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FIDELITY CHINA SPECIAL SITUATIONS PLC

Annual Report for the year ended 31 March 2018



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Overview and Investment 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 and Chinese companies listed elsewhere. The Company may also invest in listed companies with significant interests in China.

“When we launched Fidelity China Special Situations PLC eight years ago, the question we encountered was ‘Why invest in China?’ Now it is ‘What is the best way to invest in China?’

We believe that our Company provides investors with a highly attractive way of gaining exposure to the growing parts of the Chinese economy.

Our Portfolio Manager, Dale Nicholls, has built a well diversified portfolio across a broad range of companies but particularly in small to medium sized companies with strong growth potential, focusing on China’s New Economy and following the spending power of China’s middle class which continues to grow in both number and wealth.”

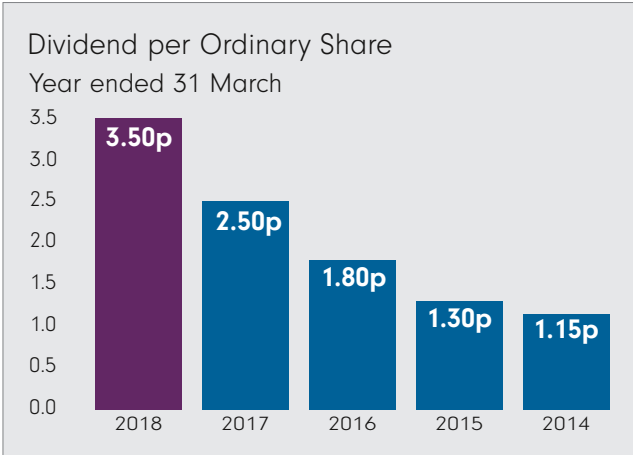
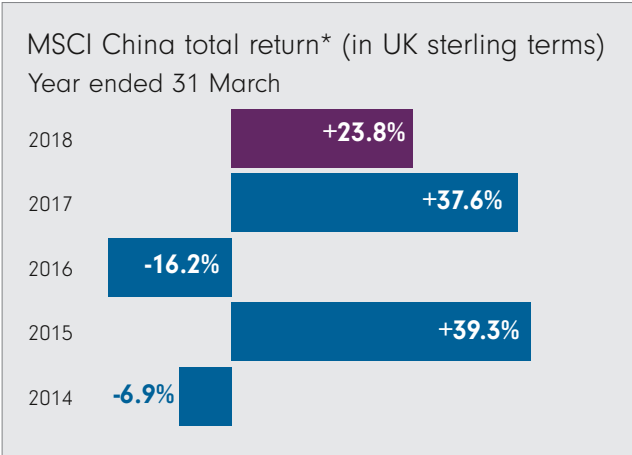
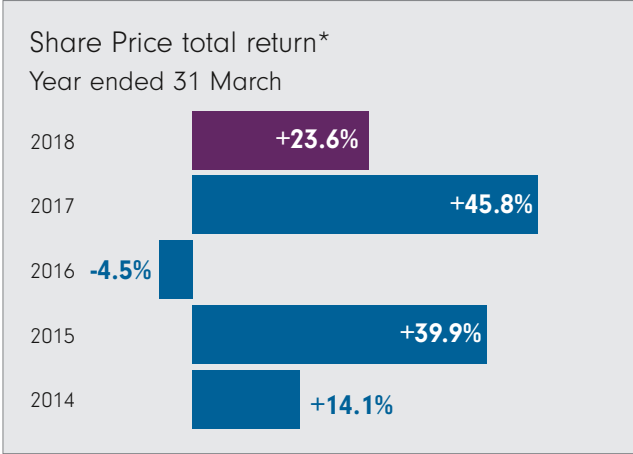
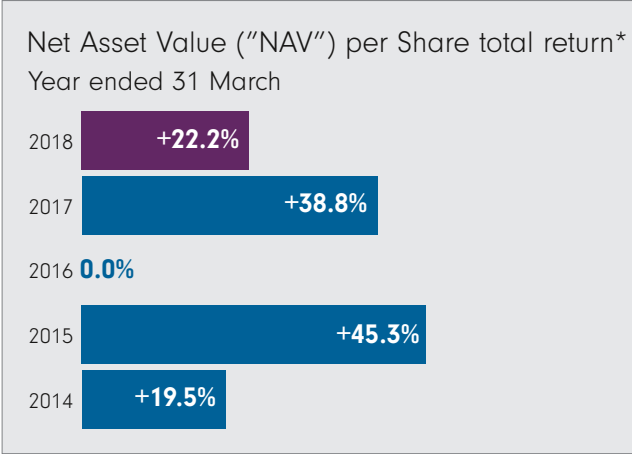
Nicholas Bull, Chairman, Fidelity China Special Situations PLC

The image shows three devices displaying the Fidelity website. The laptop screen shows the 'Fidelity China Special Situations PLC' page with a table of financial data. The tablet and smartphone show the 'Award-winning Fidelity Investment Trusts' page.

Share price (p)	Estimated NAV (p)	Premium/Discount
251.70	290.75	-13.76

Source: Morningstar PLC. Share price is delayed by 15 minutes. Net Asset Value (NAV) and discount or premium are calculated based on the latest available data. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) is not intended to be, and should not be, relied upon as a basis for investment decisions. Neither Morningstar nor its content providers are responsible for any use of this information.

At a Glance



* Includes reinvested income

As at 31 March 2018

Equity Shareholders' Funds

£1,502.9m

Market Capitalisation

£1,317.9m

Capital Structure

Ordinary Shares of 1 penny held outside Treasury

551,414,480

Summary of the key aspects of the Investment Policy

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

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

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

Summary of Results

	2018	2017
Assets as at 31 March		
Gross Asset Exposure	£1,806.6m	£1,586.9m
Net Assets	£1,502.9m	£1,243.8m
Gearing	20.2%	27.6%
Number of Ordinary Shares held outside Treasury	551,414,480	551,914,480
Net Asset Value per Ordinary Share	272.55p	225.36p
Share Price at year end	239.00p	195.70p
Share Price: year high	260.00p	200.00p
Share Price: year low	190.10p	132.00p
Discount at year end	12.3%	13.2%
Discount: year high	14.6%	19.9%
Discount: year low	9.8%	11.5%
Earnings for the year ended 31 March – see page 43		
Revenue Earnings per Ordinary Share ¹	3.80p	2.92p
Capital Earnings per Ordinary Share ¹	45.86p	60.01p
Total Earnings per Ordinary Share ¹	49.66p	62.93p
Ongoing charges for the year to 31 March ²	1.35%	1.16%

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

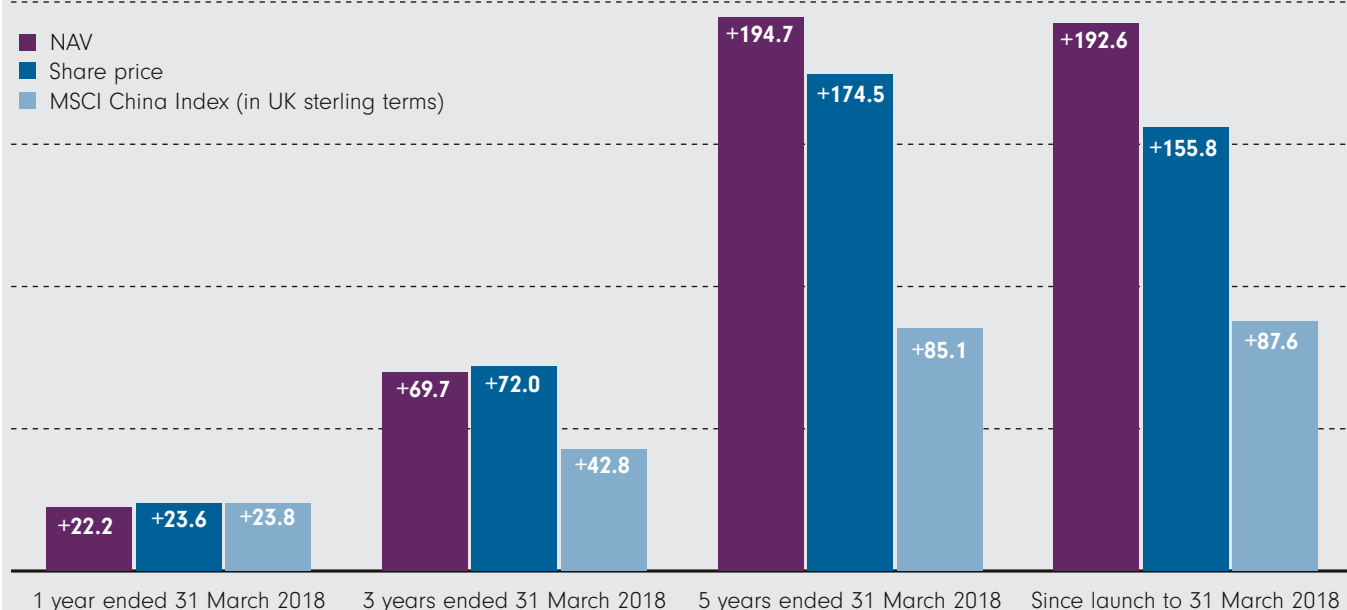
² Ongoing charges as a percentage of average Net Asset Values for the year. Prior to 3 January 2018, ongoing charges represented the investment management fee and other expenses and excluded performance fees, finance costs and taxation. With the introduction of the MiFID II regulation on 3 January 2018, the current year ongoing charge includes interest on bank loans and overdrafts. Performance fees, all other finance costs and taxation continue to be excluded.

Sources: Fidelity and Datastream.

Past Performance is not a guide to future returns.

Standardised Performance Total Return¹ (%)

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



¹ Includes reinvested income.

² Launch Date 19 April 2010.

See Note 21 on page 68 for the Net Asset Value and Share Price Total Returns.

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Review of Investments

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Share Price as at 31 March

2018	239.00p
2017	195.70p
2016	136.00p

Record since Launch

Read more page 20

Strategy

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Chairman's Statement



When we launched, the question we encountered was "Why invest in China?". Now it is "What is the best way to invest in China?".

£1,502.9m

(As at 31 March 2018)

Equity Shareholders' Fund

+22.2%

(Year ended 31 March 2018)
Net Asset Value per Ordinary
Share (total return)

Fidelity China Special Situations PLC was launched in 2010 to give investors an opportunity to invest in China's growing economy. Since that time and up to the end of the financial year the value of our investment, as shareholders, has grown at an annualised rate of 12.5% (including the dividends we have received).

When we launched, the question we encountered was "Why invest in China?" Now it is "What is the best way to invest in China?" We believe that our Company provides investors with a highly attractive way of gaining exposure to the growing parts of the Chinese economy.

Our Portfolio Manager, Dale Nicholls, has built a well-diversified portfolio, across a broad range of companies but particularly in small to medium sized companies with strong growth potential, focusing on China's New Economy and following the spending power of China's middle class which continues to grow in both number and wealth. In particular, he has invested in companies that are part of the growth in the consumer economy; and avoided bank stocks and exporters.

Our structure as a closed ended investment trust has enabled us to introduce some gearing into the portfolio, and to invest in unlisted companies ahead of their intended IPO.

Having invested in two more unlisted companies since the year end, we currently have six unlisted holdings comprising 5.3% of Gross Assets as at the date of this report. Our first major unlisted investment was Alibaba, which completed its IPO in 2014 and is now the second largest shareholding in our portfolio.

I believe that a shareholding in Fidelity China Special Situations should be an important component in the diversified portfolio of any investor.

Risks

The principal risks facing the Company and investors, as identified by the Board, are set out on pages 12 and 13.

Performance Review

Over the reporting year, the Company's NAV total return was 22.2%, underperforming the MSCI China Index (the Company's Benchmark Index) return of 23.8%. The Company's share price total return was 23.6%. The year was characterised by very strong performance by two internet stocks, Tencent Holdings and Alibaba Group, which also had a disproportionate weighting in the Index leading in part to marginal underperformance. The weightings in the Index are currently being amended to be more representative of the universe of Chinese stocks.

