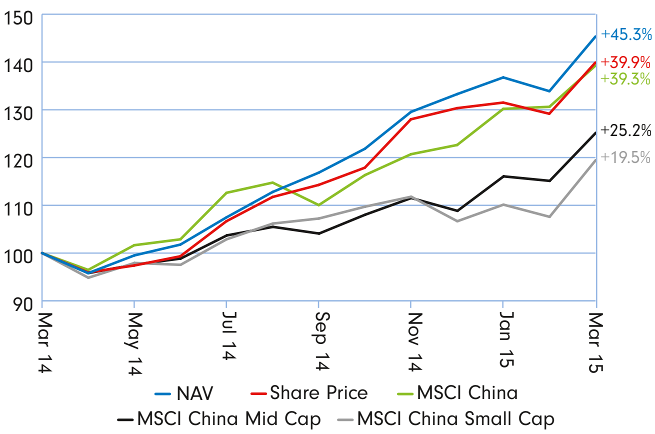
John Owen CMG MBE DL
Chairman
11 June 2015

Portfolio Manager's Review

Dale Nicholls has twenty years investment experience. He joined Fidelity as a research analyst in 1996, covering the Japanese textiles and apparel, banks, chemicals, consumer products, technology, miscellaneous finance and insurance sectors. During this time it was essential for Dale to visit Chinese companies to get a clear view of the key supply and demand dynamics for these industries. From 1999, he managed Japanese sector funds for the Fidelity Japanese office and then became portfolio manager of Fidelity Funds Pacific Fund, an Asia Pacific including Japan mandate, in September 2003. He has also previously managed a number of regional small-cap strategies, including Fidelity Funds Asian Smaller Companies Fund. His success in managing these mandates, his experience in investing in China and his small/mid-cap investment style led to his appointment as Portfolio Manager of this Company on 1 April 2014.

This Annual Report reflects my first year as Portfolio Manager of Fidelity China Special Situations PLC and it has been one of the most interesting years of my career. There have been numerous reforms, stock picking opportunities and some spectacular stock moves. I am pleased to report that the Company's Net Asset Value rose 45.3% and the share price rose 39.9%, while the Benchmark Index, the MSCI China Index, recorded a rise of 39.3%. Taking a three year view, the numbers are very strong, with the Company's Net Asset Value up 101.0% and the share price up 83.6% versus the MSCI China Index returns of 45.4%.

While performance of the Company's Net Asset Value has been very strong, there is some disappointment that the share price continues to lag and we have seen the discount widen. However, I believe this reflects the continued uncertainty and negative sentiment from overseas investors when it comes to China, and I will look to address some of these issues in this report. In my regular marketing visits to investors and investment advisers I always set out my reasons why I believe that investors should have a proportion of their portfolios exposed to China; and why this fund could be, in my view, the ideal vehicle for that exposure.



PERFORMANCE

In terms of what has driven performance, preference for 'new' China investments in areas like e-commerce, non-bank financials as well as significant holdings in China mainland stocks (stocks listed on the Shanghai and Shenzhen exchanges – commonly referred to as A-Shares) have boosted returns. Conversely, some of the Company's holdings in the consumer discretionary sector proved unfavourable, despite the attractive structural opportunities in this area.

Alibaba was the most significant contributor to performance over the year. It was bought as an unlisted position in 2012, accounting for around 2.5% of the Company's assets, when Alibaba was valued at US$48 billion. After much speculation, it finally undertook an initial public offering in New York in September 2014. In recognition of the dominant market position Alibaba has in e-commerce in China, the IPO was the largest in history and by November it was valued at around US$290 billion. This considerably boosted the Net Asset Value of the portfolio and I took this as an opportunity to crystallise sizeable gains. Alibaba remains a significant portfolio holding as I remain a firm believer in the opportunities in e-commerce, but valuation and risk-reward versus other investment ideas means that it is now below 2% of assets. One result of this IPO is that there are no longer any unlisted holdings held by the Company. I continue to search for new unlisted ideas and am working to uncover the Alibabas of tomorrow.

Brokers and insurance stocks were among the best performing areas of China's market over the year. A major pick-up in market volumes and a recovery in the A-Share market have been key factors driving the brokerage stocks. The market's positive reaction to ongoing reforms, deregulation and the continued development of China's capital markets drove performance and highlighted the long-term growth potential for these businesses. China's largest brokerage firm, CITIC Securities, one of the Company's largest holdings, has been a standout performer, returning 224% over the year. In addition to an overall recovery in market volumes, this stock reacted positively to the lifting of an IPO ban in mainland China and the introduction of Stock Connect. Stock Connect is a programme that enables overseas investors to buy Shanghai listed A-Shares via the Hong Kong Exchange without the need for a Qualified Financial Institutional Investor ("QFII") quota, while allowing mainland investors to buy Hong Kong shares via the Shanghai Exchange without the need for a Qualified Domestic Institutional Investor quota. This programme, which is still in pilot phase, helped contribute to a huge rise in A-Share volumes and benefits brokers like CITIC

Portfolio Manager's Review

Securities. We also saw strong moves in other A-Shares the Company holds including SAIC Motor (joint venture with Volkswagen and GM) and Gree Electrical Appliances (the world's largest air conditioner manufacturer).

Insurance was also an area where I felt that valuations did not reflect the reform and structural growth opportunities, and I significantly added holdings here in the portfolio. Life insurance is particularly interesting to me as this is an underpenetrated market in China, particularly in the more protection-type products which tend to be higher margin. These companies are focused on expanding and improving their product lines and developing their sales forces, offering scope for greater revenues and improving margins. Holdings in Ping An Insurance and China Pacific Insurance rallied 109% and 114% respectively.

A-SHARES

The Stock Connect programme has raised the profile of A-Shares, but our preference is to own these via a QFII quota. It is cheaper and reduces counterparty risk and gives direct ownership of the stock. The Company already utilises US$125 million of the Manager's quota and at the time of writing, this is set to increase again following a successful application for more. This represents a significant percentage of the Company's assets, and the pursuit of an additional quota allowance from the regulator reflects my belief in the abundant opportunities in A-Shares.

A major change I made when I took over this portfolio was to increase A-Share exposure from around 13% to around 25%. Despite being the second largest market in the world, many of the companies are poorly researched and there is a broad range of valuations – a great environment for stock pickers. In particular, I find most value in larger cap names since these are ignored by domestic Chinese investors who prefer to speculate in small-cap stocks with little regard to valuations.

There are a number of potential positive catalysts for the prospects of A-Shares. Chief among these is the extension of Stock Connect to include the Shenzhen Exchange and the possibility that A-Shares will be included in the MSCI indices. The latter could lead to investors with China in their benchmark having to make significant changes to their portfolios and lead to passive funds buying A-Shares. On the negative side, there are signs of overheating in parts of this market, especially amongst some of the small cap stocks – these are areas I continue to avoid.

WHY THE NEGATIVE SENTIMENT?

As mentioned at the start of this report, I believe the Company's share price has been held back by general negative macroeconomic sentiment towards China. When looking at China, overseas investors are bombarded by headline grabbing stories about slowing GDP, rising debt and falling property prices. Yet in 2014 the Shanghai Exchange was the world's best performing market. So is this negative sentiment justified and what have investors been missing?

To answer the question, yes, some of the negativity towards China's markets is justified – China clearly has challenges but if you scratch below the surface great opportunities still exist for individual companies in the right areas.

First, GDP is slowing, but China is now a $10 trillion economy and it is unrealistic to expect consistent high single digit growth rates over the long-term. It is generally accepted that growth will slow to around 7% in 2015, but that still represents around US$700bn of growth, or roughly 25% of the entire UK economy. In conjunction with this, the economy is shifting towards a consumption-led model, which lends itself to lower, yet more sustainable growth rates. This is still a ripe environment in which the strongest companies can grow.

Second, debt levels have risen significantly, and history teaches us that this should lead to non-performing loan ("NPL") issues down the road. However, I do not think this will lead to a credit crisis of the type witnessed in the West in 2008. A key characteristic of a credit crisis is the drying up of liquidity, but strict government imposed rules mean China's banks have some of the lowest loan-to-deposit ratios in the world, while their largest shareholder is the government, which can direct liquidity to where it is needed. Also, one of the big differences is the level of consumer credit. Debt has risen in China but mostly at the corporate level (including State Owned Enterprises), not at the consumer level. Mortgage penetration is very low, and the deposit requirements for mortgages are relatively high versus Western standards. However, I do think NPLs will become a greater issue for banks going forward – and this is the key reason why the portfolio does not hold Chinese banks.

Third, after years of gains, falling property prices have been perceived by some as the beginnings of the bursting of a bubble. To me, a key aspect of a bubble is rapidly declining affordability. Property prices have moved up strongly in the past decade, but so have incomes. In fact in many cities we argue that affordability has actually improved in the last decade. We should also note that the largest gains in property prices have been in the first tier cities while gains in the lower tier cities have been much more muted. Ultimately it will come down to supply and demand. Supply has increased significantly, but has already begun to adjust since last year. I believe there is still a reasonable case to be made on the demand side. We must keep in mind that the debt increases have been mostly at the corporate level and the consumer balance sheet remains in very good shape.

Finally, many of the structural drivers of demand, such as urbanisation and general upgrading, remain in place. I think the pick-up in market volumes that we have seen in recent months reflects these underlying demand trends. I am not saying that there are not pockets in China with serious overbuild issues – the country is large and there will always be failed projects – but it is not as bad as often made out. For example, so called "ghost towns" dominate the media. I have visited many of these, and while there are some areas with serious problems, on the whole I can say that the problem is generally overstated.

Portfolio Manager's Review

WHERE ARE THE OPPORTUNITIES?

I continue to believe the course is set for an unprecedented reform programme that will open up the Chinese economy and its markets, but we must monitor progress in terms of implementation. There are many ongoing economic and social reforms that address issues such as reducing government intervention, allowing markets to determine prices and improved welfare. These changes tend to take baby steps forward, so can often slip under the radar, but in aggregate they are really changing the investment landscape in China to one where private entrepreneurs and companies can thrive.

In addition to A-Shares and non-bank financials mentioned above, the areas in which I am finding opportunities include:

- **E-commerce** – China's shift to online represents one of the biggest commercial opportunities most investors will see in their lifetimes. Admittedly this is a global trend, but it is occurring even faster in China, partly because traditional bricks and mortar retail infrastructure has not been built out to levels common in the West. Internet usage in China has only just surpassed 50% of the population so there is still good growth potential for e-commerce. There are also attractive businesses springing up related to internet security and data storage that investors cannot ignore.

- **Consumer** – Chinese wages continue to see solid increases and the growing middle class want to spend on goods, services and travel. All this is happening against the backdrop of a government looking to shift the economy to a consumption-led model, so we can expect further policy tailwinds to support this consumption trend. One example is the government's drive to increase the urbanisation rate, which will boost consumption – ownership levels for rural consumers of everyday goods like white goods and cars tend to be far lower than their urban cousins. Much has been made of the recent anti-corruption crackdown, and this has had an impact at the luxury-end, but I believe that this should have little impact on the underlying drivers behind mass market consumption.

- **Healthcare** – As people get wealthier they want to get healthier. China's per capita expenditure on healthcare is well below that of developed nations, but we are seeing this pick up. China's low cost advantage also makes it attractive as an R&D outsourcing centre for the large Western pharmaceutical companies. In addition, the government has pledged to change the social security system (called *hukou*) so that more than 100 million people can get better healthcare access by 2020.

- **Infrastructure** – Infrastructure assets are sought globally for the stable cash flows they generate. In China we find that many of these assets tend to be ignored and undervalued as they may not offer the growth potential or thematic appeal of some of the smaller private companies. In addition, reforms focusing on more market based pricing and incentivising management have the potential to drive returns higher. One example of this is the railways where some passenger lines have not seen tariffs rise in almost 20 years. Another area where I have found value is in airports. Shanghai International Airport has become one of the biggest holdings in the portfolio. This airport is one of the few with expansion potential, and the underlying passenger growth outlook is strong with Chinese overseas travellers continuing to grow and Shanghai Disneyland (the biggest globally) opening in 2016. I also see great scope to grow its retail related revenues.

Overall, I acknowledge there are macro challenges, but find these are often overstated for the sake of a headline. The economic model in China is changing and slower growth is the "new norm", providing a good environment for innovative companies to operate. Reform is a broad concept, but it is a key driver of progress in China and it will create investment opportunities across an array of industries. From a stock picking perspective, the opening up of the A-Share market is really exciting and I look forward to continuing the search in this market for the many opportunities it offers. At the heart of it all, I still believe stock prices follow earnings and cash flows – and I see strong opportunities for growth in both.

A NOTE OF CAUTION

At the time of writing this report it would be remiss of me not to comment on the recent rally we have seen. In April and May alone the Company's Net Asset Value was up nearly 19%. This rally has been driven by increased liquidity and improved sentiment after the authorities granted greater access for mainland investors to buy Hong Kong listed stocks via Stock Connect. As a result, I have reeled in gearing to around 19% and added to the short positions (these can help generate positive returns should these stocks fall).

I still believe that China offers some of the most attractive long-term structural growth opportunities in the Asia region, but I can foresee some consolidation and continued volatility given the speed and size of this rally. The fact that the portfolio is leveraged in the mid to high teens reflects my long-term view and conviction in the Company's holdings.

Dale Nicholls
Portfolio Manager
11 June 2015

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. It provides a review of the Company's business and describes the principal risks and uncertainties it faces. The report includes an analysis of the performance of the Company during the financial year and the position at the year end, its objective, strategy and risks and how these are measured using Key Performance Indicators. The Chairman's Statement and Portfolio Manager's Review 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 operates as such. It is not a close company and has no employees.

OBJECTIVE

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 or Hong Kong and Chinese companies listed elsewhere. The Company may also invest in listed companies with significant interests in China and Hong Kong.

STRATEGY

In order to achieve this objective, the Company has an actively managed portfolio of investments and operates as an investment Company. As such, it is able to gear the portfolio and the Board takes the view that long-term returns for shareholders can be enhanced by using 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. The Portfolio Manager aims to achieve a total return in NAV in excess of the equivalent return on the MSCI China Index (the Company's Benchmark Index), as expressed in UK sterling. The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving this objective.

The objective, strategy and principal activity have remained unchanged throughout the year ended 31 March 2015.

The summary of the year's activities and indications of future developments and the factors likely to affect this have been reviewed and supported by the Board. Details can be found in the Chairman's Statement on pages 3 and 4 and the Portfolio Manager's Review on pages 5 to 7. The Board recognises that investing in equities is a long-term process and that the Company's returns will vary from year to year.

INVESTMENT POLICY

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

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 one investment will not, on acquisition, exceed 15% of the portfolio value.

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

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

Unlisted Investments

The Company is permitted to invest up to 5% of Gross Assets in unlisted securities issued in companies which carry on business, or which have significant interests, in China or Hong Kong.

As at 31 March 2015, the Company held no unlisted investments.

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. 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 of off-setting positions and allowing for any collateral placed by the counterparty with the Company.

Strategic Report

As at 31 March 2015, the Company's exposure to short derivative instruments represented 2.2% of Gross Assets. The Company's exposure to any single counterparty from all derivative activities was 11.6%.

Investment in other Investment Companies

The Board has set a limit of 15% on the proportion of the Company's Gross Assets that can be invested in the securities of other listed investment companies (including listed investment trusts) which themselves do not have stated investment policies.

As at 31 March 2015, the Company held no investments in other investment companies.

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 Manager within the remit set by the Board.

The Company may borrow up to 25% of Net Assets and the Board has adopted the policy that the Gross Asset Exposure of the Company, whether from borrowing or the use of derivatives, will 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 2015, Gross Asset Exposure in excess of Net Assets was 25.9%.

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 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

As the Company's objective is to achieve long-term capital growth, the Board does not expect that dividends will 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 income.

FIL'S INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

FIL Investment Management (Hong Kong) Limited and FIL Investments International (collectively "FIL") provide management of the investment portfolio and certain other services. FIL's distinctive investment approach is "bottom up" stock picking – investing in companies on the basis of their underlying strengths, facilitated by extensive research capabilities.

FIL has had a presence in Asia since 1969 and now has offices in seven countries across the region, including in three cities in mainland China and in Hong Kong. The Hong Kong office is FIL's second largest in the region, and the analysts in the Hong Kong investment team evaluate companies, meet their managements and interpret the effects of international and local events.

PERFORMANCE

In the year ended 31 March 2015, the Company's Net Asset Value total return was 45.3%, outperforming the MSCI China Index which returned 39.3%. Details on future trends and factors that may impact the future performance of the Company are included in the Chairman's Statement on pages 3 and 4 and the Portfolio Manager's Review on pages 5 to 7. The Forty Largest Holdings are listed on pages 13 and 14, the Distribution of the Portfolio is on page 15 and the Attribution Analysis is set out on pages 16 and 17. A full list of the Company's holdings as at 31 March 2015 is available on the Company's page of the Manager's website after the Annual General Meeting of the Company.

RESULTS AND DIVIDENDS

The Company's results are set out in the Income Statement on page 38. The net profit after taxation for the year ended 31 March 2015 was £294.7 million, of which the revenue return was £8.1 million.

The Directors recommend that a dividend of 1.30 pence (2014: 1.15 pence) per Ordinary Share be paid on 24 July 2015 to shareholders who appear on the register as at the close of business on 19 June 2015 (ex-dividend date 18 June 2015).

KEY PERFORMANCE INDICATORS ("KPIs")

Given the Company's objective and strategy, the Board has identified the following KPIs against which performance can be measured.

	Year ended 31 March 2015 %	Year ended 31 March 2014 %
Net Asset Value total return	+45.3	+19.5
Share Price total return	+39.9	+14.1
MSCI China Index total return	+39.3	-6.9
Discount to Net Asset Value	13.1	9.6
Ongoing charges	1.29	1.45

Sources: Fidelity and Datastream

Strategic Report

As well as the KPIs set out on page 9, the Board also regularly monitor other relevant statistics, such as the various factors contributing to investment results, as set out in the Attribution Analysis on pages 16 and 17. The principal risks and uncertainties stated below and those on page 11 include descriptions of other performance indicators, their monitoring and management which are important to the business of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company.

The process is regularly reviewed by the Board in accordance with the Financial Reporting Council's ("FRC's") "Internal Control: Revised Guidance for Directors".

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. An internal controls report providing an assessment of risks, together with controls to mitigate these risks, is prepared by the Managers and considered by the Audit Committee at each of its meetings.

The Board also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Board considers the following as the principal risks and uncertainties facing the Company:

Principal Risks	Risk Mitigation
Market risk	Investing in an emerging market such as the 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, 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 Board reviews material economic, market and legislative changes at each Board meeting. The Company has exposure to a number of companies with all or part of their business in Variable Interest Entity ("VIE") structures. These are entities where there is a controlling interest that is not based on the majority of voting rights and may result in a risk to investors being unable to enforce their ownership rights in certain circumstances.
Performance risk	The achievement of the Company's performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to underperformance of the Benchmark Index. The Company has a clearly defined strategy and investment remit. There is a clearly defined Management Agreement, and borrowing/derivative limits are also set by the Board. The portfolio is managed by a highly experienced Portfolio Manager. 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 for the market with the Portfolio Manager at each Board meeting. 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. Unlisted investments are managed by FIL Investments International. Performance improved and was again well ahead of its Benchmark Index in the 2014/15 financial year as outlined in the Portfolio Manager's Review on page 5. The Company has also out-performed its Benchmark Index since launch.

Strategic Report

Principal Risks	Risk Mitigation
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 shares through good performance and an active investor relations programme. The Company's share price, NAV and discount volatility are monitored daily by the Managers and regularly reported to the Board.
Gearing risk	The Company has the option to invest up to the total of any loan facilities and to use Contracts For Difference ("CFDs") to invest in equities. The principal risk is that while in a rising market the Company should benefit from gearing, in a falling market the impact would be detrimental. 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. On 14 February 2014, the Company renewed its US$150,000,000 revolving credit facility agreement with Scotiabank Europe PLC for a further three years to 14 February 2017, as amended on 17 July 2014. The facility has been fully drawn down. Additional geared exposure is being achieved through the use of long CFDs. The Board regularly considers gearing and gearing risk.
Currency risk	The functional currency 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 and US dollars. 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. Borrowings are denominated in US dollars and, therefore, the effect of US dollar exchange rate movements on assets denominated in US dollars will be offset by the effect on these loans. Further details can be found in Note 18 to the Financial Statements on pages 53 to 60.

Other risks facing the Company include:

Tax and Regulatory risks

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. A breach of other legal and regulatory rules may lead to suspension from listing on the Stock Exchange or a qualified audit report. The Board receives regular reports from the Managers confirming regulatory compliance during the year.

The regulation that was of greatest significance in this reporting year was the Alternative Investment Fund Managers Directive. Details can be found in the Chairman's Statement on page 4.

The Board monitors tax and regulatory changes at each Board meeting and is provided with regular briefings from the Association of Investment Companies ("AIC") as well as details of industry and the Managers lobbying activities.

Operational risks – Service Providers

The Company has no employees and relies on a number of third party service providers, principally the Managers, Registrar, Custodian and Depositary. The Company is dependent on the Managers' control systems and those of its Registrar, Custodian and Depositary, all of which are monitored and managed by the Managers in the context of the Company's assets and interests on behalf of the Board.

The security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements, among other things, rely on the effective operation of such systems.

The Managers, Registrar, Custodian and Depositary are subject to a risk-based programme of internal audits by the Managers. In addition, service providers' own internal controls reports are received by the Board and any concerns investigated.

BOARD DIVERSITY

The Board carries out any candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender. As at 31 March 2015, there were five male Directors and one female Director.

EMPLOYEE, SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

The Company has no employees and all of its Directors are non-executive. The Company's day-to-day activities are carried out by third parties. The Company has not adopted a policy on human rights as it has no employees and its operational processes are delegated.

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.

Strategic Report

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.

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. Unless there are any particularly controversial issues (which are then referred to the Board) it delegates the responsibility for corporate engagement and shareholder voting to the Managers. These activities are reviewed annually.

FUTURE DEVELOPMENTS

The Company's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Chairman's Statement on pages 3 and 4 and the Portfolio Manager's Review on pages 5 to 7.

By order of the Board
FIL Investments International
Secretary
11 June 2015

Forty Largest Holdings as at 31 March 2015

Forty Largest Holdings, including derivatives	Gross Asset Exposure £'000	Balance Sheet Value £'000	%[1]
Tencent Holdings Limited[2] Internet, mobile and telecommunications services provider	88,524	63,286	7.4
Ping An Insurance (Group) Company of China[2] Insurance company	58,900	46,430	5.0
China Pacific Insurance (Group) Company[2] Insurance company	37,528	25,605	3.2
Hang Seng China Enterprise Index Call Option Call option on the Hang Seng China Enterprise Index	27,854	1,623	2.3
Lee's Pharmaceutical Holdings Limited Pharmaceutical products manufacturer and distributor	19,862	19,862	1.7
Shanghai International Airport Company Shanghai's primary international airport operator	19,570	19,570	1.6
CITIC Limited A diversified group	18,980	15,764	1.6
Hutchison China MediTech Limited[3] Pharmaceutical and healthcare group	18,961	18,961	1.6
Li-Ning Company Sports brand company	18,503	18,503	1.6
NetEase Inc Internet company	18,183	18,183	1.5
China Lodging Group Economy hotels chain operator	17,776	17,776	1.5
China State Construction Engineering Construction company	16,213	16,213	1.4
Daqin Railway Company[2] Railway company	16,123	15,703	1.4
Alibaba Group Holding Limited e-commerce group	16,059	16,059	1.4
New Oriental Education & Technology Group Private educational services provider	15,918	15,918	1.3
Far East Horizon Limited Financial service company	15,773	15,773	1.3
Midea Group Company Electrical appliances manufacturer	15,369	15,369	1.3
SAIC Motor Corporation Limited Automobile manufacturer and distributor	15,252	15,252	1.3
Huayu Automotive Systems Automotive components manufacturer	13,630	13,630	1.1
WuXi Pharma Tech Pharmaceutical, biotechnology and medical device research	13,536	13,536	1.1
CITIC Securities Broker and asset manager	13,456	13,456	1.1
Green Dragon Gas Coal bed methane projects developer	12,953	12,953	1.1

Forty Largest Holdings as at 31 March 2015

Forty Largest Holdings, including derivatives	Gross Asset Exposure £'000	Balance Sheet Value £'000	%[1]
Zhejiang Supor Company Cookware manufacturer	12,668	12,668	1.1
Kingdee International Software Group Enterprise management software products developer	12,583	12,583	1.1
21Vianet Group Carrier-neutral internet data centre services provider	12,433	12,433	1.0
China Biological Products[2] Plasma-based biopharmaceutical company	12,362	8,495	1.0
Guangshen Railway Company Railway company	11,470	11,470	1.0
CT Environmental Group Wastewater treatment and industrial water supply services	11,298	11,298	1.0
Sinosoft Technology Group e-Government solutions developer	11,194	11,194	0.9
BitAuto Holdings Limited Auto internet company	10,655	10,655	0.9
China Longyuan Power Group[2] Wind power producer	10,640	(140)	0.9
Huaneng Renewables Corporation Wind and solar power generator	10,371	10,371	0.9
Kweichow Maoti Maotai liquor producer and distributor	10,369	10,369	0.9
ChinaCache International Holdings Content delivery network and cloud computing provider	10,308	10,308	0.9
Shanghai Industrial Holdings Limited[2] Real estate, infrastructure, medicine and consumer products	10,248	7,561	0.8
SITC International Holdings[2] Shipping logistics group	10,143	9,015	0.8
China Vanke Company Residential property developer	10,125	10,125	0.8
China Animal Healthcare[2] Animal drug manufacturer	9,867	8,767	0.8
Dah Sing Financial Holdings Banking, insurance and other related financial services provider	9,560	9,560	0.8
Haitong Securities[2] Financial services group	9,398	5,531	0.8
Forty Largest Holdings (2014: 67.5%)	**704,615**	**601,688**	**59.2**
Other Holdings including derivatives	**484,503**	**441,128**	**40.8**
Total Holdings including derivatives	**1,189,118**	**1,042,816**	**100.0**

1 % of total Gross Asset Exposure
2 Includes investment via CFDs
3 Quoted on AIM

The Gross Asset Exposure shown above is the exposure of the portfolio to market price movements as a result of either owning shares directly or via derivative instruments. The Balance Sheet Value is the actual value of the portfolio. Where a CFD is held, the actual 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 share has changed.

A full list of the Company's holdings as at 31 March 2015 is available on the Company's page of the Manager's website after the Annual General Meeting.

Distribution of the Portfolio as at 31 March 2015

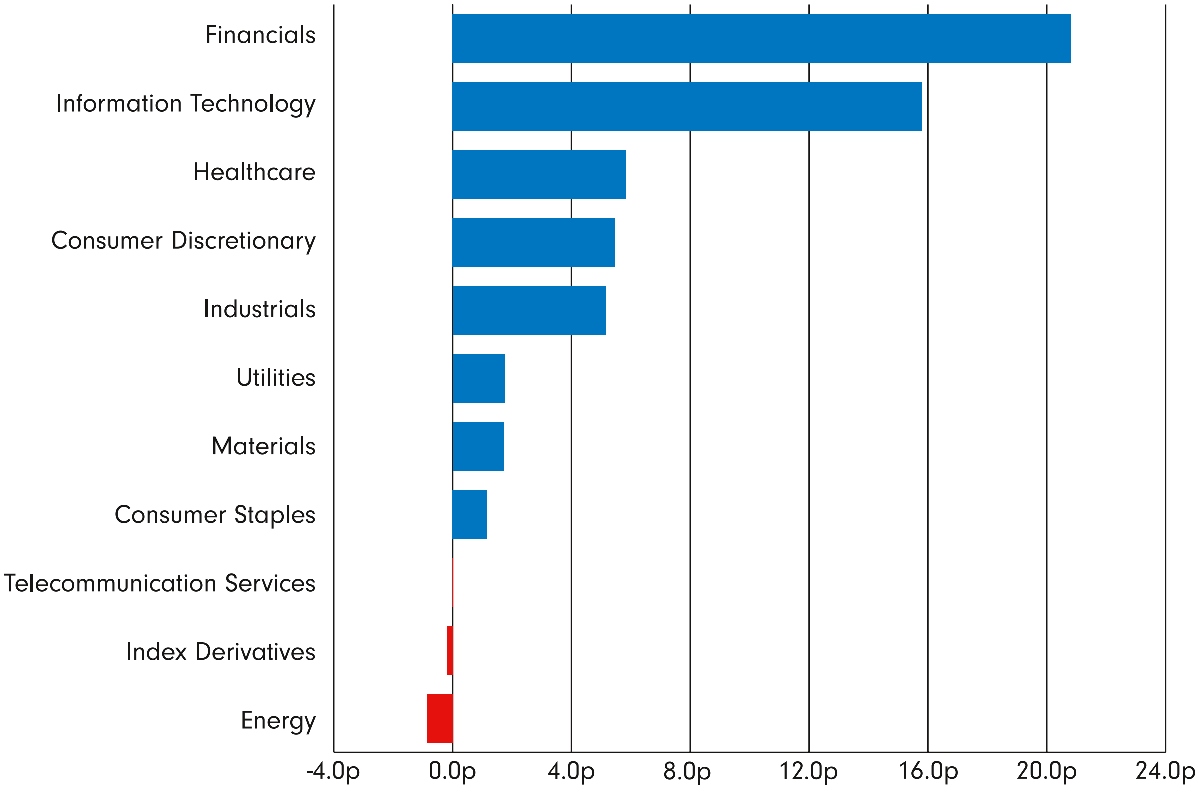
	% of Gross Asset Exposure	Benchmark %
Industry		
Consumer Discretionary	24.7	4.9
Information Technology	20.4	14.7
Financials	19.0	39.8
Industrials	11.0	7.1
Healthcare	7.6	2.1
Consumer Staples	4.0	4.0
Energy	3.1	3.8
Utilities	3.1	9.9
Materials	2.7	2.5
Index derivatives	2.5	–
Telecommunication Services	1.9	11.2
Total	**100.0**	**100.0**
Share Type		
Listed in Hong Kong	39.9	21.8
China "A" Shares	22.7	–
Listed in US	16.2	–
China "H" Shares	7.1	53.5
Red-Chips	5.1	24.2
Listed in UK	3.2	–
Index derivatives	2.5	–
Listed in Taiwan	1.2	–
China "B" Shares	0.8	0.5
Listed in Singapore	0.7	–
Listed in Australia	0.4	–
Listed in Canada	0.2	–
Total	**100.0**	**100.0**

	% of Gross Asset Exposure	Benchmark %
Size of Company (Market Cap (UK £))		
Large – above £5bn	36.1	93.4
Medium – between £1bn – £5bn	34.9	6.6
Small – below £1bn	26.5	–
Index derivatives	2.5	–
Total	**100.0**	**100.0**

Attribution Analysis

Analysis of change in NAV during the year ended 31 March 2015	Pence per share
NAV at 31 March 2014	**114.84**
Impact of MSCI China Index – UK sterling equivalent	+45.08
Impact of Portfolio Management	+6.03
Impact of Gearing	+5.46
Impact of Dividend	-1.15
Impact of Other Costs	-2.87
Impact of Cash/Currency	-2.12
NAV at 31 March 2015	**165.27**