The following table shows performance (on a total return basis) during Dale Nicholls' tenure as Portfolio Manager and over 3 and 5 years and since launch to 31 March 2018; and both the NAV and share price returns remain well ahead of the Index over these reporting periods.

Total returns (%)	Tenure*	3 years	5 years	Since launch**
NAV per share	+146.6	+69.7	+194.7	+192.6
Share price	+140.6	+72.0	+174.5	+155.8
MSCI China Index	+98.9	+42.8	+85.1	+87.6

* Since 1 April 2014.

** Launch date 19 April 2010.

MSCI Inclusion of Domestic 'A' Shares

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

In June 2017, MSCI announced that it would include 222 China A Large Cap shares in the MSCI China and MSCI Emerging Markets Index and increase the number of constituents in the MSCI China Index from 152 to 423, in two steps: in June 2018 and in August 2018. In May 2018, the final list of 230 new stocks was announced.

This is to be welcomed as it provides a more representative universe of stocks in the Index; and by increasing the weight of China stocks in the MSCI Emerging Market Index too, it will require index tracking investors to invest more in China, which should be to the benefit of our shareholders. It will also reduce slightly the dominance of the largest stocks in the China Index.

Due Diligence visit to China

The Board undertook its annual due diligence visit to China in October 2017, visiting Hong Kong, Shenzhen and Shanghai.

In Hong Kong we met Fidelity's investment, research and oversight teams and spent time with the analysts who cover the individual stocks in which we are invested.

In all three cities we met economists and commentators as well as with some 15 companies in the portfolio, each of which we visited together with Dale Nicholls and the relevant Fidelity research analyst.



The Board's visit to China Silver.

Specifically, we visited two of our unlisted holdings. In Shenzhen, we met Jiguang, China's leading big data provider and mobile app cloud service provider. In Shanghai, we met Yiguo, which has teamed with Alibaba and leads China's online grocery market. Details of our unlisted holdings are set out on page 9.

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

Gearing

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

To achieve further gearing, the Company uses contracts for difference ("CFDs") on a number of holdings in its portfolio. Further details are in Note 19 on page 67.

At 31 March 2018, the Company's gearing, defined as the Gross Asset Exposure in excess of Net Assets, was 20.2% (2017: 27.6%). This is within the limit set by the Company's Prospectus of 30%.

Ongoing Charges

The basis of calculating Ongoing Charges under MiFID II changed at the beginning of the accounting year to include interest on bank loans and overdrafts. This had the effect of adding 0.24% to this year's ongoing charge compared to the prior year. Performance fees, all other finance costs and taxation continue to be excluded.

Dividend

The Board recommends a final dividend of 3.50 pence per ordinary share for the year ended 31 March 2018 for approval by shareholders at the forthcoming Annual General Meeting ("AGM"). This represents an increase of 40.0% over the 2.50 pence paid in respect of the prior year. Shareholders may recall that in last year's statement, I announced a change in the way in which management fees and finance costs are allocated resulting in an increase in the amount available for distribution.

The dividend will be payable on 30 July 2018 to shareholders on the register on 22 June 2018 (ex-dividend date 21 June 2018).

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 77.

Discount Management

The Company's discount narrowed from 13.2% at the start of the reporting year to 12.3% at the end of the reporting year.

The Board recognises that the Company's share price is affected by the interaction of supply and demand in the market and investor sentiment towards China, as well as the performance of the NAV per share.

Recognising these factors, the Board regularly reviews the level of discount and discusses the ways in which it might be reduced so that the shares can trade at a level closer to the NAV. The Directors also monitor market practice amongst peer group

Chairman's Statement continued

companies and take regular advice from the Company's Broker on this subject. The Board believes that at present the discount is best addressed by repurchasing the Company's shares, when appropriate, according to market conditions. During the reporting year, the Board authorised the repurchase of 500,000 ordinary shares by the Company to be held in Treasury. These repurchases will have benefited all shareholders as the NAV per share has been increased by purchasing the shares at a discount. Since the year end and as at the date of this report, the Company has repurchased 300,000 ordinary shares into Treasury.

The Board is seeking to renew the annual authority to repurchase up to 14.99% of the Company's shares to be either cancelled or held in Treasury at the forthcoming AGM, as it has done each year previously, and assures shareholders that it will keep both the discount and the share repurchase policy under review.

Fidelity as Manager

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

Management Fee Arrangement

Following Fidelity's announcement in October last year offering its clients a variable management fee structure, the Board has agreed a new fee arrangement with FIL Investment Services (UK) Limited, the Company's Alternative Investment Fund Manager (the "Manager"). The new arrangement will replace the Company's current annual fee of 1.00% of the Company's net assets per annum and will remove the existing performance fee of up to 1.00%. The new fee will reduce the headline annual fee of 1.00% of net assets to 0.90% of net assets per annum plus a +/- 0.20% variation fee based on the Company's NAV per share performance relative to the Company's Benchmark Index. The maximum fee that the Company will pay is 1.10% of net assets, but if the Company underperforms against the Benchmark Index, then the overall fee could fall as low as 0.70% of net assets. This new fee arrangement will be effective from 1 July 2018. In addition, the Board is pleased to confirm that the annual administration fee of £600,000 reduced to £100,000 with effect from 1 April 2018.

The new fee arrangement provides an overall reduction from the current management fee structure, especially in those years where the performance fee was payable.

Full details of the new fee calculation are set out in the Directors' Report on page 22.

Markets in Financial Instruments Directive ("MiFID II")

With effect from 3 January 2018, the MiFID II regulation changed the way that external research is paid for. Previously this research was paid for on a commission basis as part of the costs of transaction, but this is no longer allowed. Fidelity uses external research to access specific technical expertise for the benefit of

the portfolio, and the Board is pleased to confirm that Fidelity has agreed to cover these costs under its existing management agreements rather than pass them on to investors. This represents an ongoing saving to the Company which will be directly reflected in the NAV of the Company.

Board of Directors

After serving on the Board as a Director for two years, John Ford will be stepping down at the conclusion of this year's AGM. I would like to take this opportunity to thank him on behalf of the Board and shareholders for his contribution to the Company.

In accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies, all Directors, with the exception of John Ford, are subject to annual re-election at the forthcoming AGM. The Directors' biographies can be found on page 21 and between them have a wide range of appropriate skills and experience to form a balanced Board for the Company.

Outlook

Even the lowest estimates of China's forecast economic growth are in excess of the developed markets in the West. I remain confident in the long-term future of the Company as our Portfolio Manager takes advantage of the growth opportunities identified by him and his research team.

Annual General Meeting – Wednesday, 25 July 2018

The AGM will be held at 11.00 am on Wednesday 25 July 2018 at 155 Bishopsgate, London EC2M 3YD. Full details of the meeting are given on pages 69 to 71.

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

I hope that you are able to join us.

Nicholas Bull

Chairman
11 June 2018

Portfolio Manager's Review



"Ultimately stock selection drives performance and the portfolio has benefited from strong contributions from holdings such as Yihai, Kingdee International Software and Noah Holdings."

Question

What has the market environment been like in the year under review?

Answer

The Chinese market had a strong bull run from early 2016 through to early 2018 supported by solid earnings growth on the back of a clear pick-up in economic growth.

Supply-side reform cut excess capacity in troubled sectors like steel, leading to better pricing, in turn feeding through into improved earnings.

There were also clear policy shifts aimed at reining in unbridled credit growth, particularly in so-called 'shadow banking' which I view as positive for the long-term health of the financial system. Ongoing strength in consumption trends also supported the market.

Leading the pack were the larger internet stocks like Alibaba and Tencent, both of which enjoyed exceptional growth, with able and innovative management teams capitalising on rapid structural change in the economy. A marked pick-up in flows through Stock Connect, the trading scheme linking Shanghai and Shenzhen with Hong Kong, also served to boost markets.

With valuations becoming stretched in some parts of the market, I took steps to reduce the portfolio's level of net gearing. Towards the end of the reporting period we saw increased volatility and in February, a market correction, against a backdrop of growing concerns over trade wars with the US. More recently, net gearing has started to move up reflecting increased investment in areas that in my view had been unduly punished.

Question

And how has the Company performed over this period?

Answer

Over the period under review, the Company's NAV per share was up 22.2% in UK sterling terms and the share price was up by 23.6%, but slightly lagged the MSCI China Index which returned 23.8% - in part due to the relative underperformance of the small and mid-cap section of the market on which I focus as shown in the chart on the following page. With the valuation gap now relatively wide in a historic context, I feel positive about the potential for small-caps to start closing the performance gap going forward.

Portfolio Manager's Review continued

A challenging year for Chinese smaller companies



Ultimately stock selection drives performance and the portfolio has benefited from strong contributions from holdings such as Yihai (a hot pot seasonings and sauce producer), Kingdee International Software (an enterprise management and e-commerce software company) and Noah Holdings (a wealth and asset management company). Tarena (professional education services), Clear Media (a media company) and CT Environmental (an environmental protection company) conversely, were among the names that weighed on returns over the period.

Question

Have there been any major changes to your strategy?

Answer

No, the portfolio's main focus continues to be on companies likely to benefit from the structural rise of consumption in China. Ways of getting exposure to this theme remain varied and include direct consumption, consumption via the internet, as well as areas of future (increasingly affluent) consumer focus, like healthcare and services.

It is this part of the economy often dubbed "New China" that is driving the change in the country's growth engine as China takes its next step of development.

I believe this trend will grow in importance as the government attempts to reduce investment spending as a source of growth. The future of trade as a growth driver will inevitably come under increased scrutiny amid heightening trade war tension with the US.

Question

How have President Trump's proposed trade tariffs impacted the portfolio?

Answer

To date there has been no direct impact on the Company. It is worth emphasizing that the portfolio's holdings are chiefly related to China's domestic structural growth in areas like consumption.

Over 90% of the portfolio's underlying revenue streams come from China including Hong Kong and Macau. Revenues from the US make up only around 1% of the portfolio's total revenues.

That said, growth in global trade has been a major factor in global growth for decades and if this trend is truly set to reverse then it will have implications for growth in all countries. I take the view that this scenario is unlikely given the obvious drawbacks for all players.

One concern for me is how China might react to the US and whether it too might increase tariffs. Ultimately this could push up input costs for Chinese companies, which will be passed on to consumers or eat into profits, neither of which is a good outcome for investors. This is something we continue to analyse for the companies in the portfolio.

Question

The inclusion of A-shares in the Benchmark Index has received a lot of coverage. What are your thoughts on this?

Answer

Without a doubt A-share inclusion is a positive step towards the opening up of China's capital markets. Not only does it acknowledge the considerable development in the country's equity markets, but it also puts China firmly on the radar for investors.

I have had significant exposure to the A share market for years and believe it will continue to provide a fertile hunting ground for stock-pickers like me. The market is under-researched despite a wide range of compelling opportunities. That said, one needs to be aware that it is relatively volatile with a significant portion of the market driven by retail investors.

Despite a small cap bias in the portfolio, of greatest interest to me at the moment are the larger cap A-shares which often seem out of favour with the standard domestic Chinese investor, who tends to be attracted by the very high growth 'blue-sky' businesses for which valuations are often excessive. In general, I find the relative valuation of the larger-cap names far more attractive.

Question

What about the unlisted positions in the portfolio?

Answer

One unlisted position was added during the reporting period resulting in a total of four unlisted positions in the portfolio. Jiguang is a leading app developer service provider and big data platform in China which as at the end of 2017, served over 707,000 apps in China and worked with 300,000 developers, holding a dominant position in the "App Push Notification Service" segment in China.

Jiguang should benefit from the fast-growing mobile 'software as a service' and big data application market. It also enjoys first mover advantage in this field, with its depth and unique data granularity. We have seen the value of this company double after

a new round of external funding. Our analysts believe that there is a good chance Jiguang will IPO within the next 12 months.

On the other unlisted holdings, the position in China Internet Plus (formerly 'Meituan') (an online platform for a range of services including food delivery) was revalued following market transactions at significantly higher valuations.