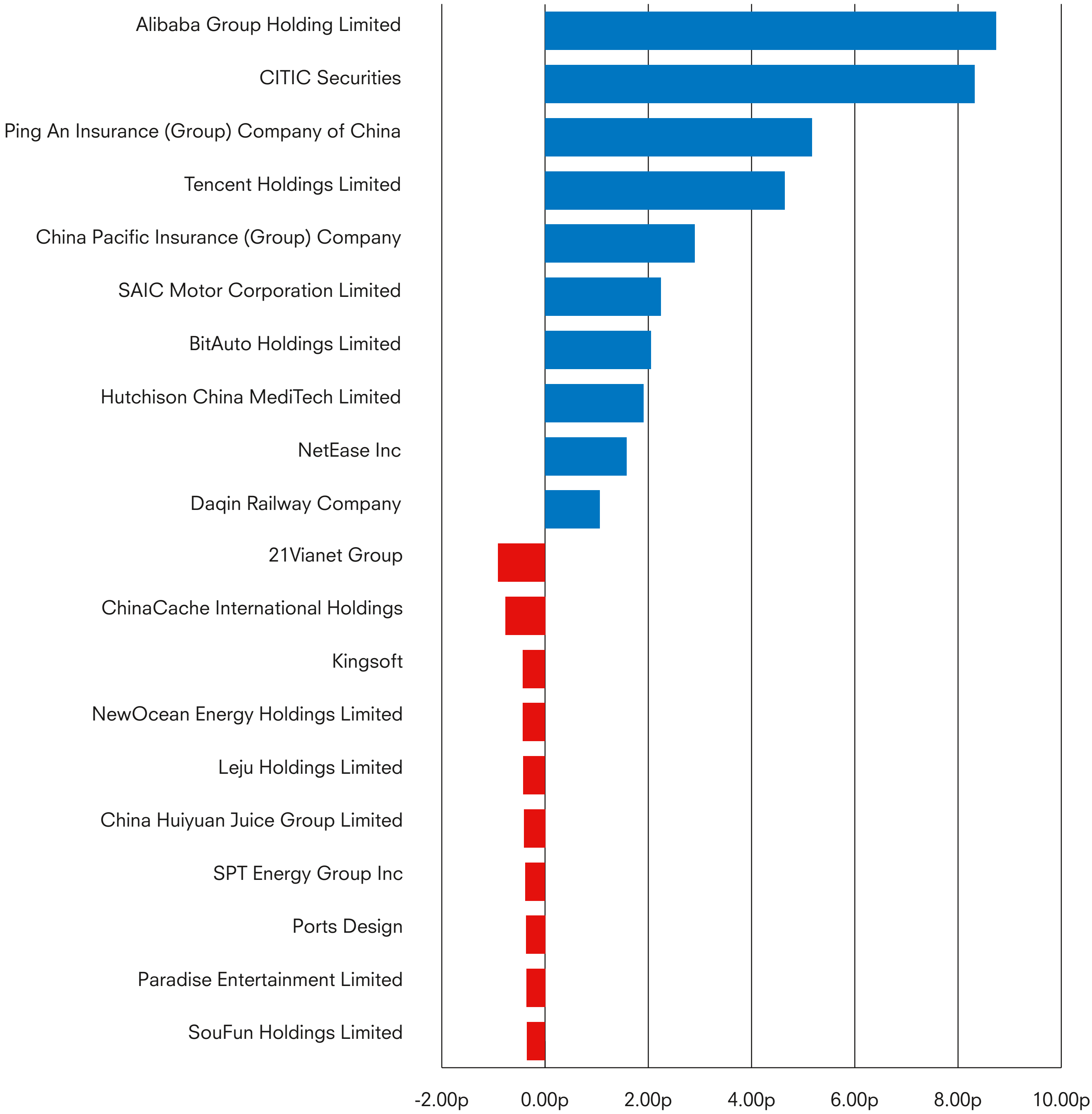
Industry contributors and detractors
(pence per share)



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

Attribution Analysis

10 Highest contributors and detractors by investment positions (pence per share)



Note: Derivative positions are included in the above investment positions

Source: Fidelity

Summary of Performance

For the year ended 31 March	2015	2014	2013	2012	2011[1]
Investment Performance					
Net Asset Value per Share total return (%)	+45.3	+19.5	+15.7	-18.5	+5.2
Share Price total return (%)	+39.9	+14.1	+15.0	-26.4	+10.0
MSCI China Index total return (%)	+39.3	-6.9	+12.2	-12.5	+3.3
Assets					
Gross Asset Exposure (£m)	1,189.1	806.6	774.2	628.5	746.0
Net Assets (£m)	944.1	656.2	634.2	559.0	684.0
Gearing (%)	25.9	22.9	22.1	23.8	15.8
Net Asset Value per Ordinary Share (pence)	165.27	114.84	97.09	84.72	104.20
Stock market data					
Share price	143.60	103.80	92.00	80.80	110.00
(Discount)/premium (%)	(13.1)	(9.6)	(5.2)	(4.6)	5.6
Earnings and dividends paid					
Revenue return per Ordinary Share (pence)[2]	1.41	1.18	1.25	0.99	0.47
Capital return per Ordinary Share (pence)[2]	50.17	16.39	11.76	(20.33)	3.67
Total return per Ordinary Share (pence)[2]	51.58	17.57	13.01	(19.34)	4.14
Dividend paid per Ordinary Share (pence)	1.30	1.15	1.00	0.75	0.25
Ongoing charges[3] (%)	1.29	1.45	1.80	1.70	1.93

1 From launch on 19 April 2010 to 31 March 2011
2 Based on the weighted average number of Ordinary Shares in issue during the year
3 Ongoing charges (excluding finance costs and taxation) as a percentage of average Net Asset Value for the year (prepared in accordance with the methodology recommended by the Association of Investment Companies)

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

Board of Directors

John Owen CMG MBE DL[1,2,3]
(Chairman) (date of appointment: 4 February 2010). Mr Owen has enjoyed careers in both the diplomatic service and industry. He served in the diplomatic service for 30 years until his retirement in 1999, serving in Indonesia, Vietnam, France, El Salvador, Iran, Brazil, China and London. Mr Owen was British Consul General in Boston, USA from 1992 to 1995, and Governor of the Cayman Islands from 1995 to 1999. He also worked in industry for seven years. Mr Owen is currently chairman of several companies including Iceman Capital Limited, an investment company specialising in investment in the developing markets of Asia. He has a number of directorships including Queensgate Bank Trust Company Limited. Mr Owen is also chairman of the Friends of Cayman in London. He is an Honorary Fellow of the University of Wales and also a Deputy Lieutenant of the County of Isle of Wight.

Nicholas Bull FCA[1,2,3]
(Senior Independent Director and Chairman of the Nomination and Remuneration Committee) (date of appointment: 4 February 2010). Mr Bull is the senior independent director of Coats Group plc and a Senior Adviser to City stockbroker Westhouse Securities. He is also a Member of Council of the University of Exeter, a trustee of the Design Museum and deputy chairman of the trustees of the Conran Foundation. From 2010 he was an independent director, then chairman, of hotels group De Vere until the completion of its asset disposal programme in 2015. 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.

David Causer FCA[1,2,3]
(Chairman of the Audit Committee) (date of appointment: 4 February 2010). Mr Causer is a non-executive director and audit committee chairman of Schroder Income Growth Fund plc, an investment company listed on the London Stock Exchange. He is a qualified chartered accountant and a member of the Securities Institute. Mr Causer 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 a trustee of a number of charities and a public member of Network Rail.

The Hon. Peter Pleydell-Bouverie DL[1,2,3]
(Chairman of the Investment Committee) (date of appointment: 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. Previously, Mr Pleydell-Bouverie 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.

Elisabeth Scott[1,2,3]
(Date of appointment: 1 November 2011). Ms Scott 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 chair of the Hong Kong Investment Funds Association. Ms Scott is a non-executive director of Pacific Horizon Investment Trust PLC and also Dunedin Income Growth Investment Trust PLC and Allianz Technology Trust PLC.

Andrew Wells[2,3]
(Date of appointment: 21 May 2012). Mr Wells is FIL's Global Chief Investment Officer, Fixed Income, Solutions and Real Estate and has been a member of FIL's Global Operating Committee since November 2010. Mr Wells has over 20 years of investment experience, particularly in Asia, having worked as a portfolio manager in FIL's Hong Kong office from 2002 becoming FIL's Chief Investment Officer for Asian Fixed Income in 2005. In 2007, Mr Wells became Global CIO Fixed Income for FIL, responsible for developing the fixed income investment process, team and structure.

All the Directors are non-executive directors and all are independent, with the exception of Andrew Wells.

1 Member of the Audit Committee and the Management Engagement Committee
2 Member of the Nomination and Remuneration Committee
3 Member of the Investment Committee

Directors' Report

The Directors have pleasure in presenting their report together with the audited Financial Statements of the Company for the year ended 31 March 2015.

The Company was incorporated in England and Wales on 22 January 2010 under the registered number 7133583 and re-registered as a public limited company on 24 February 2010.

MANAGEMENT COMPANY AND FEES

With effect from 17 July 2014, and as a result of the Alternative Investment Fund Directive, FIL Investment Management (Hong Kong) Limited ("FIMHK") retired as investment manager and FIL Investments International ("FII") retired as investment manager of the unlisted securities, manager and secretary to the Company and was replaced by FIL Investment Services (UK) Limited ("FISL") to act as the Company's Alternative Investment Fund Manager (the "Manager"). At the same time, FISL, as the new Manager, delegated the investment management of the Company to FIMHK (other than in unlisted securities) and for unlisted securities to FII (both acted as the Company's previous investment managers).

For the year to 31 March 2015, the respective Management Agreements provided for an annual management fee of 1.0% of the Net Asset Value of the Company (reduced from 1.2% on 1 April 2014). The fee is payable quarterly in arrears at a rate of 0.25% per quarter and calculated as at the last business day of March, June, September and December in each year. In computing the Net Asset Value, the value of any investment in any fund which is managed by the Manager or an associate of the Manager is excluded. The investment management fees for the year ended 31 March 2015 totalled £8,094,000 (2014: £7,692,000). In addition, the Investment Managers are entitled to an annual performance fee of 15% of any change in NAV attributable to performance which is more than 2% above the returns on the MSCI China Index, subject to a maximum performance fee payable in any year equal to 1.0% of the arithmetic mean of the value of assets with valuations calculated at the end of each month during the year. Any out-performance above this cap will no longer be carried forward. If the Company under-performs, the under-performance must be made good before any further performance fee becomes payable. For the year ended 31 March 2015, the performance fee payable was £4,744,000 (2014: £6,416,000).

In addition, FII continues to provide accounting, administrative and secretarial services to the Company pursuant to the Secretarial Services Agreement dated 25 February 2010, as novated by a deed dated 17 July 2014, under which the Company pays a secretarial fee of up to £600,000 per annum, payable quarterly in arrears. For the year ended 31 March 2015, the secretarial fee payable was £600,000 (2014: £600,000).

The Board reviews the services provided by the Managers and also the terms of the Management Agreements on a regular basis. The Management Agreements will continue unless and until terminated by either party giving to the other not less than twelve months' notice in writing. The Management Agreements may, however, 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 Managers or the Company. In addition, the Company may terminate the Agreements by not less than two months' notice if the Managers cease to be a subsidiary of FIL Limited or if the Board shall resolve at two successive quarterly meetings that there has been a material and continuing under-performance in the portfolio of assets.

The Management Engagement Committee has reviewed the performance of the Investment Managers – taking into consideration those items in the Corporate Governance Statement on pages 26 and 27 of this Annual Report. The Committee concluded that it was in the interests of shareholders that the Management Agreements should continue. Fidelity also provides certain services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity ISA under an agreement dated 19 February 2010.

THE BOARD

All appointments to the Board, elections, re-elections and replacements of Directors take place in accordance with the Companies Act 2006 and the Company's Articles of Association. Details of the Directors who served during the year ended 31 March 2015 are set out on page 19 with a brief description of their careers.

All Board members are subject to re-election at the forthcoming Annual General Meeting. Information on the process of appointment, election and replacement of Directors is included in the Corporate Governance Statement.

No Director has a contract of service with the Company and no contracts existed during or at the end of the financial period in which any Director was materially interested and which were significant in relation to the Company's business except as disclosed in relation to Mr Wells' interests in the Management Agreement. There have been no other related party transactions requiring disclosure under International Accounting Standard 24.

The interests of the Directors in the Ordinary Shares of the Company as at 31 March 2014 and 31 March 2015 are shown in the Directors' Remuneration Report on page 33.

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

In addition to benefits enjoyed under the Manager's global Directors and Officers' liability insurance arrangements, the Company maintains insurance cover for its Directors under its own policy as permitted by the Companies Act 2006. Directors are also covered by the Director Indemnity provisions in accordance with the Articles of Association as approved by the shareholders.

Directors' Report

REGISTRAR, CUSTODIAN AND DEPOSITARY ARRANGEMENTS

The Company employs Capita Asset Services to manage the Company's share register. Fees for their services for the year under review amounted to £73,000 (2014: £57,000).

The Company employs JPMorgan Chase Bank as its Custodian which is primarily responsible for safeguarding the Company's assets. Fees for custodial services for the year under review amounted to £351,000 (2014: £285,000).

With effect from 17 July 2014, the Company employs J.P.Morgan Europe Limited (part of the same group of companies as JP Morgan Chase Bank) as its Depositary and it is primarily responsible for the oversight of the custody of investment funds and the protection of investors interests. Fees for its Depositary services for the period under review amounted to £51,000 (2014: not applicable).

SHARE CAPITAL

The Company's issued share capital comprises Ordinary Shares of 1 penny each. As at 31 March 2015, the total number of shares was 571,254,480 (2014: 571,354,480) with 100,000 shares held in Treasury. Each share in issue (excluding Treasury Shares) carries one vote. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on pages 63 and 64. The Company's Ordinary Shares have a premium listing on the London Stock Exchange and the Company is a constituent member of the FTSE 250 Index.

PREMIUM/DISCOUNT MANAGEMENT: ENHANCING SHAREHOLDER VALUE

The Board seeks authority from shareholders each year to issue new shares at a premium, or to repurchase shares for cancellation or for holding in Treasury at a discount to the NAV. It will only use these authorities to enhance the Net Asset Value per share and to protect or improve the premium/discount rating of the shares.

SHARE ISSUES

No Ordinary Shares or shares from Treasury were issued during the year to 31 March 2015 (2014: nil) and none has been issued since the year end.

The authority to issue shares and disapply pre-emption rights and to issue shares from Treasury granted by the shareholders at the Annual General Meeting, held on 18 July 2014, expires at the conclusion of the next Annual General Meeting on 22 July 2015 and therefore, resolutions renewing the authority will be put to shareholders at this Annual General Meeting.

SHARE REPURCHASES

At the Annual General Meeting held on 18 July 2014, the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 85,646,036 Ordinary Shares in the market for either holding in Treasury or for cancellation. The authority expires on 22 July 2015. A special resolution to renew the authority, including the ability to buy shares into Treasury, will therefore be put to shareholders for approval at the forthcoming Annual General Meeting.

Pursuant to this authority, during the period from 18 July 2014 to 31 March 2015, 100,000 Ordinary Shares were repurchased for holding in Treasury. In aggregate the total shares repurchased during the year ended 31 March 2015 was 100,000 Ordinary Shares (2014: 81,875,000) representing less than 1% of the share capital as at 31 March 2015 (2014: 14.3%) and for a total consideration of £121,000 (2014: £78,323,000). Since the year end, and as the date of this report, a further 7,275,000 Ordinary Shares have been repurchased for holding in Treasury. The total number of Ordinary Shares held outside Treasury at the date of this report is 563,979,480 and shares held in Treasury total 7,375,000.

SUBSTANTIAL SHARE INTERESTS

The following notifications had been received of interests in 3% or more of the voting rights of the Company:

	Holding at 31 March 2015	Holding at 31 May 2015
FIL Limited	39.92%[1]	39.36%[2]
Hargreaves Lansdowne	13.56%	13.62%
Lazard Asset Management	5.70%	7.34%
City of London	3.51%	3.09%

1 Direct holding on own account (7.52%) and indirect holdings for Fidelity's ISA and Share Plan clients (32.40%)

2 Direct holding on own account (7.57%) and indirect holdings for Fidelity's ISA and Share Plan clients (31.79%)

An analysis of ordinary shareholders as at 31 March 2015 is detailed in the table below.

Analysis of ordinary shareholders as at 31 March 2015	% of issued share capital
Private shareholders[1]	64.32
Institutions and wealth managers	21.50
Pension companies	9.57
Insurance companies	3.68
Other	0.93

1 Includes Fidelity Share Plan and ISA investors

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.

Directors' Report

REQUIREMENTS OF LISTING RULES

Listing rule 9.8.4 requires the Company to include specified information on a single identifiable section of the Annual Report or a cross-referenced table showing where the disclosures are given. The Directors' confirm that no such disclosures are required.

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.

If you have sold, transferred or otherwise disposed of all your shares in the Company, please pass this document and the accompanying form of proxy to the stockbroker, bank or other agent through whom you made the sale, transfer or disposal for transmission to the purchaser or transferee, except that such documents should not be sent to any jurisdiction under any circumstances where to do so might constitute a violation of local securities laws and regulations. If you have sold or transferred or otherwise disposed of only part of your holding of shares in the Company, you should retain this document and the accompanying form of proxy and consult the stockbroker, bank or other agent through whom you made the sale, transfer or disposal.

At the Annual General Meeting on 22 July 2015, resolutions will be proposed relating to the items of business set out in the Notice of Meeting contained on pages 62 and 63, including those items of business explained below.

These include renewing the Directors' authority to allot securities in the Company, disapply pre-emption rights and repurchase the Company's shares to replace the existing powers of the Directors which expire at the conclusion of the Annual General Meeting.

Authority to allot shares

By law, the Directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders.