Didi, China's dominant player in ride-sharing, has also seen lots of news flow due to new funding deals with companies such as Softbank.

Question

What have been the major changes to the portfolio over the period?

Answer

I have been increasing my allocation to healthcare, especially pharmaceutical distributors such as Sinopharm and China Resources Pharmaceutical. Regulations have changed in China designed to streamline distribution. While this has been disruptive for the market it will ultimately drive industry consolidation and it will be the strongest players, with the broadest networks that will survive and ultimately come out even stronger.

Elsewhere in the sector I have been looking at private health as I see significant government appetite for shifting the financial burden of the healthcare system away from the state. I have been increasing my allocation to China Resources Phoenix Healthcare.

The portfolio has also seen an increase in financials over the period. This is largely due to increasing life insurance exposure through China Life Insurance and China Pacific Insurance.

As people get wealthier they inevitably look to savings and insurance products to protect and grow their wealth. China is at a very early stage in life insurance and this market offers significant growth potential. The insurance sector has lagged the market due to policies limiting growth in more savings-type products. This has created buying opportunities and the shift to more protection-type products will ultimately create more value for the companies.

Conversely, I have been taking profits from the automobile sector, especially Brilliance, which has a joint venture with BMW. The sector has seen strong growth, but I see a cyclical slowdown ahead.

Question

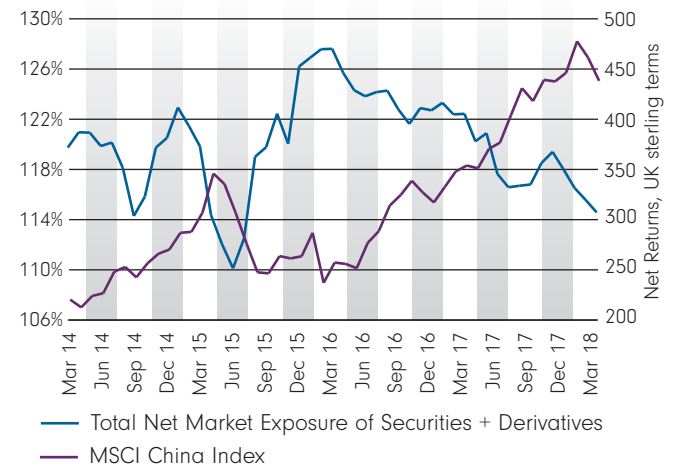
Can you explain how gearing has changed over the reporting period?

Answer

As illustrated in the following chart, I have reduced gearing over the year as markets have fallen. I focus on the net market exposure of securities and derivatives. This has generally been coming down over the year as the market has rallied. This is an outcome of profit taking from some of my long positions which have rallied and adding more single stock and Index option shorts as the markets have gone up.

Volatility had fallen over the year leading to options being relatively cheaply priced. I remain positive, however, given the long-term investment opportunities in the market.

Lower levels of gearing in the period under review



Question

What is your outlook for the next 12 months?

Answer

I remain highly encouraged by the long-term prospects for the Chinese equity market. The secular drivers of growing consumption, rising wealth and technological change remain as compelling as ever.

Challenges remain with the debt growth still outpacing overall growth in the economy. While the Chinese government increasingly appears to be taking steps to tackle this situation it is essential that it continues to make progress, implementing an effective package of reforms in areas such as shadow banking. I expect the pace of economic growth to slow due to the impact of reform and efforts to slow credit growth.

However, this is less of an issue for companies benefiting from the structural growth trends discussed above. In both the public and private markets, I continue to see activity with companies displaying creativity, innovation and entrepreneurship to capitalise on these shifts. I remain confident in the very rich opportunity the Chinese market continues to afford me as a stock picker and continue to be personally invested in the Company.

Dale Nicholls

Portfolio Manager

11 June 2018

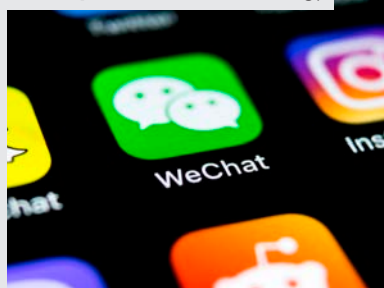
Review of Investments

Top 10 Holdings and Unlisted Investments

as at 31 March 2018

(based on Gross Asset Exposure expressed as a percentage of net assets)

Industry Information Technology



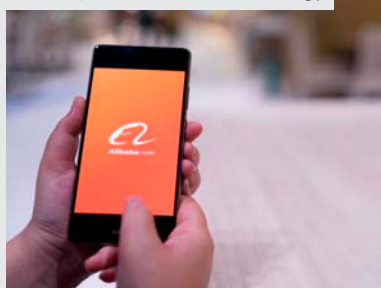
Tencent Holdings

Gross Asset Exposure

15.7%

Tencent Holdings is one of the largest internet and technology companies in the world, and Asia's most valuable company in terms of market value. Its business spans social network, music, web portals, e-commerce, mobile games, internet services, payment systems, smartphones, and multiplayer online games, which are all among the world's biggest and most successful in their respective categories. Tencent's applications are hosted on its WeChat platform, which recently reached 1 billion monthly active users (MAU). Tencent also makes strategic investments such as its 5% stake in Tesla and 10% in Spotify.

Industry Information Technology



Alibaba Group Holdings

Gross Asset Exposure

9.9%

Alibaba Group Holdings is a Chinese multinational e-commerce, retail, internet, AI and technology conglomerate. It runs the biggest e-commerce platform in the world with online sales and profits surpassing all US retailers (including Walmart, Amazon and eBay) combined. On China's Singles' Day last year (11 November 2017), it recorded sales of US\$25.4 billion in one day. Alibaba also has a significant stake in Ant Financial, which offers a range of financial services including China's leading mobile payment system, Alipay.

Industry Financials



China Pacific Insurance Group

Gross Asset Exposure

4.5%

China Pacific Insurance Group is China's 3rd largest insurer and offers a broad range of protection, investment and wealth management services. It has one of the largest agent forces in China, employing 900,000 agents throughout the country.

Industry Healthcare



Hutchison China MediTech

Gross Asset Exposure

2.8%

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

Industry Financials



China Life Insurance Company

Gross Asset Exposure

2.4%

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

Industry Energy



China Petroleum & Chemical Corporation

Gross Asset Exposure

2.1%

Energy giant China Petroleum & Chemical Corporation, better known as Sinopec, is a leading state-owned petroleum energy and chemical company in China with key operations in downstream refining, chemicals and marketing divisions. The company has an unrivalled distribution network of over 31,000 petrol stations across China, which may be spun-off via a separate IPO in the medium-term.

Industry Consumer Discretionary



Ctrip.com

Gross Asset Exposure

2.0%

Ctrip.com is China's largest online travel agent and provides services including accommodation reservation, transportation ticketing, packaged tours and corporate travel management. The company has around two-thirds market share in a fast growing industry that is a direct beneficiary of increasing Chinese tourism, especially for millennials. Its scale gives it strong pricing power with hotels and airlines.

Industry Financials



Noah Holdings

Gross Asset Exposure

1.9%

Noah Holdings is a leading independent wealth and asset management service provider in China with a focus on investment and asset allocation services for high net worth individuals. It has over 100,000 high net worth clients and assets under management of more than US\$20bn.

Industry Information Technology



58.com

Gross Asset Exposure

1.9%

58.com operates the largest online classified platform in China. The Company's online platform enables local merchants and consumers to connect with others, share information and conduct business. Its online market place contains local information in approximately 380 cities in China, across diverse content categories, including housing, jobs, used goods, autos, pets, tickets, yellow pages and other local services.

Industry Consumer Discretionary



China Meidong Auto Holdings

Gross Asset Exposure

1.8%

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

Unlisted Investments



Xiaoju Kuaizhi ('Didi Chuxing')

Didi Chuxing is the leading ride-sharing player in China recording between 25-30 million rides per day through its app. The company has significant investments from huge firms including Alibaba, Tencent, Softbank and Apple. Didi has also been expanding overseas, with stakes in companies across South East Asia and South America.

China Internet Plus Holdings (formerly 'Meituan')

China Internet Plus is a leader in online services, with key businesses in food delivery, ticket bookings and vouchers. They recently announced the launch of ride sharing in competition with Didi and acquired Mobike, China's largest bicycle sharing system.



Shanghai Yiguo E-commerce ('Yiguo')

Yiguo is a leading fresh food e-commerce company, which aims to create a 'farm-to-table' e-commerce platform. It is the exclusive operator of the fresh food segment on Alibaba's T-Mall Supermarket and both Alibaba and its management team are strategic investors.



Aurora Mobile Limited ('Jiguang')

Jiguang is a leading app developer service provider and big data platform in China. By the end of 2017, Jiguang served over 707,000 apps in China and worked with 300,000 developers, holding a dominant position in the "App Push Notification Service" segment in China.

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Manager's Review on pages 2 to 7 form part of the Strategic Report.

Business and Status

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

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

Objective

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

Strategy

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

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

The Company's objective, strategy and principal activity have remained unchanged throughout the year ended 31 March 2018.

Investment Philosophy, Style and Process

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

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

Investment Policy

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

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

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

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

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

Unlisted securities

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

As at 31 March 2018, the Company held four (2017: three) unlisted investments with a fair value of £64,339,000 (2017: £37,179,000) representing 4.0% (2017: 2.7%) of Gross Assets.

Use of Derivative Instruments

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

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

As at 31 March 2018, the Company's exposure to short derivative instruments represented 11.7% (2017: 6.3%) of Gross Assets.

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

As at 31 March 2018, the Company's largest exposure to any single counterparty from all derivative activities was 9.0% (2017: 2.3%) of Gross Assets.

Investment in other Listed Investment Companies

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

As at 31 March 2018, the Company held no investments in other listed investment companies (2017: nil).

Borrowing and Gearing policy

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

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

During the year, the Gross Asset Exposure of the Company did not exceed the Net Assets of the Company by more than 30%. As at 31 March 2018, Gross Asset Exposure in excess of Net Assets was 20.2% (2017: 27.6%).

Foreign Exchange Hedging Policy

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

Dividend Policy

The Company's objective is to achieve long-term capital growth, and thus the Board does not expect dividends to constitute a material element of any return to shareholders. However, in order to continue to qualify as an investment company, the Company is required by Section 1159 of the Corporation Tax Act 2010 to distribute sufficient net income so that it retains no more than 15% of its net income in any reporting year.

Performance

The Company's performance for the year ended 31 March 2018, including a summary of the year's activities, and details on trends and factors that may impact the future performance of the Company, are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 7. The Forty Largest Holdings, the Distribution of the Portfolio, the Attribution Analysis and the Record since Launch are on pages 15 to 20.

Results and Dividends

The Company's results for the year ended 31 March 2018 are set out in the Income Statement on page 43. The total return per ordinary share was 49.66 pence of which the revenue return was 3.80 pence.

The Directors recommend that a final dividend of 3.50 pence per ordinary share be paid on 30 July 2018 to shareholders who appear on the register as at close of business on 22 June 2018 (ex-dividend date 21 June 2018).

Key Performance Indicators

The key performance indicators ("KPIs") used to determine the performance of the Company and which are comparable to those reported by other investment companies are set out below.

	Year ended 31 March 2018 %	Year ended 31 March 2017 %
Net Asset Value total return	+22.2	+38.8
Share Price total return	+23.6	+45.8
MSCI China Index total return	+23.8	+37.6
Discount to Net Asset Value	12.3	13.2
Ongoing Charges*	1.35	1.16

* The basis of calculating the Ongoing Charge has changed as set out in the Chairman's Statement on page 3.

Sources: Fidelity and Datastream.

In addition to the KPIs set out above, the Board also monitors the factors contributing to investment results, as set out in the NAV Attribution Analysis table on page 19. Long-term performance is also monitored and the Record since Launch on page 20 shows this performance.

Principal Risks and Uncertainties and Risk Management

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

Strategic Report continued

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

The Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the

principal risks and uncertainties and to ensure that the Board can continue to meet its UK corporate governance obligations.