Resolution 12 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 11 June 2015 and so that the Directors may impose any limits or restrictions and make any arrangements which it considers 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 in the case of issuing Treasury Shares, at a premium to NAV per share.

Authority to disapply pre-emption rights

In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 2006 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 13 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 by way of (a) rights issues, normally on a proportionate basis but where necessary taking into account practical considerations such as fractions and foreign securities laws, and (b) other issues 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 11 June 2015).

Authority to repurchase the Company's shares

Resolution 14 is a special resolution which renews the Company's authority to purchase up to 14.99% of the number of Ordinary Shares in issue (excluding Treasury Shares) on 11 June 2015 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 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.

The full text of the resolutions are set out in the Notice of Meeting contained on pages 62 to 64.

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.

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement, which forms part of this Directors' Report, and can be found on pages 24 to 28.

AUDITOR'S RIGHT TO INFORMATION

As required by Section 418 of the Companies Act 2006 the Directors in office as at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the independent Auditor is unaware and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information, and to establish that the independent Auditor is aware of that information.

Directors' Report

AUDITOR'S APPOINTMENT

A resolution to reappoint Grant Thornton UK LLP as Auditor to the Company will be proposed at the forthcoming Annual General Meeting together with a resolution to authorise the Directors to determine the Auditor's remuneration.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 8 to 12. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Statements and Notes thereto on pages 38 to 61.

The Company's objectives, policies and processes for managing its capital, financial risk objectives, details of financial instruments and its exposures to credit and liquidity risk are also set out in the Strategic Report on pages 8 to 12 and in Note 18 to the Financial Statements on pages 53 to 60.

The Company's assets consist mainly of securities which are readily realisable. Where outsourcing arrangements are in place, including registrar and custodian services, alternative service providers are readily available. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

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

By Order of the Board
FIL Investments International
Secretary
11 June 2015

Corporate Governance Statement

The Company is committed to high standards of corporate governance. Accordingly, the Board has put in place a framework for corporate governance which it believes is appropriate for an investment company. This Corporate Governance Statement forms part of the Directors' Report.

ASSOCIATION OF INVESTMENT COMPANIES ("AIC") CODE

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained in the AIC Guide, addresses governance issues relevant to investment companies and enables boards to satisfy any requirements they may have under the UK Corporate Governance Code (the "UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC guide (which incorporates the UK Code), will provide better information to shareholders. The AIC Code and the AIC Guide may be found on the AIC's website at www.theaic.co.uk.

The Board is accountable to the Company's shareholders for good governance and considers that the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code and associated disclosure requirements of the Listing Rules except as set out below. The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide and as explained in the UK Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company. The Company has, therefore, not reported further in respect of these provisions.

THE BOARD AND ITS COMMITTEES

THE BOARD

The Board of Directors has overall responsibility for the Company's affairs and for promoting the long-term success of the Company. All matters which are not delegated to the Company's Managers under the Management Agreements are reserved for the Board's decision. Matters reserved for the Board include, amongst other things, decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, the appointment of the Company Secretary and Board appointments. The Company's investment policy is detailed on pages 8 and 9.

The Board currently consists of six Directors, five of whom are independent of the Managers. Other than as previously disclosed in relation to Andrew Wells, the Directors are considered to be free from any relationship which could materially interfere with the exercise of their independent judgement and all Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

All Directors, with the exception of Andrew Wells, form the membership of the Audit Committee and the Management Engagement Committee. All the Directors are members of the Nomination and Remuneration Committee and the Investment Committee.

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table below gives the attendance record for the meetings held during the reporting year.

	Regular Board Meetings	Nomination and Remuneration Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
John Owen	4/4	1/1	3/3	1/1
Nicholas Bull	4/4	1/1	3/3	1/1
David Causer	4/4	1/1	3/3	1/1
Peter Pleydell-Bouverie	4/4	1/1	3/3	1/1
Elisabeth Scott	4/4	1/1	3/3	1/1
Andrew Wells	4/4	1/1	n/a	n/a

Figures 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.

Corporate Governance Statement

SENIOR INDEPENDENT DIRECTOR

The Board appointed Nicholas Bull as Senior Independent Director on 26 October 2010. The Senior Independent Director fulfils the role as a sounding board for the Chairman and as intermediary for other non-executive Directors where necessary. The Senior Independent Director also chairs the Nomination and Remuneration Committee.

BOARD COMPOSITION

The Board consists of Directors who, between them, have good knowledge and wide experience of business in Asia and of investment companies. The Directors believe that the Board has an appropriate balance of skills, experience, independence, knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company.

Biographical details of all Directors including their relevant directorships are given on page 19.

The Board ensures that it conducts its business at all times with only the interests of the shareholders in mind and independently of any other associations. It meets at least four times a year, with the Portfolio Manager in attendance. The Board also makes an annual visit to China and meets the investment team.

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

BOARD BALANCE

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

CHANGES TO THE BOARD

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act 2006 and the Company's Articles of Association. The Company complies with the requirements of the AIC Code in respect of appointments to the Board. The Nomination and Remuneration Committee is responsible for identifying possible candidates for consideration by the Board. Whilst the independent Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the entire Board. External consultants may also be used to identify potential candidates.

TRAINING

Upon appointment, each Director is provided with all relevant information regarding the Company and receives training on the investment operations and administration functions of the Company, together with a summary of their duties and responsibilities. In addition, a new Director will receive an induction, spending time with representatives of the Managers whereby he or she will become familiar with the various processes which the Managers consider necessary for the performance of his or her duties and responsibilities to the Company. The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company and the Chairman reviews and agrees development and training needs with each Director and the Senior Independent Director does likewise for the Chairman. The 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

As a constituent member of the FTSE 250 Index, the Directors of the Company are subject to annual re-election by the shareholders. The Nomination and Remuneration Committee ("the Committee") recommend to the Board that all Directors should seek re-election for the forthcoming year. As part of its deliberations, the Committee conducts annual evaluations of each Director.

The Committee has a policy of reviewing the tenure of each Director on a three year cycle and has agreed that an independent Director may serve for more than nine years so long as that Director is considered by the Committee to continue to be independent.

The Committee considers that a Chairman will not be considered independent after nine years in that role but may remain a Director thereafter, subject to annual re-election.

The names of Directors submitted for re-election are accompanied by sufficient biographical details on page 19 to enable shareholders to make an informed decision. 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 forthcoming Annual General Meeting.

PERFORMANCE EVALUATION

A formal annual process for the evaluation of the Board, its Committees and its Directors is in place and undertaken at the Board meetings ahead of the Annual General Meetings. The review of the performance of the Chairman is led by the Senior Independent Director on an annual basis.

The performance and contribution to the Company of the Chairman and each Director holding office during the year to 31 March 2015 was considered using an external evaluation agency. It has been concluded that in each case the Chairman and Directors have been effective and that they continue to demonstrate commitment to their roles.

Corporate Governance Statement

DIRECTORS' REMUNERATION

The level of Directors' fees is determined by the Nomination and Remuneration Committee within the limit governed by the Articles of Association. Full details of the Company's Remuneration Policy and Directors' fees are disclosed in the Directors' Remuneration Report on pages 31 and 32. Shareholdings in the Company by Directors are encouraged and the Directors' share interests are disclosed in the Directors' Remuneration Report on page 33.

THE COMPANY SECRETARY

The Company Secretary is a corporate secretary. The appointment of the Company Secretary is a matter for the Board as a whole. The Directors have access to the advice and services of the Company Secretary which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Directors also have the ability to take independent professional advice, if necessary, at the Company's expense. The Company maintains Directors and Officers' liability insurance.

BOARD COMMITTEES

The Board of Directors discharges certain of its corporate governance responsibilities through four Committees as set out below. Terms of reference of the Audit, Nomination and Remuneration and Management Engagement Committees are available on the Company's pages of the Manager's website: www.fidelity.co.uk/its.

THE AUDIT COMMITTEE

The Audit Committee consists of all the independent non-executive Directors, namely David Causer, John Owen, Nicholas Bull, Peter Pleydell-Bouverie and Elisabeth Scott. Mr Causer chairs this Committee as the Board believes it is appropriate for him to do so given his financial background and experience as chairman of an audit committee. Full details of the Company's Audit Committee have been disclosed in the Report of the Audit Committee on pages 29 and 30.

THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee consists of all the Directors, namely Nicholas Bull, John Owen, David Causer, Peter Pleydell-Bouverie, Elisabeth Scott and Andrew Wells. Mr Bull, Senior Independent Director, acts as the Chairman of this Committee as it is considered that he has the requisite experience to do so.

The Committee is charged with nominating new Directors for consideration by the Board of Directors, and subsequent approval by shareholders. It believes that the best way of ensuring that the Board as a whole and each independent Director individually carry out their duties in an independent manner, irrespective of the interests of the Investment Managers, is to ensure that the search for, the interview of and recommendation to the Board of a candidate is entirely controlled by this Committee. The Nomination and Remuneration Committee also considers the election and re-election of Directors.

The Committee also concerns itself with the remuneration of the Directors, considering the Directors' roles and the responsibility and time involved in carrying these duties out effectively. It also makes itself aware of the directors' fees of other investment trust companies and other comparable entities.

The Committee meets on an annual basis and as and when required and makes recommendations to the Board where appropriate.

THE MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee consists of all the independent non-executive Directors, namely John Owen, Nicholas Bull, David Causer, Peter Pleydell-Bouverie and Elisabeth Scott. Mr Owen, Chairman of the Company, also chairs this Committee. The Committee is charged with reviewing and monitoring the performance of the Investment Managers and the Secretary in respect of their contracts and the fees they are paid. This Committee meets at least once a year and reports to the Board, making recommendations where appropriate.

The level of remuneration of the Investment Managers and the Secretary is determined by the Management Engagement Committee. This remuneration relates to the investment management function carried out by the Investment Managers, on which a percentage of the funds under management is paid, including a performance fee when appropriate, and to the administrative function carried out by the Secretary. The Board is mindful that the fees paid to the Investment Managers and to the Secretary should be at a level to ensure that both the Investment Managers and the administrators within the Secretariat who are engaged to look after the Company's affairs are appropriately skilled and that those individuals are fully focused on the Company's business.

The criteria which are taken into consideration in reviewing the performance of the Investment Managers and the Secretary include those set out below:

- Quality of team – the skills and particular experience of the teams involved in managing all aspects of the Company's business;
- Commitment of the Managers to the investment company business generally and to the Company in particular;
- Investment management, portfolio management skills, experience and track record and other investment related considerations;
- Managing and controlling the administration, the accounting and the company secretarial function;
- Shareholder relations – shareholder information and relations, discount and premium management;
- Management agreements – consideration of fees, notice periods and duties; and

Corporate Governance Statement

- Marketing – commitment to and execution of activities designed to secure sustainable demand from potential long-term investors.

Details of the current annual management fee and the performance fee are in the Directors' Report on page 20.

THE INVESTMENT COMMITTEE

The Investment Committee consists of all the Directors and one representative of the Unlisted Investment Manager, with the requisite investment experience who attends on an advisory basis. Peter Pleydell-Bouverie chairs this Committee as the Board believes it appropriate for him to do so given his extensive investment experience.

The Committee considers that collectively the members of the Committee have sufficient recent and relevant investment and financial experience to discharge its responsibilities fully. 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; reviewing all investments including pre-IPO opportunities; and reporting to the Board on a periodic basis.

The Committee meets when appropriate or as the Chairman of the Committee shall require.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

Set out on page 34 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 35 to 37.

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

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 identification, control and evaluation of risk is assessed quarterly and a regular internal controls report is provided by the Managers. The systems of risk management and internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

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

The Board, assisted by the Managers, has undertaken regular risk and controls assessments. The business risks have been analysed and recorded in a risk and internal controls report which is regularly reviewed. The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Managers, including their internal audit function and the work carried out by the Company's independent Auditor, provide sufficient assurance that a sound system of internal controls, which safeguards shareholders' investments and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The Audit Committee has received and reviewed the report on the effectiveness of the internal controls maintained on behalf of the Company and meets the Managers' Internal Audit representative at least three times a year. The Chairman of the Audit Committee has direct access to the Managers' Head of Internal Audit and vice versa. The Board also receives each year from the Managers' a report on their internal controls which includes a report from the Managers' reporting accountants on the control procedures in operation around the investment management and administration processes.

By means of the procedures set out above and in accordance with the FRC's "Internal Control: Revised Guidance for Directors", the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and have reviewed the effectiveness of the risk management and internal control systems throughout the year ended 31 March 2015. This process continued to be in place up to the date of the approval of these Financial Statements and is expected to remain in place for the coming year.

WHISTLE-BLOWING PROCEDURE

Part of the Managers' role in ensuring the provision of a good service pursuant to the Management Agreements include the ability for employees of FIL to raise concerns through a workplace concerns escalation policy (or "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.

Corporate Governance Statement

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 Investment Managers' 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.

RESPONSIBILITY AS AN INSTITUTIONAL SHAREHOLDER

The Board has adopted the Managers' Principles of Ownership in relation to investments. These Principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. The Managers, in their Principles of Ownership, expressly declare that they support the Financial Reporting Council's Stewardship Code setting out the responsibilities of institutional shareholders and agents. Further details of the Manager's Principles of Ownership and voting may be found at www.fidelity.co.uk.

RELATIONS WITH SHAREHOLDERS

The Chairman is responsible for ensuring that all Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and other Directors are available to meet with major shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and liaises with the Managers and the Company's broker to canvass shareholder opinion and communicate its views to shareholders. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. It believes that the Company's institutional shareholders have proper access to the Managers at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on page 72.

All shareholders are encouraged to attend the Annual General Meeting at which there will be a presentation of the year's results by Dale Nicholls, the Portfolio Manager. There will be an opportunity to meet the Portfolio Manager, representatives of the Managers and the Board. The Board is looking forward to having the opportunity to speak to shareholders.

Except where a poll is called, all resolutions at the Annual General Meeting are dealt with on a show of hands. The proxy voting results are counted and made available to the Meeting and are disclosed in the Company's page of the Manager's website: www.fidelity.co.uk/its.

The Notice of Meeting on pages 62 and 63 sets out the business of the Annual General Meeting. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Chairman and the other members of the Board will be available to answer questions at the Annual General Meeting. The Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the Meeting.

THE COMPANY'S ARTICLES OF ASSOCIATION

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

On behalf of the Board

John Owen
Chairman
11 June 2015

Report of the Audit Committee

As Chairman of the Audit Committee ("Committee"), I am pleased to present the formal report of the Committee to shareholders on the role and responsibilities and the effectiveness of the external audit process and how this has been assessed for the year ended 31 March 2015.

COMPOSITION

The Committee is chaired by me and consists of all of the independent Directors, namely John Owen, Nicholas Bull, Peter Pleydell-Bouverie and Elisabeth Scott. Mr Owen is a member of the Committee because the Board believes it to be appropriate for all independent Directors to have such responsibility. The Committee considers that collectively its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

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 (www.fidelity.co.uk/its). These duties include:

- Discussing with the Company's independent Auditor the nature and scope of the audit and reviewing the independent Auditor's quality control procedures, reviewing and monitoring the effectiveness of the audit process and the Auditor's independence and objectivity with particular regard to the provision of non-audit services, taking into consideration relevant UK professional and regulatory requirements and by seeking appropriate disclosures and comfort from the Auditor;
- Reviewing the provision of any non-audit services which is subject to prior Board approval. No work other than audit was carried out by the Company's independent Auditor during the year;
- Responsibility for making recommendations on the appointment, reappointment and removal of the Company's independent Auditor;
- Considering the scope of work undertaken by the Managers internal audit department; reviewing the Company's procedures for detecting fraud; and reviewing the effectiveness of the internal control systems (including financial, operational and compliance controls and risk management);
- Monitoring the integrity of the financial statements of the Company and reviewing the interim and annual financial statements of the Company prior to their submission to the Board for approval to ensure they are fair, balanced and understandable;
- Reviewing corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Sections 1158 and 1159 of the Corporation Tax Act 2010 status); and
- Reviewing the relationship with and the performance of third party service providers (such as the registrar, custodian and depositary) and the risks associated with audit firms withdrawing from the market which is considered in the Committee's risk evaluation and planning.

MEETINGS AND BUSINESS

The Committee, which consists of all the independent Directors, met three times during the reporting year and the Company's independent Auditor attended two of these meetings. Attendance by each independent Director is shown in the table on page 24.