The Board considers the following as the principal risks and uncertainties faced by the Company. There have been no changes to these since the prior year.

Principal Risks	Description and Risk Mitigation
Market risk	<p>Investing in an emerging market such as the People's Republic of China (PRC) subjects the Company to a higher level of market risk than investment in a more developed market. This is due, among other things, to the existence of greater market volatility, lower trading volumes, the risk of political and economic instability (such as US-China trade tensions and the risk of a major military confrontation on the Korean peninsula), legal and regulatory risks, risks relating to accounting practices, disclosure and settlement, a greater risk of market shut down, standards of corporate governance and more governmental limitations on foreign investment than are typically found in developed markets. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success. The Board reviews material economic, market and legislative changes at each Board meeting.</p> <p>The Company has exposure to a number of companies with all or part of their business in Variable Interest Entity ("VIE") structures. 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. The proportion of the portfolio invested in companies operating a VIE structure is monitored on a monthly basis by the Manager and holdings are reported to the Board. As at 31 March 2018, 46.7% of the companies in the portfolio had a VIE structure (Benchmark Index: 42.6%).</p>
Performance risk	<p>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.</p> <p>The Company has a clearly defined strategy and investment remit. Borrowing and derivative limits are set by the Board in line with the Company's Prospectus. The portfolio is managed by a highly experienced Portfolio Manager who is supported by a team of 27 analysts. The Board relies on the Portfolio Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the portfolio against the Company's Benchmark Index and that of its competitors and the outlook of the markets with the Portfolio Manager. The emphasis is on long-term investment performance and the Board accepts that by targeting long-term results the Company risks volatility in the shorter-term.</p> <p>Performance for the financial year is outlined in the Chairman's Statement and Portfolio Manager's Review on pages 2 and 5.</p>
Discount control risk	<p>Due to the nature of investment companies, the Board cannot control the discount at which the Company's share price trades to Net Asset Value. However, it can influence this through its share repurchase policy and through creating demand for the Company's shares through good performance and an active investor relations programme. The Company's share price, NAV and discount volatility are monitored daily by the Manager and regularly reported to the Board. Further details are provided in the Chairman's Statement on pages 3 and 4.</p>
Gearing risk	<p>The Company has the ability to invest up to the total of any loan facilities 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. The Company has a US\$150,000,000 fixed rate unsecured facility agreement with Scotiabank Europe PLC which has been fully drawn down. In addition, the Company can also use contracts for difference ("CFDs") to obtain further gearing exposure. The Board regularly considers the level of gearing and gearing risk.</p>

Principal Risks	Description and Risk Mitigation
Currency risk	The functional and presentational currency of the Company in which it reports its results is UK sterling. Most of its assets and its income are denominated in other currencies, mainly Hong Kong dollars, US dollars and Chinese renminbi. Consequently, it is subject to currency risk on exchange rate movements between UK sterling and these other currencies. It is the Company's current policy not to hedge against currency risks. The loan facility is denominated in US dollars and, therefore, the effect of US dollar exchange rate movements on assets denominated in US dollars will be offset by their effect on the loan facility. Further details can be found in Note 18 to the Financial Statements on pages 57 to 67.

Other risks facing the Company include:

Cybercrime risk

The risk posed by cybercrime is rated as significant and the Board receives regular updates from the Manager on cybercrime threats. The Manager's technology team continues with initiatives to strengthen the control environment in relation to emerging threats.

Tax and Regulatory risks

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

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

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

Operational risks

The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements. They are subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal controls reports are received by the Board on an annual basis and any concerns are investigated.

Viability Statement

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

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

- The ongoing relevance of the investment objective in prevailing market conditions;

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

The Company's performance has been strong over the five year period to 31 March 2018. The Board regularly reviews the investment policy and considers whether it remains appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

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

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement in the Directors' Report on pages 22 and 23.

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 2018, there were four male Directors and two female Directors on the Board. This will change to three male Directors and two female Directors when John Ford steps down at the forthcoming AGM.

Employees, Social, Community and Human Rights Issues

The Company has no employees and all of its Directors are non-executive and its day-to-day activities are carried out by third

Strategic Report continued

parties. There are therefore no disclosures to be made in respect of employees.

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

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

Greenhouse Gas Emissions

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

Socially Responsible Investment

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

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 Investment Managers. These activities are reviewed regularly by the Investment Managers' corporate governance team.

Future Developments

Some trends likely to affect the Company in the future are common to many investment companies together with the impact of regulatory change. The factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 7.

By order of the Board

FIL Investments International

Secretary

11 June 2018

Forty Largest Holdings

as at 31 March 2018

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

	Gross Asset Exposure £'000	% ¹	Fair Value £'000
Long Exposures – shares unless otherwise stated			
Tencent Holdings (shares and long CFDs) Internet, mobile and telecommunications services provider	235,967	15.7	128,943
Alibaba Group Holdings (shares and long CFD) e-commerce group	149,127	9.9	142,583
China Pacific Insurance Group (shares and long CFDs) Insurance company	67,107	4.5	18,446
Hutchison China MediTech Pharmaceutical and healthcare group	42,748	2.8	42,748
China Life Insurance Company (long CFD) Insurance company	36,244	2.4	(2,433)
China Petroleum & Chemical Corporation (long CFD) Oil and gas company based in Beijing	31,418	2.1	10,410
Ctrip.com Travel services provider	30,340	2.0	30,340
Noah Holdings Asset managers	28,498	1.9	28,498
58.com Online marketplace operator serving local merchants and consumers	28,204	1.9	28,204
China Meidong Auto Holdings Automobile dealership and maintenance group	27,588	1.8	27,588
Kingdee International (long CFD) Enterprise management and e-commerce software company	27,098	1.8	(207)
Shanghai International Airport Shanghai's primary international airport operator	23,258	1.5	23,258
Vipshop Holdings Online discount retailer	22,907	1.5	22,907
Yihai International Holding Hot pot seasonings and sauce producer	22,104	1.5	22,104
Shangri-La Asia Luxury hotel group	21,986	1.5	21,986
CITIC Telecom International Holdings (long CFDs) Telecoms company	21,655	1.4	(465)
Xiaoju Kuaizhi Inc ('Didi Chuxing') (unlisted) Mobile taxi booking applications developer	20,528	1.4	20,528
Aurora Mobile Limited ('Jiguang') (unlisted) Mobile applications cloud service provider	20,479	1.4	20,479
Yum China Holdings Restaurant chain operator	18,931	1.2	18,931
Far East Horizon (shares and long CFDs) Financial service company	17,960	1.2	7,991

Forty Largest Holdings continued

	Gross Asset Exposure £'000	% ¹	Fair Value £'000
New Oriental Education & Technology Group Private educational services provider	17,532	1.2	17,532
Greentown Service Group Residential property management company	16,981	1.1	16,981
Kingsoft (shares & long CFD) Software and internet services company	16,792	1.1	(1,958)
51job Provider of integrated human resource services	16,705	1.1	16,705
Kweichow Moutai Moutai liquor producer and distributor	16,656	1.1	16,656
Chinasoft International IT service management company	16,638	1.1	16,638
Qingdao Port International Container port operator	16,477	1.1	16,477
Fanhua Insurance company	16,165	1.1	16,165
Sinotrans (long CFD) Freight forwarding, logistics, storage and terminal services provider	14,998	1.0	(1,402)
Sinosoft Technology Group e-Government solutions developer	14,768	1.0	14,768
Galaxy Entertainment (long CFD) Developer and operator of integrated entertainment and resort facilities	14,757	1.0	290
TK Group Holdings Manufacturing company	14,543	1.0	14,543
Huaneng Renewables Corporation (shares & long CFD) Wind and solar power generator	14,516	1.0	7,252
Goodbaby International Holdings Manufacturer and distributor of products for children	14,159	0.9	14,159
Chailease Holding Financial services	14,081	0.9	14,081
Sinopharm Group Pharmaceutical company	13,452	0.9	13,452
Shanghai Industrial Holdings (long CFDs) Infrastructure facilities, real estate and consumer products group	13,268	0.9	(661)
China Lodging Group Economy hotel chain operator	13,069	0.9	13,069
China Taiping Insurance Holdings Insurance company	12,997	0.9	12,997
JD.com e-commerce company	12,508	0.8	12,508
Forty largest long exposures (2017: 80.2%)	1,195,209	79.5	843,091
Other long exposures (2017: 49.1%)	709,547	47.2	642,862
Total long exposures before hedges (147 holdings)	1,904,756	126.7	1,485,953

	Gross Asset Exposure £'000	% ¹	Fair Value £'000
Less: hedging exposures			
Hang Seng China Enterprises Index (put options)	(63,204)	(4.2)	7,336
Hang Seng China Enterprises Index (future)	(27,807)	(1.8)	336
S&P 500 (put options)	(26,985)	(1.8)	1,581
iShares FTSE A50 China Index ETF (short CFDs)	(25,566)	(1.7)	1,099
Total hedging exposures	(143,562)	(9.5)	10,352
Total long exposures after the netting of hedges	1,761,194	117.2	1,496,305
Short exposures			
Short CFDs (10 holdings)	45,356	3.0	2,190
Gross Asset Exposure²	1,806,550	120.2	
Portfolio Fair Value³			1,498,495
Net assets excluding derivative instruments			4,371
Net assets			1,502,866

1 Gross Asset Exposure is expressed as a percentage of net assets.

2 Gross Asset Exposure comprises market exposure to investments of £1,495,818,000 (per Note 10 Investments on page 54) plus market exposure to derivative instruments of £310,732,000 (per Note 11 Derivative Instruments on page 55).

3 Portfolio Fair Value comprises investments of £1,495,818,000 plus derivative assets of £37,518,000 less derivative liabilities of £34,841,000 (per the Balance Sheet on page 45).

A full list of the Company's holdings at 31 March 2018 is available on the Company's page of the Manager's website at www.fidelityinvestmenttrusts.com.

Distribution of the Portfolio

as at 31 March 2018

	Gross Asset Exposure % ¹	Benchmark £'000
Industry		
Information Technology	42.1	40.8
Consumer Discretionary	32.3	9.2
Industrials	15.4	3.9
Financials	14.5	23.0
Consumer Staples	8.6	2.2
Healthcare	7.8	2.7
Energy	3.0	4.8
Utilities	1.9	2.3
Real Estate	1.8	5.3
Telecommunication Services	1.5	4.3
Materials	0.8	1.5
Index Hedges	(9.5)	-
Total	120.2	100.0
Share Type		
Listed in Hong Kong	48.0	30.1
Listed in US	31.6	25.4
China "H" Shares	19.3	32.3
China "A" Shares	11.4	-
Red-Chips	8.3	12.1
Unlisted	4.3	-
Listed in UK	3.2	-
Listed in Taiwan	2.5	-
China "B" Shares	0.5	0.1
Listed in Australia	0.4	-
Listed in Singapore	0.2	-
Index Hedges	(9.5)	-
Total	120.2	100.0
Size of Company (Market Cap)		
Large - above £5bn	59.5	87.4
Medium - between £1bn - £5bn	32.5	12.3
Small - below £1bn	33.4	0.3
Unlisted	4.3	-
Index Hedges	(9.5)	-
Total	120.2	100.0

¹ Gross Asset Exposure is expressed as a percentage of net assets.

Attribution Analysis

Analysis of NAV total return for the year ended 31 March 2018	%
Impact of:	
MSCI China Index ¹	+40.3
Stock Selection ¹	-9.7
Gearing ¹	+8.3
Currency	-15.2
Other Costs	-1.3
Cash	-0.2
NAV total return for the year ended 31 March 2018	+22.2

¹ In Hong Kong dollar terms.