The following matters were dealt with at these meetings:

June 2014	• Review of the Company's risk management and internal controls framework • Review of leverage rules applying to the Alternative Investment Fund Manager • Review of the performance fee calculations • Consideration of the Auditor's findings • Review of the Auditor's performance and independence • Review of the Annual Report and Financial Statements and recommendation of its approval to the Board • Recommendation of the final dividend payment to the Board • Review of the reappointment of the Company's independent Auditor • Review of the Committee's Terms of Reference
November 2014	• Review of the Company's risk management and internal controls framework • Review of the Company's compliance with its investment policy limits • Review of the performance fee calculations • Review of the Interim Financial Report and recommendation of its approval to the Board
February 2015	• Review of the Company's risk management and internal controls framework • Review of the Company's compliance with its investment policy limits • Review of the fair value process of investments • Review of compliance with Corporate Governance and regulatory requirements • Review of the independent Auditor's engagement letter and audit plan for the Company's year ending 31 March 2015 • Review of the Depositary's Report

Report of the Audit Committee

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 34. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement.

In respect of these Financial Statements, the Committee considered certain significant issues and how they were addressed.

Recognition of Investment Income	The recognition of investment income is undertaken in accordance with accounting policy Note 2(d) on page 42. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager, to satisfy itself that adequate systems were in place for properly recording the Company's investment income in accordance with the accounting standard. Investment income was also tested and reported on by the Company's independent Auditor.
Valuation, existence and ownership of investments (including derivatives)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(j) and 2(k) on pages 43 and 44. The Committee takes comfort from the regular oversight reports received from the Company's Depositary that investment related activities are conducted in accordance with the Company's investment philosophy. In addition, it also gains assurance from its review of the internal audit and compliance monitoring reports received from the Manager. Further, the Committee notes that the independent Auditor has verified the valuation of investments and derivatives by reference to independent sources and has also confirmed the existence and ownership of the investments with the Company's independent Custodian and that of the derivatives with the Company's counterparties.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Approval for the Company to carry on business as an investment trust has been obtained, subject to the Company continuing to meet eligibility criteria. The ongoing compliance with the eligibility criteria is monitored on a regular basis with the help and guidance of the Company's service providers or advisers.
Performance fee calculation	The independent audit includes a review of the Company's performance fee to ensure that this is calculated in accordance with the terms of the Management Agreements. The Managers report to the Board on any performance fee accruals that have been included in the Company's NAV on a regular basis and provide confirmation that it has been calculated in accordance with the underlying agreements. The Committee gets comfort that the Company's performance fee has been calculated in accordance with the terms of the Management Agreements from the work carried out by the independent Auditor.
Principal Risks and Uncertainties	The Audit Committee reviews the principal risks and uncertainties facing the Company and evaluates them according to the likelihood of the risk occurring and the impact the risk may have on the Company. Further details can be found on pages 10 and 11.

APPOINTMENT OF THE INDEPENDENT AUDITOR

Grant Thornton UK LLP has acted as the Company's independent Auditor since the launch of the Company. The Committee reviewed the independence of the Auditor and the effectiveness of the audit process prior to recommending their reappointment to the Board and prior to the Board's proposal to reappoint Grant Thornton at the forthcoming Annual General Meeting.

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

- the personnel in the audit plan for the year;
- the Auditor's arrangements for any conflicts of interest;
- the extent of any non-audit services; and
- the statement by the Auditor that they remain independent within the meaning of the regulations and their professional standards.

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

- the fulfilment by the independent Auditor of the agreed audit plan;
- the audit findings report issued by the independent Auditor on the audit of the Annual Report and Financial Statements for the year ending 31 March 2015; and
- feedback from the Managers.

The current audit firm has acted as the Company's independent Auditor since the launch of the Company. During this time, a review of alternative audit services has not taken place. The independent Auditor's continued appointment is reviewed each year. The Company's Audit Partner cannot act for more than 5 years and therefore, the incumbent Audit Partner, Marcus Swales, will be replaced by a new Audit Partner for the year ending 31 March 2016. There are no contractual obligations that restrict the Committee's choice of independent Auditor.

David Causer
Chairman of the Audit Committee
11 June 2015

Directors' Remuneration Report

CHAIRMAN'S STATEMENT

The Directors' Remuneration Report for the year ended 31 March 2015 has been prepared in accordance with Section 421 of the Companies Act 2006, the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 and the Enterprise & Regulatory Reform Act 2013. An ordinary resolution to approve the Directors' Remuneration Report will be put to shareholders for their consideration at the Annual General Meeting to be held on 22 July 2015. The Company's independent 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 independent Auditor's opinion is included in its report on pages 35 to 37.

The level of Directors' fees is determined by the Nomination and Remuneration Committee within the limit set out in the Articles of Association. As the Board is comprised entirely of non-executive Directors and has no employees, many parts of the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013, in particular those relating to Chief Executive Officer pay and employee pay, do not apply and are therefore not disclosed in this report.

DIRECTORS' FEE REVIEW

During the year ended 31 March 2015, the Board's fees were paid at the following rates: Chairman: £40,000; Senior Independent Director: £30,000; Chairman of the Audit Committee: £30,000; Chairman of the Investment Committee: £30,000 and Directors: £25,000. The level of fees paid to the Directors was last reviewed on 3 June 2014 and has remained unchanged since the launch of the Company. The review was based on information provided by the Company's Managers, research from third parties which included reference to the fees of other similar investment trusts. An external evaluator, who has no connections with the Company, also provides advice to the Board when required. Levels of remuneration are 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 Annual General Meeting. 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 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, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, or long-term incentive schemes or other taxable benefits. No other payments are made to Directors other than reasonable out-of-pocket expenses which have been incurred as a result of attending to the affairs of the Company. 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 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 Managers and research from third parties and it includes information on the fees of other similar investment companies. Every third year, in accordance with Code B.6.2 of the UK Corporate Governance Code, as a FTSE 350 company, the Board is required to carry out an externally facilitated evaluation of its performance. This evaluation process also provides 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 Annual General Meetings and can be obtained from the Company's registered office.

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

The opinion of shareholders has not been sought in preparing the Remuneration Policy and no communication has been received from shareholders with regard to the Company's Remuneration Policy or Directors' fees.

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

REPORT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY

This refers to the way in which the Remuneration Policy has been implemented during the year ended 31 March 2015. The above Remuneration Policy has been followed throughout the year under review and was formalised for the first time at the Company's Annual General Meeting held on 18 July 2014 and was effective from that date. The next vote will be put to shareholders in 2017. The Directors' Remuneration Report will be

Directors' Remuneration Report

put to shareholders by way of an ordinary resolution at each Annual General Meeting. This is a non-binding 'advisory' resolution. In the event that shareholders vote against the resolution, the Board will be required to put its Remuneration Policy for shareholder approval at the next Annual General Meeting, regardless of whether the Remuneration Policy was approved by shareholders within the last three years.

Voting at the Company's last Annual General Meeting

At the Annual General Meeting held on 18 July 2014, 98.94% of votes were cast in favour (or granted discretion to the Chairman of the meeting who cast them in favour) of the Directors' Remuneration Report for the year ended 31 March 2014, 0.64% of votes were cast against and 0.42% of votes were withheld. At the same time, the Company's Remuneration Policy was approved by shareholders, with 98.87% of the votes cast in favour, 0.73% votes against and 0.40% votes withheld. At the Annual General Meeting to be held on 22 July 2015, the Directors' Remuneration Report will be put to shareholders and the votes cast at that meeting with regard to the resolution will be released to the market via a regulatory news service provider and disclosed in the Directors' Remuneration Report for the year to 31 March 2015 and on the Company's website.

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £156,457 (2014: £157,487). Information on individual Directors' fees is shown below.

REMUNERATION OF DIRECTORS	2016 Projected Total (£)	2015 Fees (Audited) (£)	2015 Taxable Benefits (Audited) (£)	2015 Total (Audited) (£)	2014 Fees (Audited) (£)	2014 Taxable Benefits (Audited) (£)	2014 Total (Audited) (£)
John Owen	40,000	40,000	–	40,000	40,000	–	40,000
Nicholas Bull	30,000	30,000	–	30,000	30,000	–	30,000
David Causer	30,000	30,000	–	30,000	30,000	–	30,000
Peter Pleydell-Bouverie	30,000	30,000	1,457	31,457	30,000	1,553	31,553
Elisabeth Scott	25,000	25,000	–	25,000	25,000	934	25,934
Andrew Wells[1]	–	–	–	–	–	–	–
Total	**155,000**	**155,000**	**1,457**	**156,457**	**155,000**	**2,487**	**157,487**

[1] Waives his Directors' fees

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 distribution to shareholders for the financial years 31 March 2014 and 31 March 2015.

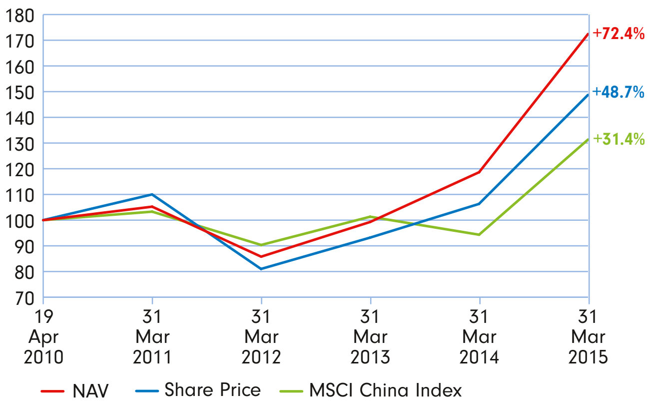
	31 March 2015 £	31 March 2014 £
Expenditure on Remuneration:		
Aggregate of Directors' Fees	156,457	157,487
Distribution to Shareholders:		
Dividend payments	6,571,000	6,233,000
Shares repurchased	121,000	78,323,000

Performance

The Company's investment objective is to achieve long-term capital growth from an actively managed portfolio made up primarily of securities issued by companies listed in China or Hong Kong and Chinese companies listed elsewhere.

The Company's performance is 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 since launch to 31 March 2015.

Performance from 19 April 2010 to 31 March 2015 (on a total return basis)



Basis: Prices rebased to 100
Source: Datastream
Past performance is not a guide to future returns

Directors' Remuneration Report

Directors' Interest in Ordinary Shares

Whilst there is no requirement for the Directors to hold shares in the Company, shareholdings by Directors are encouraged. The Directors' holdings in the Ordinary Shares of the Company are shown below. All of the Directors' shareholdings are beneficial.

Directors' Shareholdings (Audited)

	31 March 2015	31 March 2014	Change during year
John Owen	54,658	53,501	1,157[1]
Nicholas Bull	65,804	65,804	–
David Causer	65,804	65,804	–
Peter Pleydell-Bouverie	59,224	59,224	–
Elisabeth Scott	12,319	12,319	–
Andrew Wells	nil	nil	–

[1] Shares acquired through dividend re-investment

The Directors' shareholdings remain unchanged at the date of this report.

On behalf of the Board

John Owen
Chairman
11 June 2015

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 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;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business; and
- confirm that the Financial Statements are fair, balanced and understandable.

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 responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website www.fidelity.co.uk/its to the Managers. 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 jurisdictions.

We confirm that to the best of our knowledge the Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the Strategic Report and Directors' Report include 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. We confirm that we 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.

Approved by the Board on 11 June 2015 and signed on its behalf.

John Owen
Chairman

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

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;

- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

WHO WE ARE REPORTING TO

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.

WHAT WE HAVE AUDITED

Fidelity China Special Situations PLC's Financial Statements comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related Notes to the Financial Statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

OUR ASSESSMENT OF RISK

In arriving at our opinions set out in this report, we highlight the following risks that are, in our judgement, likely to be most important to users' understanding of our audit.

Ownership and valuation of investments

The risk: The Company's business is investing principally in securities issued by companies listed in China or Hong Kong and Chinese companies listed elsewhere, with a view to achieving long-term capital growth. As a consequence of this, the Company has significant exposure to investments comprising of quoted investments and unquoted equity linked notes, which are the main drivers of returns, with the investment portfolio valued at £1.0 billion. There is a risk that investments shown in the Balance Sheet may not be owned by the Company or are incorrectly valued. We identified ownership and valuation of investments as risks that required particular audit attention.

Our response on ownership: In order to confirm that the investments referred to above were owned by the Company our audit work included, but was not restricted to, understanding management's process to safeguard assets; obtaining a controls report prepared by a third party auditor on the description, design and operating effectiveness of controls at the independent Custodian for the sole purpose of our risk assessment procedures; obtaining a confirmation from the independent Custodian of the investments they were holding at the year end; checking a sample of purchase and sale transactions back to contract notes and the Company's bank account; and testing the reconciliation of the independent Custodian's statement to the records maintained by the Company's administrator.

Our response on valuation: Our audit work on valuation included, but was not restricted to, obtaining a controls report prepared by a third party auditor on the description, design and operating effectiveness of controls implemented by the investment management operations of the Manager for the sole purpose of our risk assessment procedures; understanding management's process to value quoted investments and the unquoted equity linked notes; agreeing the valuation of 100% of the quoted investments and 100% of the prices of the underlying quoted investments used to value the unquoted equity linked notes to an independent source of market prices; and in order to confirm investments were actively traded we obtained trading volumes of quoted investments held directly and those quoted investments underlying the unquoted equity linked notes at the year end.

The Company's accounting policy on the valuation of quoted investments is shown in Note 2 and its disclosures about investment movements are included in Note 10. The Audit Committee also identified the valuation, existence and ownership of investments as a significant issue in its report on page 30, where the Committee also describes how it addressed this issue.

Existence, completeness and valuation of long and short contracts for differences (CFDs or derivatives) and related disclosures

The risk: As a consequence of the Company's investment strategy the company has a significant exposure to both long and short CFDs, having a market exposure of £160 million. There is a risk that CFDs owned by the Company may not be recorded, those that are may not exist or may not be correctly valued and the exposure may not be properly disclosed. We therefore identified existence, completeness and valuation of long and short CFDs as risks that required particular audit attention.

Our response: Our audit work included, but was not restricted to, understanding management's process for approving counterparties to enter into derivative contracts; obtaining confirmations from approved counterparties of all CFDs entered into during the year and open at the year end; testing the valuation of 100% of the CFDs by agreeing the contract price to the counterparty's confirmation and the year end market price to an independent source of market prices; checking that the market exposures had been correctly calculated; checking a sample of purchase and sale transactions back to contract notes and the Company's bank account; and checking that the required disclosures relating to the CFDs had been given in the Financial Statements.

The Company's accounting policy on the valuation of CFDs is shown in Note 2 and its disclosures about derivative movements

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

are included in Note 11. The Audit Committee also identified the valuation, existence and ownership of investments (including derivatives) as a significant issue in its report on page 30, where the Committee also describes how it addressed this issue.

Completeness and occurrence of investment income
The risk: The Company measures performance on a total return basis and investment income is one of the significant components of this performance measure in the Income Statement. We identified completeness and occurrence of investment income as risks that required particular audit attention.

Our response: Our audit work included, but was not restricted to, assessing whether the Company's accounting policy for revenue recognition was in accordance with International Accounting Standard (IAS) 18 'Revenue'; obtaining an understanding of the Company's process for recognising revenue in accordance with the stated accounting policy; testing whether a sample of income transactions were recognised in accordance with the policy; for a sample of investments held in the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the Financial Statements; performing cut-off testing of dividend income around the year end; and checking the categorisation of special dividends as either revenue or capital receipts was appropriate.

The Company's accounting policy on the recognition of investment income is shown in Note 2 and the components of that income are included in Note 3. The Audit Committee also identified the recognition of investment income as a significant issue in its report on page 30, where the Committee also describes how it addressed this issue.

Calculation of the investment management and performance fees
The risk: The Company receives from the Manager, management, accounting, administrative and secretarial services pursuant to revised Management Agreements dated 17 July 2014. These agreements provide for the payment of an investment management fee and a performance fee provided certain specified conditions have been met. We identified a risk of calculation error in both the investment management fee and the erformance fee and as being a risk requiring particular audit attention.

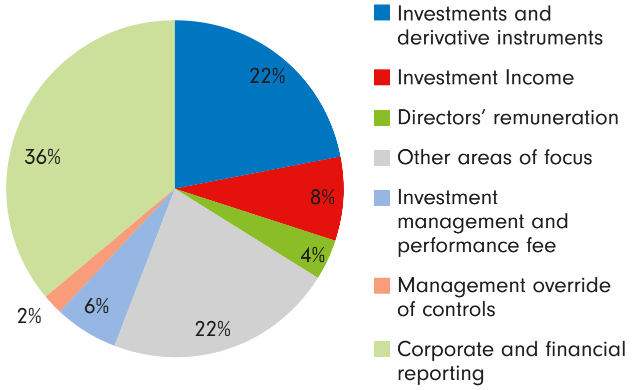
Our response: In order to assess the accuracy of the investment management fee and the performance fee, we recalculated the expected management and performance fees based on the terms of the revised Management Agreements and compared this to the amounts recognised in the Income Statement.

The Company's disclosure of the investment management and performance fees is shown in Note 4. The Audit Committee also identified the performance fee calculation as a significant issue in its report on page 30, where the Committee also describes how it addressed this issue.

ALLOCATION OF AUDIT TESTING TIME

The chart below identifies the allocation of time in our audit testing of the main parts of the Financial Statements.

Where we focused our audit effort



OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality
We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We determined materiality for the audit of the Financial Statements as a whole to be £9.44 million, which is 1% of the Company's Net Assets. This benchmark is considered most appropriate because Net Assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality. We also determine a lower level of specific materiality for the revenue column of the Income Statement and for certain other items such as the investment management and performance fees, Directors' remuneration and related party transactions.

We determined a threshold at which we communicate misstatements to the Audit Committee of £0.47 million for the Financial Statements as a whole, while also communicating misstatements below that threshold that warrant reporting on qualitative grounds.

Overview of the scope of our audit
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the Financial Statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Company's business and is risk-based.

The day-to-day management of the Company's investment portfolio, the maintenance of accounting records, custody of investments and administrative and company secretarial services are outsourced to third-party service providers. Accordingly, our audit work included obtaining an understanding of, and evaluating, relevant internal controls at both the Company and third-party service providers. This included obtaining and reading internal controls reports prepared by the Manager's internal audit function and those from third party auditors in respect of the independent Custodian and the investment management operations provided by the Manager. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and the design and implementation of controls and the management of specific risks.

OTHER REPORTING REQUIRED BY REGULATIONS

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified.

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

- the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or

- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or

- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable; or

- the Annual Report does not appropriately disclose those matters that were communicated to the Audit Committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' Statement, set out on page 23, in relation to going concern; and

- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

What an audit of Financial Statements involves:

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

What the Directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
11 June 2015

Income Statement for the year ended 31 March 2015

	Notes	Year ended 31 March 2015 revenue £'000	capital £'000	total £'000	Year ended 31 March 2014 (as restated)* revenue £'000	capital £'000	total £'000
Revenue							
Investment income	3	14,613	–	14,613	13,938	–	13,938
Derivative income	3	796	–	796	745	–	745
Other income	3	29	–	29	5	–	5
Total income		15,438	–	15,438	14,688	–	14,688
Gains on investments designated at fair value through profit or loss	10	–	273,943	273,943	–	99,249	99,249
Gains on derivative instruments held at fair value through profit or loss	11	–	32,136	32,136	–	2,619	2,619
Foreign exchange gains/(losses) on other net assets		14	2,102	2,116	(111)	(696)	(807)
Foreign exchange (losses)/gains on bank loans		–	(11,051)	(11,051)	–	8,776	8,776
Total income and gains		15,452	297,130	312,582	14,577	109,948	124,525
Expenses							
Investment management and performance fees	4	(4,047)	(8,791)	(12,838)	(3,846)	(10,262)	(14,108)
Other expenses	5	(1,763)	–	(1,763)	(1,635)	–	(1,635)
Profit before finance costs and taxation		9,642	288,339	297,981	9,096	99,686	108,782
Finance costs	6	(1,064)	(1,064)	(2,128)	(1,564)	(794)	(2,358)
Profit before taxation		8,578	287,275	295,853	7,532	98,892	106,424
Taxation	7	(515)	(663)	(1,178)	(358)	409	51
Net profit after taxation for the year		8,063	286,612	294,675	7,174	99,301	106,475
Earnings per Ordinary Share	8	1.41p	50.17p	51.58p	1.18p	16.39p	17.57p

* Restated following a change of accounting policy as disclosed in Note 2(b) below.

The Company does not have any income or expense that is not included in the net profit for the year. Accordingly the "Net profit 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 of the profit and total comprehensive income is attributable to the equity shareholders of the Company. There are no minority interests.

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

The Notes on pages 42 to 61 form an integral part of these Financial Statements.

Statement of Changes in Equity for the year ended 31 March 2015

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Equity shareholders' funds at 31 March 2013		6,532	211,569	95	444,693	(39,170)	10,514	634,233
Repurchase of Ordinary Shares	15	(819)	–	819	(78,323)	–	–	(78,323)
Net profit after taxation for the year		–	–	–	–	99,301	7,174	106,475
Dividend paid	9	–	–	–	–	–	(6,233)	(6,233)
Equity shareholders' funds at 31 March 2014		5,713	211,569	914	366,370	60,131	11,455	656,152
Repurchase of Ordinary Shares	15	–	–	–	(121)	–	–	(121)
Net profit after taxation for the year		–	–	–	–	286,612	8,063	294,675
Dividend paid	9	–	–	–	–	–	(6,571)	(6,571)
Equity shareholders' funds at 31 March 2015		5,713	211,569	914	366,249	346,743	12,947	944,135

The Notes on pages 42 to 61 form an integral part of these Financial Statements.

Balance Sheet as at 31 March 2015

Company number 7133583

	Notes	2015 £'000	2014 £'000
Non current assets			
Investments designated at fair value through profit or loss	10	1,001,043	735,319
Current assets			
Derivative assets held at fair value through profit or loss	11	43,907	11,810
Amounts held at futures clearing houses and brokers		1,383	–
Other receivables	12	3,388	183
Cash and cash equivalents		14,932	16,662
		63,610	28,655
Current liabilities			
Derivative liabilities held at fair value through profit or loss	11	(2,134)	(7,064)
Bank loans	13	(101,014)	(89,963)
Overseas capital gains tax payable		(1,300)	(637)
Other payables	14	(16,070)	(10,158)
		(120,518)	(107,822)
Net current liabilities		(56,908)	(79,167)
Net assets		944,135	656,152
Equity attributable to equity shareholders			
Share capital	15	5,713	5,713
Share premium account	16	211,569	211,569
Capital redemption reserve	16	914	914
Other reserve	16	366,249	366,370
Capital reserve	16	346,743	60,131
Revenue reserve	16	12,947	11,455
Total equity shareholders' funds		944,135	656,152
Net asset value per Ordinary Share	17	165.27p	114.84p

The Financial Statements on pages 38 to 61 were approved by the Board of Directors and authorised for issue on 11 June 2015 and were signed on its behalf by:

John Owen
Chairman

The Notes on pages 42 to 61 form an integral part of these Financial Statements.

Cash Flow Statement for the year ended 31 March 2015

	2015 £'000	2014 (as restated)* £'000
Operating activities		
Cash inflow from investment income	13,466	12,902
Cash inflow from derivative income	796	841
Cash inflow from other income	29	5
Cash outflow from Directors' fees	(155)	(158)
Cash outflow from other payments	(15,620)	(9,552)
Cash outflow from the purchase of investments	(565,796)	(390,418)
Cash outflow from the purchase of derivatives	(3,261)	(8,226)
Cash inflow from the sale of investments	579,499	465,349
Cash (outflow)/inflow from the sale of derivatives	(1,630)	11,581
Cash (outflow)/inflow from amounts held at futures clearing houses and brokers	(1,383)	4,306
Net cash inflow from operating activities before servicing of finance	5,945	86,630
Servicing of finance		
Cash outflow from loan interest paid	(1,376)	(1,600)
Cash outflow from CFD interest paid	(546)	(325)
Cash outflow from short CFD dividends paid	(178)	(442)
Cash outflow from servicing of finance	(2,100)	(2,367)
Net cash inflow from operating activities and servicing of finance	3,845	84,263
Financing activities		
Cash outflow from the repurchase of Ordinary Shares	(1,106)	(79,183)
Cash outflow from dividends paid to shareholders	(6,571)	(6,233)
Cash outflow from financing activities	(7,677)	(85,416)
Decrease in cash and cash equivalents	(3,832)	(1,153)
Cash and cash equivalents at the start of the year	16,662	18,511
Effect of foreign exchange movements	2,102	(696)
Cash and cash equivalents at the end of the year	14,932	16,662

* Restated following a change of accounting policy as disclosed in Note 2(b) below.

The Notes on pages 42 to 61 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment trust company within the meaning of Section 1159 of the Corporation Tax Act 2010.

2 ACCOUNTING POLICIES

The Company's Annual 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 Act 2006 applicable to companies reporting under IFRS, IFRC interpretations and with the AIC's Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP"), issued January 2009. The accounting policies adopted in the preparation of these Financial Statements are summarised below.

All of the Company's activities are inter-related and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment and therefore segmental information is not required.

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, and on the assumption that approval as an investment trust will continue to be granted.

b) Change of accounting policy for disclosure of CFD costs – There has been a change of accounting policy to improve the disclosure of the commercial substance of the following costs. Interest paid on CFDs of £564,000 and dividends paid on short CFDs of £178,000 are categorised as 'Finance costs' in the Income Statement rather than as a deduction from 'Derivative income', as was the case last year. These costs were incurred on CFDs which are a component of gearing and the substance of these costs is that of an interest expense. The effect of this change of accounting policy on the corresponding figures for the year ended 31 March 2014 is to increase finance costs by £770,000 and to increase derivative income by the same amount. There is no effect on the net profit after taxation, the net assets of the Company or the decrease in cash and cash equivalents in either year. There is no effect on the Balance Sheet at 31 March 2013 and the Company is not required to present a third Balance Sheet at that date.

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

- IFRS 9 Financial Instruments (revised)
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers

It is anticipated that the adoption of these Standards in future periods will have no material financial effect on the financial statements of the Company.

c) Presentation of the Income Statement – In order to better reflect 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 net profit after taxation 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.

d) Income – Income from equity investments 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.

Where appropriate certain derivatives, such as contracts for difference ("CFDs"), are used. Income derived from these is included in "Derivative income" in the revenue column of the Income Statement.

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

Notes to the Financial Statements

2 ACCOUNTING POLICIES continued

f) Expenses – Expenses are accounted for on an accruals basis and are charged as follows:

- Any performance fee, if due, is allocated entirely to capital, as the Board believe it reflects the capital performance of the Company's investments;
- The investment management fee is allocated equally between revenue and capital; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

g) Finance costs – Finance costs comprise interest and fees on bank loans and interest paid on CFDs, which are accounted for on an accruals basis using the effective interest method, 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 equally between revenue and capital.

h) Taxation – The taxation expense represents the sum of taxation currently payable 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 it further excludes items that are never taxable or deductible. The Company's liability for current taxation is calculated using taxation rates that have been enacted or substantively 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. Companies which are approved as Investment Trusts under Section 1158 of the Corporation Tax Act 2010 are not liable for UK taxation on capital gains.

i) Foreign currency – The Directors, having regard to the Company's share capital and the predominant currency in which its investors operate, have determined the functional currency to be UK sterling. Transactions denominated in foreign currencies are calculated in UK sterling at the rate of exchange ruling as at the date of the transactions. Assets and liabilities 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.

j) Valuation of 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. Investments are designated by the Company as "at fair value through profit or loss", which is initially taken to be their cost, and is subsequently measured as bid or last 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, based on recognised valuation techniques which may take account of the most recent arm's length transactions in the investment. Valuation reports are provided to the Board by the Fair Value Committee of the Managers, which is independent of the Portfolio Management Team.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments within "Gains on investments designated at fair value through profit or loss" in the capital column of the Income Statement and has disclosed them in note 10 below.

Notes to the Financial Statements

2 ACCOUNTING POLICIES continued

k) 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. They are held at fair value through profit or loss and are valued at "fair value", which is measured 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(j) above; and

- Futures and options – the quoted trade price for the contract.

Where such transactions are used to protect or enhance income, if the circumstances support this, then the income derived from them 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 from them are included in "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 in the Balance Sheet at their fair value within "Current assets" and "Current liabilities".

Premiums received on written options are taken to capital and are included in "Gains on derivative instruments held at fair value through profit or loss" in the capital column of the Income Statement.

During the year the Company has obtained equivalent exposure to Chinese and Hong Kong equities through the use of CFDs. The gearing level is monitored and reviewed by the Board on an ongoing basis. All gains and losses in the fair value of the CFDs are included in "Gains on derivative instruments held at fair value through profit or loss" in the capital column of the Income Statement. Dividends received on the long CFDs are included in "Derivative income" in the revenue column of the Income Statement. Interest paid on CFDs and dividends paid on short CFDs are included in "Finance costs" and are allocated equally between revenue and capital.

l) 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.

m) Capital reserve – The following are transferred to capital reserve:

- Gains and losses on the disposal of investments, including derivatives;

- Changes in the fair value of investments, including derivatives, held at the year end;

- Foreign exchange gains and losses of a capital nature;

- Performance fee;

- 50% of the investment management fee;

- 50% 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: "Distributable Profits", 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 with a fair value of £160,000 (2014: £33,245,000).

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

Notes to the Financial Statements

	Year ended 31.03.15 £'000	Year ended 31.03.14 (as restated)* £'000
3 INCOME		
Investment income		
Overseas dividends	14,548	12,946
Overseas scrip dividends	65	686
UK dividends	–	127
UK scrip dividends	–	179
	14,613	13,938
Derivative income		
Dividends received on long CFDs	796	745
Other income		
Deposit interest	29	5
Total income	15,438	14,688

* Restated following a change of accounting policy as disclosed in Note 2(b) above.

	Year ended 31 March 2015			Year ended 31 March 2014		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
4 INVESTMENT MANAGEMENT FEE						
Investment management fee	4,047	4,047	8,094	3,846	3,846	7,692
Performance fee	–	4,744	4,744	–	6,416	6,416
	4,047	8,791	12,838	3,846	10,262	14,108

FIL Investment Services (UK) Limited (a Fidelity group company) is the Company's Alternative Investment Fund Manager and has delegated investment management to FIL Investment Management (Hong Kong) Limited and FIL Investments International ("The Managers"). The Managers provided investment management services for an annual fee of 1.0% (2014: 1.2%) of the NAV. Fees are payable quarterly in arrears and are calculated on the last business day of March, June, September and December.

In addition, the Managers are entitled to an annual performance fee of 15.0% of any change in the NAV per Ordinary Share attributable to performance which is more than 2% above the return on the MSCI China Index, subject to a maximum performance fee payable in any year equal to 1.0% of the arithmetic mean of the NAV calculated at the end of each month during the year. Any out-performance above this cap is lost. If the Company's performance is less than 2% above the return on the MSCI China Index in any year, the under-performance must be made good before any further performance fee becomes payable. Both the NAV per Ordinary Share and the MSCI China Index are calculated on a total return basis.

Notes to the Financial Statements

	Year ended 31.03.15 £'000	Year ended 31.03.14 £'000
5 OTHER EXPENSES		
AIC fees	21	24
Custody fees	351	285
Depositary fees	51	–
Directors' expenses	54	62
Directors' fees[1]	156	157
Legal and professional fees	92	78
Marketing expenses	174	180
Printing and publication expenses	114	126
Registrars' fees	73	57
Secretarial and administration fees	600	600
Other expenses	47	39
Fees payable to the independent Auditor for the audit of the Financial Statements[2]	30	27
	1,763	1,635

[1] Details of the breakdown of Directors' fees are provided within the Directors' Remuneration Report on page 32. The 2014 amount is higher than was reported last year as £2,487 of taxable expenses have been transferred to Directors' fees from Directors' expenses.

[2] The 2015 amount includes £3,000 of fees relating to the audit of the 2014 Financial Statements.

	Year ended 31 March 2015			Year ended 31 March 2014 (as restated)*		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
6 FINANCE COSTS						
Interest and fees on bank loans	693	693	1,386	794	794	1,588
Interest paid on CFDs	282	282	564	328	–	328
Dividends paid on short CFDs	89	89	178	442	–	442
	1,064	1,064	2,128	1,564	794	2,358

* Restated following a change of accounting policy as disclosed in Note 2(b) above.