Ten Highest Contributors to NAV total return	%
Tencent Holdings	+7.1
Alibaba Group Holdings	+4.5
58.com	+1.9
Hutchinson China MediTech	+1.5
Yihai International Holding	+1.4
Kingdee International Software	+1.3
China Meidong Auto Holdings	+1.2
Noah Holdings	+1.2
China Pacific Insurance Group	+1.1
Shanghai International Airport	+1.0

Ten Highest Detractors to NAV total return	%
BNN Technology	-0.8
Ctrip.com	-0.7
Hang Seng China Enterprises Indices	-0.7
Sunac China Holdings	-0.7
Tarena International	-0.7
Best Pacific International	-0.5
China Life Insurance Company	-0.5
Lianhua Supermarket	-0.5
Clear Media	-0.4
Summit Ascent Holdings	-0.4

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

Record since Launch

For the year ended 31 March	2018	2017	2016	2015	2014	2013	2012	2011 ¹
Investment Performance								
Net Asset Value per ordinary share total return (%)	+22.2	+38.8	+0.0	+45.3	+19.5	+15.7	-18.5	+5.2
Share Price total return (%)	+23.6	+45.8	-4.5	+39.9	+14.1	+15.0	-26.4	+10.0
MSCI China Index total return (%)	+23.8	+37.6	-16.2	+39.3	-6.9	+12.2	-12.6	+3.3
Assets								
Gross Asset Exposure (£m)	1,806.6	1,586.9	1,155.3	1,189.1	806.6	774.2	628.5	746.0
Net Assets (£m)	1,502.9	1,243.8	908.5	944.1	656.2	634.2	559.0	684.0
Gearing (%)	20.2	27.6	27.2	25.9	22.9	22.1	23.8	15.8
Net Asset Value per ordinary share (pence)	272.55	225.36	164.18	165.27	114.84	97.09	84.72	104.20
Share price data								
Share price (pence)	239.00	195.70	136.00	143.60	103.80	92.00	80.80	110.00
(Discount)/premium (%)	(12.3)	(13.2)	(17.2)	(13.1)	(9.6)	(5.2)	(4.6)	5.6
Earnings and dividends paid								
Revenue earnings per ordinary share (pence) ²	3.80	2.92	2.07	1.41	1.18	1.25	0.99	0.47
Capital earnings/(loss) per ordinary share (pence) ²	45.86	60.01	(2.24)	50.17	16.39	11.76	(20.33)	3.67
Total earnings/(loss) per ordinary share (pence) ²	49.66	62.93	(0.17)	51.58	17.57	13.01	(19.34)	4.14
Dividend per ordinary share (pence)	3.50	2.50	1.80	1.30	1.15	1.00	0.75	0.25
Ongoing charges (%)³	1.35	1.16	1.20	1.29	1.45	1.80	1.70	1.93

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

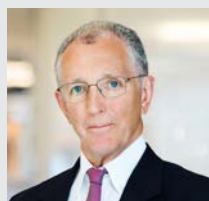
2 Based on the weighted average number of ordinary shares in issue during the year.

3 Ongoing charges as a percentage of average Net Asset Values for the year. Prior to 3 January 2018, ongoing charges represented the investment management fee and other expenses and excluded performance fees, finance costs and taxation. With the introduction of the MiFID II regulation on 3 January 2018, the 2018 ongoing charge shown above includes interest on bank loans and overdrafts. Performance fees, all other finance costs and taxation continue to be excluded.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

Board of Directors



Nicholas Bull FCA
Chairman (since 22 July 2016)
Appointed 4 February 2010

A I M N

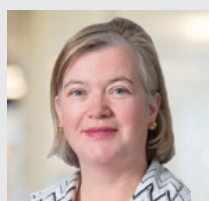
Mr Bull is the Senior Independent Director of Coats Group plc. He is also a Member of Council of the University of Exeter, a Trustee of the Camborne School of Mines Trust, a Trustee of the Design Museum and Deputy Chairman of the Trustees of the Conran Foundation. He was a Director, then Chairman, of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



John Ford
Director
Appointed 22 July 2016

N

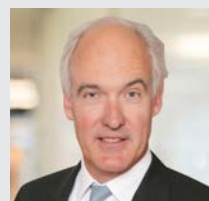
Mr Ford was Fidelity International's Global Chief Investment Officer, Fixed Income, Multi Asset and Real Estate from the beginning of 2016, until his departure from Fidelity on 31 December 2017. He was a member of Fidelity's Global Operating Committee from 2008 and was also Chief Investment Officer for its Asia Pacific region until 2016. He joined Fidelity in 2005 as the Hong Kong based Managing Director of its operations in South East Asia before becoming the Chief Investment Officer in 2006 for Japan. He has worked in the asset management industry since 1986, having previously spent 19 years at Schroders. He was located in Asia for much of that time and worked in a number of different countries in the region including Hong Kong, Japan, Singapore and Malaysia.



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

A I M N

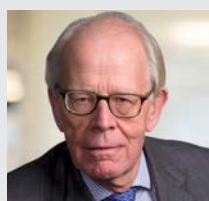
Ms Scott is a non-executive Director of Pacific Horizon Investment Trust PLC, Dunedin Income Growth Investment Trust PLC and Allianz Technology Trust PLC. She is also non-executive Chairman of India Capital Growth Fund Limited and a Director of the Association of Investment Companies (AIC). She worked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



The Hon. Peter Pleydell-Bouverie DL
Director
Appointed 4 February 2010

A I M N

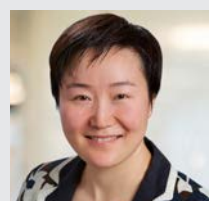
Mr Pleydell-Bouverie is an investment professional with over 30 years of investment experience, particularly in the Far East and emerging markets. His current non-executive positions include acting as CIO and Trustee on investment committees for family and charitable trusts. He is also a Deputy Lieutenant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



David Causer FCA
Director
Appointed 4 February 2010

A I M N

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



Vera Hong Wei
Director
Appointed 24 March 2016

A I M N

Ms Wei has over 18 years' experience in the Chinese financial industry spanning central bank, commercial bank and asset management sectors. She is Chief Executive of Sloan Education Ltd. Her previous roles include Managing Director of Greenwoods Asset Management, Vice General Manager of Ping An Annuity in Shanghai, Head of Corporate Banking at Shenzhen Development Bank and Director of The People's Bank of China.

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

Committee membership key

A Audit I Investment M Management Engagement N Nomination and Remuneration Committee Chair

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 March 2018.

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

Management Company

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

The Management Agreements will continue unless and until terminated by either party giving to the other not less than twelve months' notice in writing. However, they may be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles of Association of the Company. The Management Agreements may also be terminated forthwith as a result of a material breach of the Agreements or on the insolvency of the Investment Managers or the Company. In addition, the Company may terminate the Agreements by not less than two months' notice if the Investment Managers cease to be a subsidiary of FIL Limited.

FIL Limited has a beneficial interest of 2.18% in the shares of the Company (2017: 2.18%).

The Board reviews the Management Agreements at least annually and details are included in the Corporate Governance Statement on page 27.

Fee Arrangements

The respective Management Agreements provide investment management services to the Company for an annual fee of 1.0% of the Net Asset Value of the Company excluding the value of any investment in any fund which is managed by the Manager. Fees are calculated and paid monthly and for the year ended 31 March 2018 totalled £14,193,000 (2017: £10,970,000).

The Investment Managers are also 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 outperformance above this cap will not be carried forward. If the Company underperforms, the underperformance must be made good before any further performance fee becomes payable. No performance fee was payable for the year ended 31 March 2018 (2017: nil).

In addition, FIL provides accounting, administrative and secretarial services to the Company pursuant to a Secretarial Services Agreement for a fee of up to £600,000 per annum.

Revised Fee Arrangements

As mentioned in the Chairman's Statement, the Company will adopt a new fee arrangement from 1 July 2018 which provides an overall reduction from the current fee structure.

The variable management fee ("VMF") will be calculated daily by referencing the performance of the Company to the performance of the MSCI China Index (Benchmark Index). Under the VMF structure, the revised base management fee will be 0.90% of net assets. The period used to assess the performance will be the lesser of: (i) the time since 1 July 2018; or (ii) the previous 3 years (the "Performance Period").

The first three months effective from 1 July 2018 will be charged solely at the base rate of 0.90% of net assets. This initial three-month period will establish a performance history on which the variable fee can be calculated, commencing 1 October 2018, building up, day by day to 3 years, after which the performance period will start to roll. The variable element of the fee will increase or decrease 0.033% for each percentage point of 3 year NAV per share outperformance or underperformance over the Benchmark Index to a maximum of +0.20% or a minimum of -0.20%. This equates to an effective 10% participation rate relative to traditional performance fee structures. The Company will no longer have a performance fee and the Board confirms that no performance fee is due for the period 1 April to 30 June 2018.

There are no limitations or restrictions on the Board's ability to buy back shares and any increase to NAV (performance attribution) from the repurchase or issue of shares will be removed from the fee calculation, so that the Manager cannot benefit from performance outside of portfolio management activities.

The Board

All the Directors served on the Board throughout the year ended 31 March 2018 and up to the date of this report. A brief description of all serving Directors is shown on page 21 and indicates their qualifications for Board membership.

John Ford, a non-executive Director of the Company, was employed by FIL until 31 December 2017 and will not be seeking re-election at the forthcoming AGM. He is not considered to be independent and is therefore not a member of the Audit, Investment and Management Engagement Committees.

Directors' and Officers' Liability Insurance

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

Going Concern Statement

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt the going concern basis for at least twelve months from

the date of this Annual Report. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on page 13.

Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 25 July 2018.

Disclosure of Information to the Auditor

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

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

Corporate Governance

The Corporate Governance Statement forms part of this report and can be found on pages 25 to 28.

Registrar, Custodian and Depositary Arrangements

The Company employs Link Asset Services (previously Capita Asset Services) as its Registrar to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets, and J.P. Morgan Europe Limited as its Depositary, which is primarily responsible for the oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 5 on page 51.

Share Capital

The Company's share capital comprises ordinary shares of 1 penny each and are fully listed on the London Stock Exchange. As at 31 March 2018, the issued share capital was 571,354,480 (2017: 571,354,480) of which 19,940,000 (2017: 19,440,000) shares were held in Treasury. Shares in Treasury do not have voting rights, therefore the total number of shares with voting rights was 551,414,480 (2017: 551,914,480).

Premium/Discount Management: Enhancing Shareholder Value

The Board recognises the importance of the relationship between the Company's share price and the NAV per share and monitors this closely. It seeks authority from shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV, either for cancellation or holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of shareholders at the time.

Share Issues

No ordinary shares were issued during the year ended 31 March 2018 (2017: nil) and none has been issued since the year end and as at the date of this report.

The authorities to issue ordinary shares and to disapply pre-emption rights expire at this year's AGM, therefore resolutions

renewing these authorities will be put to shareholders at the AGM on 25 July 2018.

Share Repurchases

During the year ended 31 March 2018, the Company repurchased 500,000 ordinary shares for holding in Treasury (2017: 1,425,000). Since the year end and as at the date of this report, 300,000 ordinary shares have been repurchased into Treasury.

The authority to repurchase ordinary shares expires at this year's AGM and a special resolution to renew the authority to repurchase ordinary shares for cancellation or to buy them into Treasury, will therefore be put to shareholders at the AGM on 25 July 2018.

Substantial Share Interests

As at 31 March and 31 May 2018, notification had been received that the shareholders listed in the table below held more than 3% of the voting share capital of the Company.

	31 March 2018	31 May 2018
Shareholders		
Fidelity Platform Investors	26.32	26.12
Hargreaves Lansdown	13.79	14.01
Lazard Asset Management	12.97	11.99
City of London Investment Management	6.45	6.30
Alan & Gill Gray Foundation	5.28	5.28

FIL Limited had a holding on its own account of 2.18% as at 31 March 2018. This remained unchanged as at 31 May 2018.

An analysis of shareholders as at 31 March 2018 is detailed in the table below.

Shareholders as at 31 March 2018	% of voting share capital
Retail Investors ¹	59.36
Mutual Funds	15.78
Pension Funds	14.82
Charities	5.28
Insurance Funds	2.20
Fidelity Proprietary Investment	2.18
Trading	0.26
Hedge Funds	0.12
Total	100.00

¹ Includes Fidelity Platform Investors (26.32%).