Notes to the Financial Statements

	Year ended 31 March 2015 revenue £'000	capital £'000	total £'000	Year ended 31 March 2014 revenue £'000	capital £'000	total £'000
7 TAXATION						
a) Analysis of the taxation charge/(credit) for the year						
Overseas taxation charge	515	–	515	358	–	358
Overseas capital gains tax charge/(credit)	–	663	663	–	(409)	(409)
Total current taxation charge/(credit) for the year (see Note 7b)	515	663	1,178	358	(409)	(51)

b) Factors affecting the taxation charge/(credit) in the year

The taxation charge/(credit) for the year is lower than the standard rate of UK corporation tax for an investment trust company of 21% (2014: 23%). A reconciliation of the standard rate of UK corporation tax to the taxation charge/(credit) for the year is shown below:

	Year ended 31 March 2015 revenue £'000	capital £'000	total £'000	Year ended 31 March 2014 revenue £'000	capital £'000	total £'000
Profit before taxation	8,578	287,275	295,853	7,532	98,892	106,424
Profit before taxation multiplied by the standard rate of UK corporation tax of 21% (2014: 23%)	1,801	60,328	62,129	1,732	22,745	24,477
Effects of:						
Gains on investments not taxable[1]	–	(62,397)	(62,397)	–	(25,288)	(25,288)
Income not taxable	(2,999)	–	(2,999)	(3,071)	–	(3,071)
Excess expenses	1,204	2,069	3,273	1,352	2,543	3,895
Overseas taxation expensed	(6)	–	(6)	(13)	–	(13)
Overseas taxation	515	–	515	358	–	358
Overseas capital gains tax	–	663	663	–	(409)	(409)
Current taxation charge/(credit) (Note 7a)	515	663	1,178	358	(409)	(51)

[1] The Company is exempt from UK taxation 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 £12,475,000 (2014: £9,826,000), in respect of excess management expenses of £59,328,000 (2014: £44,747,000) and excess loan interest of £3,049,000 (2014: £2,044,000) at 31 March 2015, has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

Notes to the Financial Statements

	Year ended 31 March 2015 revenue	capital	total	Year ended 31 March 2014 revenue	capital	total
8 EARNINGS PER ORDINARY SHARE						
Earnings per Ordinary Share – basic and diluted	1.41p	50.17p	51.58p	1.18p	16.39p	17.57p

Earnings per Ordinary Share are based on the revenue net profit after taxation for the year of £8,063,000 (2014: £7,174,000), the capital net profit after taxation for the year of £286,612,000 (2014: £99,301,000) and the total net profit after taxation for the year of £294,675,000 (2014: £106,475,000) and on 571,313,658 (2014: 605,705,576) Ordinary Shares being the weighted average number of Ordinary Shares held outside Treasury in issue during the year. Basic and diluted earnings per share are the same as the Company has no dilutive financial instruments.

	Year ended 31.03.15 £'000	Year ended 31.03.14 £'000
9 DIVIDENDS		
Dividend paid		
Dividend paid of 1.15 pence per Ordinary Share for the year ended 31 March 2014	6,571	–
Dividend paid of 1.00 pence per Ordinary Share for the year ended 31 March 2013	–	6,233
	6,571	6,233
Dividend proposed		
Dividend proposed of 1.30 pence per Ordinary Share for the year ended 31 March 2015	7,332	–
Dividend proposed of 1.15 pence per Ordinary Share for the year ended 31 March 2014	–	6,571
	7,332	6,571

The Directors have proposed the payment of a dividend for the year ended 31 March 2015 of 1.30 pence per Ordinary Share which is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements. The dividend will be paid on 24 July 2015 to shareholders on the register at the close of business on 19 July 2015 (ex dividend date 18 July 2015).

Notes to the Financial Statements

	2015 £'000	2014 £'000
10 INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		
Total investments*	1,001,043	735,319
Opening fair value of investments		
Opening book cost	656,421	680,845
Opening investment holding gains	78,898	32,053
	735,319	712,898
Movements in the year		
Purchases at cost	573,916	386,239
Sales – proceeds	(582,135)	(463,067)
Sales – gains in the year	169,297	52,404
Movement in investment holding gains in the year	104,646	46,845
Closing fair value of investments	1,001,043	735,319
Closing book cost	817,499	656,421
Closing investment holding gains	183,544	78,898
Closing fair value of investments	1,001,043	735,319

* The fair value hierarchy of the investments is shown in Note 18 below.

	Year ended 31.03.15 £'000	Year ended 31.03.14 £'000
Gains on investments		
Gains on sales of investments	169,297	52,404
Investment holding gains	104,646	46,845
	273,943	99,249

Cost of investment transactions
Transaction costs are incurred in the acquisition and disposal of investments. These are included in the gains on investments designated at fair value through profit or loss in the capital column of the Income Statement. The total transaction costs were as follows:

	Year ended 31.03.15 £'000	Year ended 31.03.14 £'000
Purchases transaction costs	1,375	1,120
Sales transaction costs	1,169	972
	2,544	2,092

The portfolio turnover rate for the year was 68.3% (2014: 59.0%).

Substantial interest
As at 31 March 2015 the Company held 8,435,776 ordinary shares of 10 pence each in DJI Holdings PLC, a company listed on AIM and incorporated in the UK. This holding represented 6.5% of the issued share capital of DJI Holdings PLC which, in the opinion of the Directors, did not represent a participating interest.

Notes to the Financial Statements

	Year ended 31.03.15 £'000	Year ended 31.03.14 £'000
11 DERIVATIVE INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		
Gains on derivative instruments held at fair value through profit or loss in the year		
Realised (losses)/gains on CFDs	(3,155)	3,942
Realised (losses)/gains on options	(2,005)	950
Movement on investment holding gains/(losses) on CFDs	36,703	(2,173)
Movement on investment holding gains/(losses) on options	874	(519)
Movement on investment holding (losses)/gains on warrants	(281)	419
	32,136	2,619

	2015 fair value £'000	2014 fair value £'000
Fair value of derivative instruments recognised in the Balance Sheet		
Derivative assets recognised at fair value through profit or loss	43,907	11,810
Derivative liabilities recognised at fair value through profit or loss	(2,134)	(7,064)
	41,773	4,746

	2015		2014	
	fair value £'000	gross asset exposure £'000	fair value £'000	gross asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	40,691	137,324	5,834	43,465
Short CFDs	(679)	22,757	(2,525)	13,074
Call Options	1,623	27,854	1,018	14,108
Warrants	138	140	419	598
	41,773	188,075	4,746	71,245

Notes to the Financial Statements

12 OTHER RECEIVABLES

	2015 £'000	2014 £'000
Securities sold for future settlement	2,771	135
Accrued income	581	–
Other receivables	36	48
	3,388	183

13 BANK LOANS

	2015 £'000	2014 £'000
Variable rate unsecured US dollar loans		
US dollar 150,000,000 @ 1.46% (2014: 1.44%), repayable on 18 May 2015	101,014	89,963

On 14 February 2014, the Company renewed its existing revolving facility agreement for US$150,000,000 with Scotiabank Europe PLC for a further three years to 14 February 2017.

14 OTHER PAYABLES

	2015 £'000	2014 £'000
Securities purchased for future settlement	8,180	125
Amount payable on share repurchases	–	985
Performance fee payable	4,744	6,416
Investment management and secretarial fees payable	2,509	2,119
Accrued expenses	637	513
	16,070	10,158

Other payables are due for settlement within three months.

Notes to the Financial Statements

15 SHARE CAPITAL

	2015 Number of shares	2015 £'000	2014 Number of shares	2014 £'000
Issued, allotted and fully paid				
Ordinary Shares of 1 penny – held outside Treasury				
Beginning of the year	571,354,480	5,713	653,229,480	6,532
Ordinary Shares repurchased into Treasury	(100,000)	(1)	–	–
Ordinary Shares repurchased and cancelled	–	–	(81,875,000)	(819)
End of the year	571,254,480	5,712	571,354,480	5,713
Ordinary Shares of 1 penny – held in Treasury				
Beginning of the year	–	–	–	–
Ordinary Shares repurchased into Treasury	100,000	1	–	–
End of the year	100,000	1	–	–
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.

16 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 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 is not distributable by way of dividend and it cannot be used to fund share repurchases.

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

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 and it is distributable by way of dividend.

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.

17 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary Share is based on net assets of £944,135,000 (2014: £656,152,000) and on 571,254,480 (2014: 571,354,480) Ordinary Shares, being the number of Ordinary Shares held outside Treasury in issue 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

18 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 principal risks faced by the Company. The Board with the assistance of the Managers, has developed a risk matrix which, as part of the internal control process, identifies the operational risks that the Company faces. Risks identified are strategic, marketing and business development, investment management, company secretarial, fund administration and operations and support function risks. Risks are identified and graded in this process, together with steps taken in mitigation of risks, and are updated and reviewed on an ongoing basis. Principal risks identified are shown in the Strategic Report on pages 10 and 11.

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 comprise:

- Equity shares and equity linked notes;
- Derivative instruments which comprise forward currency contracts, CFDs and warrants, and futures and options written or purchased on stocks and equity indices;
- Cash, liquid resources and short-term debtors and creditors 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 and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

Market price risk

Interest rate risk

The Company finances its operations through share capital raised. In addition, the Company has long and short CFDs and a multicurrency revolving credit facility for US$150,000,000 expiring on 14 February 2017. The Company has drawn down the whole of this facility as disclosed in Note 13 above.

Interest rate risk exposure

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

	2015 £'000	2014 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	96,633	37,631
Short CFDs – exposure plus fair value	22,078	10,549
Bank loans	101,014	89,963
	219,725	138,143
Exposure to financial instruments that earn interest		
Cash and cash equivalents	14,932	16,662
Amounts held at futures clearing houses and brokers	1,383	–
	16,315	16,662
Net exposure to financial instruments that bear interest	203,410	121,481

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

Foreign currency risk

The Company's net profit after taxation and its net assets can be affected by foreign exchange rate 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; and
- movements in currency exchange rates affecting income received.

The Company will also be subject to short-term exposure from exchange rate movements, for example, between the date when an investment is bought or sold and the date when settlement of the transaction occurs.

Currency exposure of financial assets

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

	2015				
	investments designated at fair value through profit or loss £'000	exposure to long derivative instruments £'000	other receivables* £'000	cash and cash equivalents £'000	total £'000
Australian dollar	4,962	–	–	–	4,962
Canadian dollar	2,534	140	–	–	2,674
Chinese renminbi	164,024	–	–	6,605	170,629
Hong Kong dollar	538,576	115,950	4,403	5,090	664,019
Singapore dollar	5,926	2,301	–	–	8,227
Taiwan dollar	14,147	–	–	–	14,147
UK sterling	36,968	–	368	3,212	40,548
US dollar	233,906	46,927	–	25	280,858
	1,001,043	165,318	4,771	14,932	1,186,064

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

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

	2014				
	investments designated at fair value through profit or loss £'000	exposure to long derivative instruments £'000	other receivables £'000	cash and cash equivalents £'000	total £'000
Australian dollar	4,527	–	–	–	4,527
Canadian dollar	3,030	598	–	–	3,628
Chinese renminbi	64,353	–	–	156	64,509
Hong Kong dollar	429,740	55,347	135	16,024	501,246
Singapore dollar	14,074	2,226	–	–	16,300
Taiwan dollar	8,679	–	–	322	9,001
UK sterling	37,348	–	48	160	37,556
US dollar	173,568	–	–	–	173,568
	735,319	58,171	183	16,662	810,335

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 bank loans and other payables. The currency profile of these financial liabilities is shown below:

	2015			
	exposure to short derivative instruments £'000	US dollar bank loans £'000	other payables* £'000	total £'000
Chinese renminbi	–	–	720	720
Hong Kong dollar	22,757	–	7,072	29,829
Singapore dollar	–	–	1	1
Taiwan dollar	–	–	52	52
UK sterling	–	–	7,703	7,703
US dollar	–	101,014	1,822	102,836
	22,757	101,014	17,370	141,141

* Other payables include overseas capital gains tax payable.

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

	2014			
	exposure to short derivative instruments £'000	US dollar bank loans £'000	other payables* £'000	total £'000
Chinese renminbi	–	–	638	638
Hong Kong dollar	13,074	–	124	13,198
UK sterling	–	–	9,871	9,871
US dollar	–	89,963	162	90,125
	13,074	89,963	10,795	113,832

* Other payables include overseas capital gains tax payable.

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 Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks meet an acceptable risk/reward profile. Other price risks arising from derivative positions, mainly to do with underlying exposures, are assessed by the Portfolio Manager's specialist derivative instruments team.

The Board meets quarterly to review the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective.

Liquidity

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

Counterparty risk

Certain of the 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 Dealers Association's ("ISDA") market standard derivative legal documentation. 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 Managers employ, the Managers will seek to minimise such risk by only entering into transactions with counterparties which it believes 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.

For Over The Counter ("OTC") 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 2015, £39,032,000 (2014: £4,300,000) was held by the broker, in government bonds in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company and £1,383,000 (2014: £nil), was held by the Company in cash, shown as 'Amounts held at futures clearing houses and brokers' in the Balance Sheet, in a segregated collateral account on behalf of the broker, to reduce the credit risk exposure of the broker.

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

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 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 Managers. Exposure to credit risk arises on outstanding securities transactions, derivative instruments and cash at bank.

Derivative instruments risk

A Derivative Instrument Charter, including an appendix entitled 'Derivative Risk Measurement and Management', details the risks and risk management processes used by the 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 Manager believes the investment is overvalued. These positions therefore 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 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 would have decreased both the net profit after taxation for the year and the net assets of the Company by £509,000 (2014: £304,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

Foreign currency risk sensitivity analysis

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

	2015 £'000	2014 £'000
Australian dollar	451	412
Canadian dollar	243	314
Chinese renminbi	15,446	5,806
Hong Kong dollar	51,296	40,930
Singapore dollar	550	1,267
Taiwan dollar	1,281	818
US dollar	13,577	7,586
	82,844	57,133

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

	2015 £'000	2014 £'000
Australian dollar	551	503
Canadian dollar	297	383
Chinese renminbi	18,879	7,097
Hong Kong dollar	62,695	50,026
Singapore dollar	672	1,549
Taiwan dollar	1,566	1,000
US dollar	16,594	9,271
	101,254	69,829

Other price risk sensitivity analysis

Changes in market prices, other than those arising from interest rate risk, may also affect the net profit 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 10 and 11.

An increase of 10% in the share prices of the investments designated at fair value through profit or loss at 31 March 2015 would have increased both the profit after taxation for the year and the net assets of the Company by £100,104,000 (2014: £73,532,000). A decrease of 10% in the share prices of the investments designated at fair value through profit or loss would have had an equal but opposite effect.

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 31 March 2015 would have increased both the profit after taxation for the year and the net assets of the Company by £14,256,000 (2014: £4,510,000). A decrease of 10% in the share prices of the investments underlying the derivative instruments would have had an equal but opposite effect.

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

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 Notes 2(j) and (k) above, investments are shown at fair value which is bid or last market price. 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.

	2015		2014	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Variable rate unsecured loan of US dollar 150,000,000	101,382	101,014	90,283	89,963

FAIR VALUE HIERARCHY

Under IFRS 13 "Fair Value Measurement", the International Accounting Standards Board requires investment companies to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to estimate the fair values.

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are explained in the Accounting Policies Notes 2(j) and (k) above. The table below sets out the Company's fair value hierarchy:

	2015			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value through profit or loss				
Investments – shares and rights	946,209	–	160	946,369
Investments – equity linked notes	–	54,674	–	54,674
Derivative instruments	138	43,769	–	43,907
	946,347	98,443	160	1,044,950
Financial liabilities at fair value through profit or loss				
Derivative instruments	–	(2,134)	–	(2,134)
Financial liabilities at amortised cost				
Bank loan	–	(101,382)	–	(101,382)

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS continued

	2014 level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value through profit or loss				
Investments – shares	681,149	–	33,245	714,394
Investments – equity linked notes	–	20,925	–	20,925
Derivative instruments	–	11,810	–	11,810
	681,149	32,735	33,245	747,129
Financial liabilities at fair value through profit or loss				
Derivative instruments	–	(7,064)	–	(7,064)
Financial liabilities at amortised cost				
Bank loan	–	(90,283)	–	(90,283)

The table below sets out the movements in level 3 investments during the year:

	2015 level 3 £'000	2014 level 3 £'000
Financial assets at fair value through profit or loss		
Level 3 investments at the beginning of the year	33,245	19,366
Investments becoming listed transferred to level 1 at fair value	(33,245)	–
Rights acquired	160	–
Investments suspended transferred from level 1 at fair value	–	723
Movement in investment holding gains in the year	–	13,156
Level 3 investments at the end of the year	160	33,245

At 31 March 2014, level 3 investments included 25,000 convertible preference shares in Alibaba Group Holdings Limited ("Alibaba") valued at £31,232,000. On 19 September 2014, following a successful initial public offering, Alibaba listed on the New York Stock Exchange and the Company's holding was transferred from level 3 to level 1.

19 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 in the Balance Sheet above. It 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 8 and 9. The principal risks and their management are disclosed in the Strategic Report on pages 10 and 11 and in Note 18 above.

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

	2015 £'000	2014 £'000
Gross asset exposure		
Investments	1,001,043	735,319
Long derivatives	165,318	58,171
Short derivatives	22,757	13,074
	1,189,118	806,564
Net assets	944,135	656,152
Gearing (Gross asset exposure in excess of net assets)	25.9%	22.9%

20 RELATED PARTY TRANSACTIONS

The Company has identified the Directors as its only related parties. Key management compensation paid was £167,000 (2014: £169,000). This included fees paid to the Directors, which are disclosed in the Directors' Remuneration Report on page 32, and £11,000 (2014: £12,000) of Employer's National Insurance contributions.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity China Special Situations PLC will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB, on 22 July 2015 at 11 am for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 March 2015.

2. To declare that a final dividend for the year ended 31 March 2015 of 1.30 pence per Ordinary Share be paid to shareholders who appear on the register as at close of business on 24 July 2015.

3. To re-elect Mr John Owen as a Director.

4. To re-elect Mr Nicholas Bull as a Director.

5. To re-elect Mr David Causer as a Director.

6. To re-elect The Hon Peter Pleydell-Bouverie as a Director.

7. To re-elect Ms Elisabeth Scott as a Director.

8. To re-elect Mr Andrew Wells as a Director.

9. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 31) for the year ended 31 March 2015.

10. To reappoint Grant Thornton UK LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which Financial Statements are laid before the Company.

11. To authorise the Directors to determine the Auditor's remuneration.

To consider and, if thought fit, to pass the following resolutions which will be proposed, in the case of Resolution 12 as an ordinary resolution and in the case of Resolutions 13 and 14 as special resolutions.

Authority to allot shares and dis-application of pre-emption rights

Resolutions 12 and 13 will, if approved, authorise the Directors to allot a limited number of the new 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 11 June 2015. 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 only be re-issued at NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the Ordinary Shares would enhance NAV per share.

12. 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 grant rights to subscribe for or to convert any security 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 11 June 2015) 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 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.

13. THAT, subject to the passing of resolution 12 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 12 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 in connection with a rights issue in favour of all holders of a class of relevant equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise);

    b) to the allotment (otherwise than pursuant to a rights issue) of equity securities 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 11 June 2015); and

    c) in either case, 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 Net Asset Value per share.

Notice of Meeting

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

Authority to repurchase shares

Resolution 14 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 11 June 2015 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 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 Net Asset Value per share, thereby resulting in an increased Net Asset Value per share.

14. 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 in the capital of the Company (the "shares") provided that:

    a) the maximum number of shares hereby authorised to be purchased shall be 84,540,524;

    b) the minimum price which may be paid for a share is 1 penny;

    c) the maximum price which may be paid for a share is an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased;

    d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and

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

By Order of the Board
FIL Investments International
Secretary
11 June 2015

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.

2. A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 11 am on 20 July 2015. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.

3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.

4. In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.

5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11 am on 20 July 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 11 am on 20 July 2015.

6. All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 5.30 pm on 20 July 2015.

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 2 above does not apply to Nominated

Notice of Meeting

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 three per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial 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 Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members by 5.30 pm on 20 July 2015. If the meeting is adjourned then, to be so entitled, members must be entered on the register of members at 5.30 pm 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 11 June 2015 (the latest practicable date prior to the publication of this document) the Company's share capital consisted of 563,979,480 Ordinary Shares (excluding Treasury Shares) carrying one vote each. Therefore, the total number of voting rights in the Company as at 11 June 2015 was 563,979,480. As at 11 June 2015, there were 7,375,000 shares held in Treasury by the Company.

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 Annual General Meeting 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 Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.

14. 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.fidelity.co.uk/its

Note: Please see the Shareholder Information section on pages 71 and 72 for contact details if you have any queries. Please note that shareholders may not use any electronic address provided in either this notice or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated. Shareholders may not use any telephone number set out in this document for the purpose of lodging instructions for the Annual General Meeting. Similarly the Company's website www.fidelity.co.uk/its may not be used to send documents or instructions for the Annual General Meeting.

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

Glossary to the Annual Report

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

AIF
Alternative Investment Fund. The Company is an AIF.

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

AIFMD
The Alternative Investment Fund Managers Directive 2011/61/EU is a European Union Directive that came into force on 22 July 2013. The implementation date was 22 July 2014.

AUDITOR
Grant Thornton UK LLP or such other auditor, as the Company may appoint from time to time.

BENCHMARK INDEX
The Benchmark Index is MSCI China Index total return (net) – in UK sterling and is a composite of China "B", "H", "Red Chip" and "P Chip" share classes.

CAPITA ASSET SERVICES
The Company's Registrar.

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.

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.

DEPOSITARY
Entity that oversees the custody, cash arrangements and other AIFM responsibilities of the Company. The Board has agreed, in principle, that J.P. Morgan Europe Limited will act as the Company's Depositary.

DERIVATIVES
Financial instruments whose value is derived from the value of an underlying asset or other financial instruments such as stocks, bonds, currency exchange rates, real estate and commodities, or market benchmarks such as interest rates. 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 OR ELN
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.

Glossary to the Annual Report

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, commodity or other asset at a specified future date and at a predetermined price. It is not standardised and is not traded on organised exchanges.

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.

GEARING
Gross Asset Exposure in excess of Net Assets.

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).

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.

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

INVESTMENT MANAGER
FIL Investment Management (Hong Kong) Limited.

INVESTMENT MANAGERS
Together, represents the Investment Manager and the Unlisted Investment Manager.

LEVERAGE
Any method by which an AIFM increases the exposure of an AIF it manages whether through borrowing cash or securities, or leverage embedded in derivative positions or by any other means. Leverage is measured in terms of exposure and is expressed as a ratio of Net Asset Value. There are two measures of leverage. The key difference between them is that:

- The Gross Method does not reduce exposure for hedging; and
- The Commitment Method does reduce exposure for hedging.

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 1.0% of the Net Asset Value of the Company for the year ended 31 March 2015.

MSCI CHINA INDEX
The Benchmark Index of the investment performance of the Company, UK sterling equivalent.

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.

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 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.

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 call or put and are used to gain or reduce exposure to the underlying asset on a conditional basis.

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

Glossary to the Annual Report

PERFORMANCE FEE
The Investment Managers are entitled to an annual performance fee of 15% of any change in NAV attributable to performance which is more than 2% above the returns on the MSCI China Index total return (net) – in UK sterling (after making good any cumulative under-performance, including the 2% hurdle, carried forward from previous years), subject to a maximum performance fee payable in any year equal to 1.0% of the arithmetic mean of the value of assets with the valuation calculated at the end of each month during the year.

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 by existing shareholders. At each annual general meeting, the Board seek shareholder approval to disapply pre-emption rights provision, up to 10% of the Company's issued share capital.

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 derivative instruments (such as futures, options and Contracts For Difference).

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
Entity that manages the Company's shareholders register. The Company's Registrar is Capita 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 on capital, excluding any capital 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 dated 25 February 2010 and novated by a deed dated 17 July 2014.

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.

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 pay dividends, have no voting rights and are excluded from the Net Asset Value calculation.

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 SECURITIES
These are securities 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.

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.

Alternative Investment Fund Manager's Disclosure

As explained in the Chairman's Statement, 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. The investment management of the unlisted securities and the company secretarial function has been delegated to FIL Investments International. Details of the Management Agreements dated 17 July 2014 are included in the Directors' Report on page 20.

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

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	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. The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 8 and 9.
Risk management	In its capacity as AIFM, FIL Investment Services (UK) Limited has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management. 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. The Board, as part of UK corporate governance, remain responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.	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 internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 10 and 11 and in Note 18 to the Financial Statements on pages 53 to 60.
Valuation of illiquid assets	The Directive requires the disclosure of the percentage of the AIF'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.
Leverage	The Company uses leverage to increase its exposure primarily to the stockmarkets of China or Hong Kong and currently holds long Contracts For Difference 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. A definition of leverage is included in the Glossary of Terms on page 66.	The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. There have been no changes to the maximum level of leverage that the Company may employ during the year. At 31 March 2015, actual leverage was 1.26 for the Gross Method and 1.27 for the Commitment Method.
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 18 on page 56.
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).	The FCA's General Guidance on the AIFM Remuneration Code has established that the first full performance year will not commence until 1 January 2015. Accordingly, there is no data to disclose in respect of remuneration of the AIFM for this year.

Investing in Fidelity China Special Situations PLC

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

Fidelity offers a range of options, so that you can invest in the way that is best for you. As Fidelity China Special Situations PLC is a company listed on the London Stock Exchange you can also buy its shares through a stockbroker, share shop or bank.

INVESTING INSIDE AN ISA

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

With effect from 1 July 2014, ISAs were reformed into a simpler product, the 'New ISA' ("NISA"), with equal limits for cash, and stocks and shares. The overall subscription limit is £15,000. The minimum investment per fund in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up, or £50 a month per company in a regular savings plan.

Charges – Initial Charges for investments in the Fidelity ISA may vary. For those investing personally (directly with Fidelity), there will be no initial charge. Those investing through an intermediary will pay a basic initial charge of 0.5% plus any initial fee or commission (where applicable) agreed with their intermediary. Fidelity pays stamp duty from the initial charge. There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 1.0% plus a performance related fee where applicable, as set out in the Annual Report.

Investing for children – Junior ISAs ("JISA") are similar to "adult" ISAs but with a few important differences.

Junior ISAs are available to UK residents under the age of 18 who do not have a child trust fund, if opened by a parent or guardian who is older than 18.

Money cannot be withdrawn from the product until the child turns 18, when the policy will automatically become an "adult" ISA and the child will be able to access the funds – subject to proof of identity.

MOVING MONEY FROM A PREVIOUS ISA

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

Charges – Fidelity does not apply an initial charge for a transfer into Fidelity China Special Situations PLC. You will also not have to pay any additional transfer costs. However, please bear in mind that your current ISA manager may ask you to pay an exit fee. If your old fund provider charges you a fee for leaving them, you can claim it back from us. Please note this offer does not apply to the share dealing service.

INVESTING OUTSIDE AN ISA

If you prefer to invest outside an ISA, or have already used your full ISA allowance, the Fidelity Investment Trust Share Plan offers you a low cost and convenient way to put money into Fidelity China Special Situations PLC. The minimum investment is £1,000 as a lump sum, £250 as a top-up or £50 a month in a regular savings plan. Holding shares within the Share Plan allows you to reinvest your dividends and make further investments without having to pay brokerage fees. You will also be able to set up a monthly savings plan and receive statements and valuations twice a year.

Investing for children – the Share Plan is a flexible and inexpensive way to invest on behalf of children. All you have to do is enter the initials or name of the child in the Designation Box on the Share Plan application form.

Charges – There are no charges for buying, selling or holding shares through the Fidelity Investment Trust Share Plan other than stamp duty of 0.5%, which is currently payable on all share purchases. However, if you invest through a Financial Adviser, there may be additional fees of up to 3% agreed with your advisor.

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

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

INVESTING ONLINE

Whilst you cannot use a Debit Card online to invest through an ISA, Junior ISA or Share Plan the application forms you need are all available via www.fidelity.co.uk/its. You can also invest online in Fidelity China Special Situations PLC shares via the share trading facility available via www.fidelity.co.uk/sharenetwork. The Share Dealing service, ShareNetwork, is provided by Xest which is the online trading division of Charles Stanley & Co Limited, a leading London stockbroker. ShareNetwork enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8am and 4.30pm any working day. Shares in ShareNetwork can either be held direct or in an ISA, subject to the normal ISA limits and restrictions. You will be shown a live price and be able to buy or sell immediately. If an order is placed when the market is closed, it will be processed as soon as the market reopens. Unlike many online share dealing services, Fidelity ShareNetwork gives you CREST personal membership for shares held direct. This means that

Investing in Fidelity China Special Situations PLC

shares are registered on the CREST system in your own name and everything relating to your shares – dividends, annual reports and so on – will be sent direct to you and you will be able to attend and vote at shareholder meetings in your own name.

Personal CREST membership does not apply to ISA holdings which must be held in the name of the ISA manager's nominee under ISA regulations. There is no extra charge for opening a ShareNetwork ISA and share purchases or sales are executed on line for only £9 per trade (Stamp duty is also payable on purchases at the rate of 0.5%). There is an account administration fee of £5.10 per month regardless of how many different shares you own and whatever their value. Of course, you need to remember that the value of tax savings and eligibility to invest in an ISA will depend on your individual circumstances, and all tax rules may change in the future.

FURTHER INFORMATION

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

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

You can also find out more by visiting fidelity.co.uk/its or contacting your Financial Adviser.

The Fidelity Individual Savings Account ("ISA") and Junior ISA are offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are regulated by the Financial Conduct Authority.

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

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than older developed markets. Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

The content of websites referenced in this document does not form part of this document.

Shareholder Information

CONTACT INFORMATION

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

Financial advisers: call free to 0800 41 41 81, 8 am to 6 pm, Monday to Friday. www.fidelity.co.uk/its

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

Holders of Ordinary Shares

Capita Asset Services, Registrars to Fidelity China Special Situations PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30 am – 5.30 pm Monday to Friday) email: shareholderenquiries@capita.co.uk

Details of individual shareholdings and other information can also be obtained from the Registrars' website: www.capitaassetservices.com

Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 12062, Mellon House, Ingrave Road, Brentwood, Essex CM14 9LX. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary).

Fidelity ISA investors

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

General enquiries

General enquiries should be made to Fidelity, FIL Investments International, 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. Fax: 01737 836 892 www.fidelity.co.uk/its

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

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

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

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

To make use of any of these facilities, please log on to the Capita Asset Services website at: www.capitashareportal.com

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

Capita Share Dealing Services

You can make use of a low cost share dealing service provided by Capita Asset Services to buy or sell shares. Further information is available at www.capitadeal.com, or by telephoning 0871 664 0454 (calls cost 10p per minute plus network extras. Lines are open 8.00 am – 4.30 pm Monday to Friday). Using Capita Share Dealing Services you will also be able to deal in the shares of other companies for which Capita acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Dealing facility to its shareholders.

Dividend Reinvestment Plan

This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you prefer to receive shares for your next dividend instead of cash please complete an application form online at www.capitashareportal.com or call Capita IRG Trustees on 0871 664 0381 (calls cost 10p per minute plus network extras) from the UK or +44 20 8639 3402 from overseas.

ShareGift

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

KEEPING YOU UPDATED

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

The share price of Fidelity China Special Situations PLC appears daily in The Financial Times. Price and performance information is also available at www.fidelity.co.uk/its. You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or FT Cityline on 0905 817 1690 (voice activated service) (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary).

Shareholder Information

MANAGERS AND ADVISORS

Alternative Investment 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

Financial Advisers and Stockbrokers
Cenkos Securities plc
6,7,8 Tokenhouse Yard
London
EC2R 7AS

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

Custodian and Banker
JPMorgan Chase Bank
125 London Wall
London
EC2Y 5AJ

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

Registrar
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Lawyer
Charles Russell Speechly LLP
6 New Street Square
London
EC4A 3LX

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 Fidelity China Special Situations PLC is published daily in The Financial Times under the heading "Investment Companies". The share price is also published in the Times, The Daily Telegraph and the Independent. Price and performance information is also available at fidelity.co.uk/its.

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.

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

UK CAPITAL GAINS TAX
Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of Ordinary Shares, acquired at the time of the Company's launch, is 100.00 pence. All UK individuals under present legislation are permitted to have £11,100 of capital gains in the current tax year 2015/2016 (2014/2015: £11,000) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependent on the total amount of taxable income.

Warning to Shareholders

SHARE FRAUD WARNING

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

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

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

PROTECT YOURSELF

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

1. Get the name of the person and organisation contacting you.

2. Check the FCA Register at **www.fca.org.uk/register** to ensure they are authorised.

3. Use the details on the FCA Register to contact the firm.

4. Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.

5. Search the FCA's website for a list of unauthorised firms and individuals to avoid doing business with.

6. **REMEMBER: if it sounds too good to be true, it probably is!**

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

REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0800 111 6768**.

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

0300 123 2040

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The FSC® logo identifies products which contain wood from well-managed forests certified in accordance with the rules of the Forest Stewardship Council®.

This document is printed on Cocoon Silk; a paper made using 50% recycled fibre from genuine waste paper and 50% virgin fibre.

The unavoidable carbon emissions generated during the manufacture and delivery of this document, have been reduced to net zero through a verified, carbon offsetting project.

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