Directors' Report continued

Additional Information required in the Directors' report

Information on proposed dividends, financial instruments and greenhouse emissions is set out in the Strategic Report on pages 10 to 14.

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, you should pass this document, together with any accompanying documents (but not the personalised Form of Proxy or Form of Direction) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

At the AGM on 25 July 2018, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 69 and 70, including the items of special business summarised below.

Authority to Allot Shares

Resolution 11 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £571,354. If passed, this resolution will enable the Directors to allot a maximum of 57,135,448 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company (including Treasury Shares) as at 11 June 2018, and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury Shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at no less than NAV per share or at a premium to NAV per share.

Authority to Disapply Pre-emption Rights

Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £571,354 (including Treasury shares) (approximately 10% of the issued ordinary share capital of the Company as at 11 June 2018 and equivalent to 57,135,448 ordinary shares).

Authority to Repurchase the Company's Shares

Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (82,612,060) of the ordinary shares in issue (excluding Treasury shares) on 11 June 2018, either for immediate cancellation or for retention as Treasury shares at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set from time to time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

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

By Order of the Board

FIL Investments International

Secretary

11 June 2018

Corporate Governance Statement

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

Corporate Governance Codes

The Board follows the principles of the UK Corporate Governance Code ("UK Code") issued by the Financial Reporting Council (the "FRC") in 2016 and the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies ("AIC") in 2016. The FRC has confirmed that investment companies which report against the AIC Code and which follow the AIC Guide on Corporate Governance will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules. This statement, together with the Statement of Directors' Responsibilities on page 32, set out how the principles have been applied.

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

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code provisions relating to the role of the chief executive, executive directors' remuneration, and the need for an internal audit function. For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, as it is an externally managed investment company and has no executive directors, employees or internal operations.

THE BOARD

Board Composition

The Board, chaired by Nicholas Bull, consists of six non-executive Directors and will change to five when John Ford steps down at the AGM on 25 July 2018. The Directors believe that, between them, they have good knowledge and wide experience of business in China, the Asia Region and of investment companies, and that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company.

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

Biographical details of all Directors are on page 21.

Board Responsibilities and Board Meetings

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

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

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

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 26 gives the attendance record for the meetings held during the reporting year. The Portfolio Manager and key representatives of the Investment Managers are in attendance at these meetings. Between these meetings there is regular contact with the Investment Managers and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Investment Managers being present.

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

Corporate Governance Statement continued

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

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

Company Secretary

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

Changes to the Board

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

Director Training

Upon appointment, each Director is provided with all relevant information regarding the Company and receives an induction on the investment operations and administration functions of the Company, together with a summary of their duties and responsibilities to the Company. Directors also receive regular briefings from, amongst others, the AIC, the Company's Independent Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that affect the Company and/or the Directors.

Election and Re-Election of Directors

All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. As the Company is a constituent member of the FTSE 350 Index, all other Directors are subject to annual re-election. Directors standing for re-election at this year's AGM are listed with their details on page 21. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the AGM.

Board Evaluation

An annual evaluation of the Board, its Directors and its Committees is undertaken ahead of each AGM. As a FTSE 350 Company and in accordance with Code B.6.2 of the 2016 UK Corporate Governance Code, the Board is required to carry out

an externally facilitated evaluation every third year. Accordingly for the year ended 31 March 2018, the performance and contribution of the Chairman and each Director was carried out using an external evaluation company, Lintstock Ltd., which had no connection with the Company or the Managers. It was concluded that the Chairman and each Director had been effective and continues to demonstrate commitment to their role. The Company Secretary, the Portfolio Manager and Fidelity's Head of Investment Trusts also participated in the evaluation process in order to provide all-round feedback. The tenure of individual Directors is also considered during the evaluation process.

Other than every third year when an external evaluation is undertaken, the Board evaluation process takes the form of written questionnaires and discussions. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and action is taken on the basis of the results.

Directors' Remuneration and Share Interests

Details of the Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 30 and 31.

BOARD COMMITTEES

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

Audit and Risk Committee

The Audit and Risk Committee is chaired by David Causer and consists of all of the Directors, except John Ford due to his recent employment with FIL. Full details are disclosed in the Report of the Audit and Risk Committee on pages 33 to 35.

Investment Committee

The Investment Committee is chaired by Peter Pleydell-Bouverie and consists of all of the Directors, except John Ford due to his recent employment with FIL. A representative of the Unlisted Investment Manager, with the requisite investment experience, attends the Committee meetings on an advisory basis.

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 required by the Chairman of the Committee.

Management Engagement Committee

The Management Engagement Committee is chaired by Nicholas Bull and consists of all of the Directors, except John Ford due to his recent employment with FIL. It meets at least once a year and reports to the Board, making recommendations where appropriate.

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

Ahead of the AGM, the Committee has reviewed the performance of the Investment Managers and the revised fee basis and concluded that it was in the interests of shareholders that the appointments of the Investment Managers should continue. Details of the current and revised fees are in the Directors' Report on page 22. The revised fee structure is also detailed in the Chairman's Statement on page 4.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is chaired by Elisabeth Scott and consists of all of the Directors. It meets at least once a year and reviews the composition, size and structure of the Board and makes recommendations to the Board as appropriate. It is charged with nominating new Directors for consideration by the Board, and in turn for approval by shareholders. The search for a candidate is carried out against a set of objective criteria, with due regard for the benefits of diversity on the Board, including gender. New Directors are appointed on the basis of merit. External consultants may be used to identify potential candidates.

The Committee is responsible for succession planning for Directors' appointments.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM, it has considered the performance and contribution to the Company of each Director and concluded that each Director has been effective and continues to demonstrate commitment to their role. Accordingly, the Committee has recommended their continued service to the Board.

The Committee also considers the remuneration of the Directors, and takes into account their roles, the responsibilities and the

time involved in carrying out their duties effectively. It also makes itself aware of directors' fees of other comparable investment trust companies. Details of this can be found in The Remuneration Policy on page 29.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Set out on page 32 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 36 to 42.

The Board has a responsibility to present a fair, balanced and understandable assessment of annual and half-yearly financial statements, other price sensitive public reports and reports to regulators, and to provide information required by statutory requirements. All such reports are reviewed by the Audit and Risk Committee and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

Risk Management and Internal Controls

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

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

The Board, assisted by the Manager has undertaken a rigorous risk and controls assessment. It confirms that there is an effective ongoing process in place to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 March 2018 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

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

Corporate Governance Statement continued

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

Whistle-Blowing Procedure

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

Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has to reputation and business confidence. The Board, the Investment Managers, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

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

Criminal Finances Act 2017

The Board has considered the recent changes made by the Criminal Finances Act 2017 which introduced a new corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion. The Company maintains a zero tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

Responsibility as an Institutional Shareholder

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

Communication with shareholders is given a high priority by the Board and it liaises with the Manager and the Company's broker who are in regular contact with the Company's major institutional investors to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made

aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors are available to meet with shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and receives regular reports from the Manager on meetings attended with shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. If any shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at investmenttrusts@fil.com or write to the address provided on page 78. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, the Senior Independent Director or the Board as a whole, as appropriate.

The Board encourages all shareholders to attend the AGM on 25 July 2018 at which they will have the opportunity to meet and address questions to the Chairman and other members of the Board, the Portfolio Manager and representatives of the Investment Managers and Manager.

The Notice of Meeting on pages 69 to 71 sets out the business of the AGM and the special business resolutions are explained more fully on page 24 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of the AGM and related papers are sent to shareholders at least 20 working days before the Meeting.

Voting rights in the Company's shares

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

Articles of Association

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

On behalf of the Board

Nicholas Bull

Chairman

11 June 2018

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 March 2018 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

An ordinary resolution to approve the Directors' Remuneration Report (excluding the Remuneration Policy) will be put to shareholders at the AGM on 25 July 2018. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 36 to 42.

Directors Remuneration

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

The Remuneration Policy

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

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

The level of Directors' fees is determined by the whole Board. Directors do not vote on their own individual fees. The Nomination and Remuneration Committee reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager and research from third parties and it includes information on the fees of other similar investment trusts. As a FTSE 350 company, and in accordance with Code B.6.2 of the UK Corporate Governance Code, the Board is required to carry

out an externally facilitated evaluation every third year of its performance and also includes input into the appropriate level of Directors' fees from an independent source.

No Director has a service contract with the Company. New Directors are provided with a letter of appointment which, amongst other things, provides that their appointment is subject to the Companies Act 2006 and the Company's Articles of Association. Copies of the Directors' letters of appointment are available at each of the Company's AGMs and can be obtained from the Company's registered office.

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

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

Report on the implementation of the Remuneration Policy

The Remuneration Policy (the "Policy"), as set out above, was approved at the AGM on 26 July 2017 with 99.48% of votes cast in favour, 0.31% of votes cast against and 0.21% of votes withheld. The next vote will be put to shareholders at the AGM in 2020. The Policy has been followed throughout the year ended 31 March 2018 and up to the date of this report.

Voting on the Directors' Remuneration Report

At the AGM held on 26 July 2017, 99.53% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 March 2017, 0.27% of votes were cast against and 0.20% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 March 2018 will be put to shareholders at the AGM on 25 July 2018, and the votes cast will be disclosed on the Company's pages of the Manager's website at: www.fidelityinvestmenttrusts.com.

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £163,873 (2017: £173,844). This includes expenses incurred by Directors in attending to the affairs of the Company and are considered by HMRC to be a taxable benefit. Information on individual Directors' fees and taxable benefits is shown in the table on page 30.

Directors' Remuneration Report continued

	2019 Projected Total (£)	2018 Fees (Audited) (£)	2018 Taxable Benefits (Audited) (£)	2018 Total (Audited) (£)	2017 Fees (Audited) (£)	2017 Taxable Benefits (Audited) (£)	2017 Total (Audited) (£)
Remuneration of Directors							
Nicholas Bull ¹	42,000	42,000	–	42,000	38,662	–	38,662
David Causer	32,000	32,000	–	32,000	32,000	150	32,150
John Ford ²	–	–	–	–	–	–	–
John Owen ³	n/a	n/a	n/a	n/a	13,084	–	13,084
Peter Pleydell-Bouverie	31,500	31,500	373	31,873	31,500	515	32,015
Elisabeth Scott ⁴	31,500	31,500	–	31,500	29,949	–	29,949
Vera Hong Wei	26,500	26,500	–	26,500	26,500	1,484	27,984
Total	163,500	163,500	373	163,873	171,695	2,149	173,844

1 Appointed Chairman on 22 July 2016.

2 Waives his fees and will retire as Director on 25 July 2018.

3 Retired as Chairman and Director on 22 July 2016.

4 Appointed as Senior Independent Director on 22 July 2016.

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 distributions to shareholders. The projected Directors' remuneration for the year ending 31 March 2019 is disclosed in the table above.

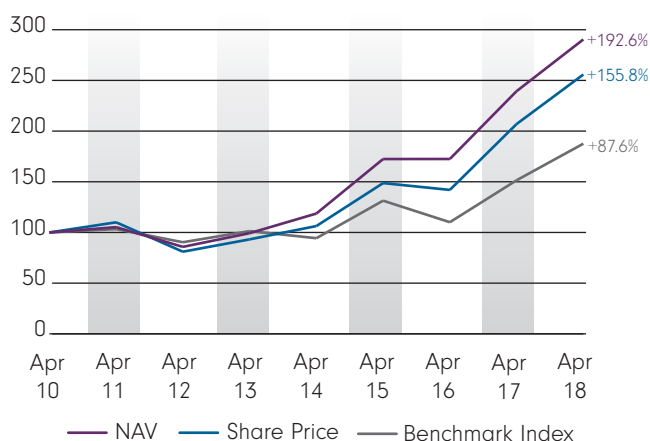
	31 March 2018 £	31 March 2017 £
Expenditure on Remuneration:		
Aggregate of Directors' Fees	163,873	173,844
Distribution to Shareholders:		
Dividend payments	13,798,000	9,950,000
Shares repurchased	1,132,000	2,212,000

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

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 opposite shows performance since launch to 31 March 2018.

Total return performance from launch to 31 March 2018



Directors' Interest in Ordinary Shares

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

Directors' Shareholdings (Audited)

	31 March 2018	31 March 2017	Change during year
Nicholas Bull	90,804	90,804	-
David Causer	65,804	65,804	-
John Ford ¹	24,486	7,720	16,766
Peter Pleydell-Bouverie	78,683	78,683	-
Elisabeth Scott	19,819	19,819	-
Vera Hong Wei ²	3,015	1,494	1,521

1 Purchase of shares by connected persons.

2 Purchase of shares.

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



Nicholas Bull

Chairman

11 June 2018

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the reporting period.

In preparing these Financial Statements the Directors are required to:

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

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

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

The Directors have delegated responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at **www.fidelityinvestmenttrusts.com** to the Manager. 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.

The Directors confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

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

Approved by the Board on 11 June 2018 and signed on its behalf by:

Nicholas Bull
Chairman

Report of the Audit and Risk Committee

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

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 March 2018.

Composition

The members of the Committee are myself as Chairman, Nicholas Bull, Peter Pleydell-Bouverie, Elisabeth Scott and Vera Hong Wei. Nicholas Bull 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.

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

Role and Responsibilities

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

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

Meetings and Business Considered

Since the date of the last Annual Report (9 June 2017), the Committee has met three times and the Auditor attended two of these meetings.

The following matters were reviewed at each Committee meeting:

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

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

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

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

Report of the Audit and Risk Committee continued

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

November 2017	<ul style="list-style-type: none"> The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board The Going Concern Statement
February 2018	<ul style="list-style-type: none"> The Auditor's engagement letter and audit plan for the Company's year ending 31 March 2018 Impact of a variable management fee proposal on the Company's earnings per share Potential dividend payment for the year ending 31 March 2018
June 2018	<ul style="list-style-type: none"> The Auditor's findings from the audit of the Company The Auditor's performance, independence and reappointment Compliance with Corporate Governance and regulatory requirements The Annual Report and Financial Statements and recommendation of its approval to the Board The Viability and Going Concern Statements The final dividend payment to be recommended to the Board

Annual Report and Financial Statements

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 32. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, and on any issues which may arise in relation to these and any specific areas which require judgement. The Committee members apply their expertise and knowledge in reviewing disclosures made in order to ensure that the Financial Statements are fair, balanced and understandable.

Significant Issues considered by the Audit Committee

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

Recognition of Investment Income	Investment income is recognised in accordance with accounting policy Note 2(f) on page 47. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager to satisfy itself that adequate systems were in place for properly recording the Company's investment income. Investment income was also tested and reported on by the Auditor.
Valuation, existence and ownership of investments (including derivatives and other unlisted investments)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(l) and 2(m) on pages 48 and 49. The Committee took comfort from the Depositary's regular oversight reports that investment related activities are conducted in accordance with the Company's investment policy. The Committee received reports from the Manager and Depositary that the valuation, existence and ownership of investments had been verified. In addition, the Committee received confirmation from the Auditor that it has tested the valuation of the Company's investments and derivatives by reference to independent sources and had also confirmed the existence and ownership of the Company's investments with the Company's Custodian and that of the derivatives with the Company's counterparties. The valuation of the Company's unlisted investments are proposed by the Manager's Fair Value Committee ("FVC") and reviewed by the Committee. It receives reporting from the FVC and determines the proposed valuation methodologies for all unlisted investments.
Performance fee calculation	At each Committee meeting, the Manager reports any performance fee accruals that have been included in the Company's NAV and confirm that it has been calculated in accordance with the Management Agreements. These performance fee accruals are reviewed by the Committee. It also receives reporting on the work carried out by the Auditor that the Company's performance fee has been calculated in accordance with the terms of the Management Agreements.

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

Financial Reporting Council ("FRC")

During the year, the Company had correspondence with the FRC's Conduct Committee in relation to its review of the Company's Annual Report for the year ended 31 March 2017. The Conduct Committee confirmed to us that it had no questions or queries to raise but suggested a small number of areas where they believed shareholders may benefit from improvements to existing disclosures with respect to the use of alternative performance measures and the disclosures relating to the Company's unlisted investments. These comments have been considered during the preparation of the Annual Report for the year ended 31 March 2018.

Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Auditor for the year ended 31 March 2018. Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 51.

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

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

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

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

- The fulfilment by the Auditor of the agreed audit plan;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 March 2018; and
- Feedback from the Manager on the audit of the Company.

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

Auditor's Appointment and Audit Tenure

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

David Causer

Chairman of the Audit Committee
11 June 2018

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

Opinion

We have audited the Financial Statements of Fidelity China Special Situations PLC for the year ended 31 March 2018 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related Notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the Strategic Report set out on pages 12 and 13 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 11 in the Annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 22 in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 13 in the Annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Incorrect allocation of special dividends between revenue and capital • Valuation and existence of unlisted investments • Valuation and existence of listed investments and derivatives • Incorrect performance fee calculation
Materiality	<ul style="list-style-type: none"> • Overall materiality of £15.0m (2017: £12.4m) which represents 1% of the Company's Net Asset Value as of 31 March 2018

Key audit matters

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

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

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Incorrect allocation of special dividends between revenue and capital</p> <p><i>Refer to the Audit and Risk Committee Report (page 34); Accounting policies (page 47); and Note 3 of the Financial Statements (page 50).</i></p> <p>The Company had reported revenue of £29.0m (2017: £26.9m), out of which special dividends comprised £4.6m (2017: £3.2m).</p> <p>We identified the incorrect allocation of special dividends between revenue and capital to be a fraud risk due to the requirement to exercise judgement and manual processing.</p> <p>Special dividends by their nature require the exercise of judgement as to whether the income receivable should be classified as “revenue” or “capital” for section 1158 Corporation Tax Act 2010 (“CTA”) purposes. The revenue column of the income statement is the main driver of the minimum dividend calculation.</p> <p>There is therefore a risk that an incorrect classification could potentially result in an under distribution of income and put the Company’s investment trust status at risk.</p> <p>The largest material special dividends received by the Company during the year were from:</p> <ul style="list-style-type: none"> • Dah Sing Financial Holding (£1.5m); • China Dongxiang Group (£1.3m). 	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Walked through the revenue recognition process to obtain an understanding of the design of the controls; • Agreed a sample of special dividends to the corresponding announcement made by the investee company and agree cash received to bank statements; • Agreed, for a sample of investee companies, the special dividend announcements made by the investee company from an external third party source to the income entitlements recorded by the Company; • Assessed the appropriateness of the conclusion on the relevant treatment as documented by the Manager; • For the sample selected, we compared the exchange rate used to translate the dividend income received in foreign currency to an independent source. 	<p>The results of our procedures identified no errors in the allocation of special dividends between revenue and capital.</p> <p>We confirmed the appropriate accounting classification adopted for the largest special dividends as revenue or capital, including the classification of the £1.5m dividend from Dah Sing Financial Holding as capital and £1.3m dividend from China Dongxiang Group as income.</p>

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

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Valuation and existence of unlisted investments</p> <p><i>Refer to the Audit and Risk Committee Report (page 34); Accounting policies (page 48); and Note 18 of the Financial Statements (page 66).</i></p> <p>The Company has unlisted investments at the year end of £64.3m (2017: £37.2m).</p> <p>As of 31 March 2018 the Company held four (2017: three) unlisted investments:</p> <ul style="list-style-type: none"> • Xiaoju Kuaizhi Inc ("Didi Chuxing") valued at £20.5m (2017: £17.2m); • China Internet Plus Holdings valued at £12.6m (2017: £8.0m); • Shanghai Yiguo E-Commerce valued at £10.7m (2017: £12.0m). • Aurora Mobile Limited ("Jiguang") valued at £20.5m, which was acquired during the year. <p>We considered that the degree of subjectivity, the level of management judgement and the risk that the valuation does not reflect the most up to date information, potentially imposes a fraud risk over the valuation of unlisted investments.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Walked through the unlisted investment valuation process to obtain understanding and evaluate the design effectiveness of controls; • Assessed the valuation methodology used by the Fair Value Committee of FIL Investment Services (UK) Limited and confirmed that the methodology is in accordance with IFRS and International Private Equity and Venture Capital Valuation Guidelines; • Assessed the assumptions and judgments made by the Fair Value Committee of FIL Investment Management in determining the fair value of the unlisted securities held by the Company as at the year end; • Obtained third party supporting evidence to corroborate the recent transactions used to assign a fair value price to the Company's unlisted holdings and recalculated the fair value used by the Company; • Compared 100% of exchange rates to a relevant independent source; and • Agreed 100% of unlisted investment holdings in the portfolio to third party confirmation received from the Custodian. 	<p>The results of our procedures identified no material errors in the valuation and existence of unlisted investments.</p> <p>We considered the recent transaction prices to be an appropriate basis for estimating the fair value of the unlisted investments.</p> <p>For the unlisted investment Aurora Mobile Limited, we noted the significant uplift in value of this investment based on the transaction completed shortly after the year end. Given the timing of the third party transaction, announced shortly after the year end, we agreed that the transaction represented evidence of conditions that existed at the statement of financial position date. Accordingly, the valuation was updated from its cost price of £9.4m to £20.5m in order to reflect the pricing implied by this recent transaction.</p>

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Valuation and existence of listed investments and derivatives</p> <p><i>Refer to the Audit and Risk Committee Report (page 34); Accounting policies (pages 48 and 49); and Notes 10 and 11 of the Financial Statements (pages 54 and 55).</i></p> <p>The valuation of the listed equities portfolio and derivatives at 31 March 2018 was £1,434.1m (2017: £1,273.3m) comprising £1,431.4m (2017: £1,258.2m) of listed securities and equity linked notes and £2.7m (2017: £15.1m) of derivatives.</p> <p>The valuation of the investments and derivatives held in the portfolio is the key driver of the Company's net asset value and total return.</p> <p>Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Walked through the listed investment valuation process to obtain an understanding of the design of the controls; • Independently verified valued 100% of the listed investments and derivatives prices in the portfolio using independent pricing sources and compared them to those sources of the Company; • For those investments priced in currencies other than UK sterling we compared the exchange rates to an independent source and recalculated the value of those investments; and • Agreed 100% of the holdings in the investment portfolio and derivatives to third party confirmations received from the Custodian or Brokers. 	<p>For all listed investments and derivatives, we noted no material differences in market value or exchange rates.</p> <p>We noted no exceptions or discrepancies between the Custodian and Brokers confirmations and the Company's underlying financial records.</p>
<p>Incorrect performance fee calculation</p> <p><i>Refer to the Audit and Risk Committee Report (page 34); Accounting policies (page 48); and Note 4 of the Financial Statements (page 51).</i></p> <p>The Company has reported performance fee expense of £nil for the year ended 31 March 2018 (2017: £nil).</p> <p>We focused on this area due to the importance shareholders attribute to this profit related expense.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Inquired and obtained an understanding of the Managers' and the Administrator's systems and controls with respect to the net asset value (NAV) and NAV return calculations used as the basis for calculating the performance fees; • Discussed the performance fee calculation methodology with representatives of the Manager and the Audit and Risk Committee and compared the methodology used to the Investment Management Agreement; • Walked through the process to obtain an understanding and evaluate the design effectiveness of controls in respect of performance fee measurement; • Validated all key external inputs used in the calculations to third party source data; and • Performed a recalculation to confirm there were no performance fees payable. 	<p>The results of our procedures identified no material error in the performance fee calculation.</p> <p>We agreed that there should be no performance fee payable in respect of the year ended 31 March 2018.</p>

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

There were no changes in key audit matters in comparison with the prior year.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £15.0m (2017: £12.4m), which is 1% (2017: 1%) of the Company's Net Asset Value. We believe that Net Asset Value provides the most important financial metric on which shareholders would judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely £11.3m (2017: £9.3m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold

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

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.75m (2017: £0.62m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. Given the importance of the distinction between revenue and capital for the Company, we also applied a separate testing threshold of £1.1m (2017: £0.8m) for the revenue column of the Income Statement, being 5% of profit before taxation.

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

Other information

The other information comprises the information included in the Annual report set out on page 24, including the Strategic Report on pages 10 to 14 and Directors' Report set out on pages 22 to 24, other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 32** – the statement given by the Directors that they consider the Annual report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit and Risk Committee reporting set out on page 33** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 25** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Our approach was as follows:

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

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

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

Other matters we are required to address

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

The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the years ending 31 March 2016 to 31 March 2018.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Price

Senior Statutory Auditor
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
11 June 2018

Notes:

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

Income Statement

for the year ended 31 March 2018

	Notes	year ended 31 March 2018			year ended 31 March 2017		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Revenue							
Investment income	3	21,761	–	21,761	20,534	–	20,534
Derivative income	3	7,076	–	7,076	6,182	–	6,182
Other income	3	163	–	163	162	–	162
Total income		29,000	–	29,000	26,878	–	26,878
Gains on investments at fair value through profit or loss	10	–	212,441	212,441	–	330,480	330,480
Gains on derivative instruments	11	–	45,967	45,967	–	17,568	17,568
Foreign exchange (losses)/gains on other net assets		–	(954)	(954)	–	6,936	6,936
Foreign exchange gains/(losses) on bank loans		–	12,690	12,690	–	(15,350)	(15,350)
Total income and gains		29,000	270,144	299,144	26,878	339,634	366,512
Expenses							
Investment management and performance fees	4	(3,548)	(10,645)	(14,193)	(5,485)	(5,485)	(10,970)
Other expenses	5	(1,630)	–	(1,630)	(1,737)	–	(1,737)
Profit before finance costs and taxation		23,822	259,499	283,321	19,656	334,149	353,805
Finance costs	6	(2,161)	(6,485)	(8,646)	(2,809)	(2,809)	(5,618)
Profit before taxation		21,661	253,014	274,675	16,847	331,340	348,187
Taxation	7	(673)	–	(673)	(709)	–	(709)
Profit after taxation for the year		20,988	253,014	274,002	16,138	331,340	347,478
Earnings per ordinary share	8	3.80p	45.86p	49.66p	2.92p	60.01p	62.93p

The Company does not have any income or expenses that are not included in the profit after taxation for the year. Accordingly the profit after taxation for the year is also the total comprehensive income for the year and no separate Statement of Other 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.

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

The Notes on pages 47 to 68 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2018

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Total equity at 31 March 2017		5,713	211,569	914	336,625	665,544	23,429	1,243,794
Repurchase of ordinary shares	16	-	-	-	(1,132)	-	-	(1,132)
Profit after taxation for the year		-	-	-	-	253,014	20,988	274,002
Dividend paid	9	-	-	-	-	-	(13,798)	(13,798)
Total equity at 31 March 2018		5,713	211,569	914	335,493	918,558	30,619	1,502,866
Total equity at 31 March 2016		5,713	211,569	914	338,837	334,204	17,241	908,478
Repurchase of ordinary shares	16	-	-	-	(2,212)	-	-	(2,212)
Profit after taxation for the year		-	-	-	-	331,340	16,138	347,478
Dividend paid	9	-	-	-	-	-	(9,950)	(9,950)
Total equity at 31 March 2017		5,713	211,569	914	336,625	665,544	23,429	1,243,794

Balance Sheet

as at 31 March 2018

Company number 7133583

	Notes	31 March 2018 £'000	31 March 2017 £'000
Non current assets			
Investments at fair value through profit or loss	10	1,495,818	1,295,266
Current assets			
Derivative instruments	11	37,518	48,639
Amounts held at futures clearing houses and brokers		30,247	2,069
Other receivables	12	10,714	13,154
Cash and cash equivalents		80,439	47,722
		158,918	111,584
Current liabilities			
Derivative instruments	11	(34,841)	(33,458)
Other payables	13	(10,054)	(9,933)
		(44,895)	(43,391)
Net current assets		114,023	68,193
Total assets less current liabilities		1,609,841	1,363,459
Non-current liabilities			
Bank loans	14	(106,975)	(119,665)
Net assets		1,502,866	1,243,794
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	335,493	336,625
Capital reserve	16	918,558	665,544
Revenue reserve	16	30,619	23,429
Total equity		1,502,866	1,243,794
Net asset value per ordinary share	17	272.55p	225.36p

The Financial Statements on pages 43 to 68 were approved by the Board of Directors on 11 June 2018 and were signed on its behalf by:

Nicholas Bull
Chairman

The Notes on pages 47 to 68 form an integral part of these Financial Statements.

Cash Flow Statement

for the year ended 31 March 2018

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
Operating activities		
Cash inflow from investment income	19,148	19,331
Cash inflow from derivative income	7,078	6,095
Cash inflow from other income	163	162
Cash outflow from Directors' fees	(148)	(168)
Cash outflow from other payments	(17,335)	(21,605)
Cash outflow from the purchase of investments	(438,969)	(447,722)
Cash outflow from the purchase of derivatives	(7,914)	(2,705)
Cash inflow from the sale of investments	456,943	466,823
Cash inflow/(outflow) from the settlement of derivatives	66,385	(2,715)
Cash (outflow)/inflow from amounts held at futures clearing houses and brokers	(28,178)	11,130
Net cash inflow from operating activities before servicing of finance	57,173	28,626
Financing activities		
Cash outflow from loan interest paid	(3,487)	(2,310)
Cash outflow from CFD interest paid	(3,180)	(2,042)
Cash outflow from short CFD dividends paid	(1,905)	(1,084)
Cash outflow from the repurchase of ordinary shares	(1,132)	(2,720)
Cash outflow from dividends paid to shareholders	(13,798)	(9,950)
Cash outflow from financing activities	(23,502)	(18,106)
Increase in cash and cash equivalents	33,671	10,520
Cash and cash equivalents at the start of the year	47,722	30,266
Effect of foreign exchange movements	(954)	6,936
Cash and cash equivalents at the end of the year	80,439	47,722

Notes to the Financial Statements

1 Principal Activity

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

2 Accounting Policies

The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), to the extent that they have been adopted by the European Union, the Companies Acts that apply to companies reporting under IFRS, IFRIC interpretations and, as far as it is consistent with IFRS, with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014, and updated in January 2017 with consequential amendments. The accounting policies adopted in the preparation of these financial statements are summarised below.

a) Basis of accounting – The Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of investments and derivative assets and liabilities.

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

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

- IFRS 9: Financial instruments – The standard is not expected to have any impact on the Company as most assets are held at fair value through profit or loss.
- IFRS 15: Revenue from contracts with customers – Given the nature of the Company's revenue streams from financial instruments, the provisions of this standard are not expected to have any impact.
- IFRS 16: Leases – This standard is not applicable to the Company as it has no leases.

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

d) Presentation of the Income Statement – In order to reflect better the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement. The net revenue 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.

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

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

g) Functional currency and foreign exchange – 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 at the date of the transactions. Monetary assets and liabilities and those carried at fair value and denominated in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. All capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserve.

Notes to the Financial Statements continued

2 Accounting Policies continued

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

- With effect from 1 April 2017, the investment management fee is allocated 25% to revenue and 75% to capital. Prior to 1 April 2017, the investment management fee was allocated equally between revenue and capital;
- Any performance fee, if due, is allocated entirely to capital, as the Board believe it reflects the capital performance of the Company's investments; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

i) Finance costs – Finance costs comprise interest and fees on bank loans and overdrafts and interest paid on CFDs, which are accounted for on an accruals basis, and dividends paid on short CFDs, which are accounted for on the date on which the obligation to incur the cost is established, normally the ex-dividend date. With effect from 1 April 2017, finance costs are allocated 25% to revenue and 75% to capital. Prior to 1 April 2017, finance costs were allocated equally between revenue and capital.

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

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

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

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

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

l) Investments – The portfolio of investments 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 held at fair value through profit or loss, which is initially taken to be their cost, and is subsequently measured as bid or last traded prices, depending upon the convention of the exchange on which they are listed, where available, or otherwise at fair value based on published price quotations. Investments which are not quoted, or are not frequently traded, are stated at the Directors best estimate of fair value. The Manager's Fair Value Committee, which is independent of the Portfolio Manager's team, provides a recommendation of fair values to the Directors based on recognised valuation techniques that take account of the cost of the investment, recent arm's length transactions in the same or similar investments and financial performance of the investment since acquisition.

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

2 Accounting Policies continued

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

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

Where such transactions are made to protect or enhance income, if the circumstances support this, then the income derived is included in derivative income in the revenue column of the Income Statement. Where such transactions are made to protect or enhance capital, if the circumstances support this, the gains and losses derived 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 or current liabilities.

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

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

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

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

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

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

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

Notes to the Financial Statements continued

2 Accounting Policies continued

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

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

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date the portfolio of the Company consisted of: investments listed on a recognised stock exchange and derivative instruments, contracted with counterparties having an adequate credit rating and the portfolio was considered to be readily convertible to cash, with the exception of level 3 investments which had unrealised investment holding gains of £20,886,000 (2017: £8,448,000).

3 Income

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
Investment income		
Overseas dividends	20,753	20,278
Overseas scrip dividends	1,008	256
	21,761	20,534
Derivative income		
Dividends on long CFDs	7,026	6,170
Interest on short CFDs	50	12
	7,076	6,182
Other income		
Deposit interest	163	162
Total income	29,000	26,878

4 Investment Management and Performance Fees

	year ended 31 March 2018			year ended 31 March 2017		
	revenue* £'000	capital* £'000	total £'000	revenue* £'000	capital* £'000	total £'000
Investment management fee	3,548	10,645	14,193	5,485	5,485	10,970

* As disclosed in Note 2 above, investment management fees for the year ended 31st March 2018 are charged 25% to revenue and 75% to capital. For the year ended 31 March 2017 investment management fees were charged 50% to revenue and 50% to capital.

FIL Investment Services (UK) Limited (a Fidelity group company) is the Company's Alternative Investment Fund Manager ("the Manager") and has delegated portfolio management to FIL Investment Management (Hong Kong) Limited and FIL Investments International ("the Investment Managers"). The Investment Managers provided investment management services for an annual fee of 1.0% of the net asset value ("NAV"). Fees are payable monthly in arrears and are calculated on the last business day of each month.

In addition, the Investment 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 outperformance above the cap is lost. If the Company's NAV performance in any year is less than 2% above the return on the MSCI China Index, the underperformance 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.

There is no performance fee payable for this year (2017: nil).

5 Other Expenses

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
AIC fees	20	20
Custody fees	248	231
Depositary fees	68	61
Directors' expenses	57	61
Directors' fees*	164	172
Legal and professional fees	70	94
Marketing expenses	201	257
Printing and publication expenses	50	107
Registrars' fees	54	46
Secretarial and administration fees payable to the Investment Managers	600	600
Other expenses	70	60
Fees payable to the Independent Auditor for the audit of the Financial Statements	28	28
	1,630	1,737

* Details of the breakdown of Directors' fees are provided within the Directors' Remuneration Report on page 30.

Notes to the Financial Statements continued

6 Finance Costs

	year ended 31 March 2018			year ended 31 March 2017		
	revenue* £'000	capital* £'000	total £'000	revenue* £'000	capital* £'000	total £'000
Interest on bank loans and overdrafts	854	2,563	3,417	1,278	1,278	2,556
Interest paid on CFDs	831	2,493	3,324	989	989	1,978
Dividends paid on short CFDs	476	1,429	1,905	542	542	1,084
	2,161	6,485	8,646	2,809	2,809	5,618

* As disclosed in Note 2 above, finance costs for the year ended 31 March 2018 are charged 25% to revenue and 75% to capital. For the year ended 31 March 2017, finance costs were charged 50% to revenue and 50% to capital.

7 Taxation

	year ended 31 March 2018			year ended 31 March 2017		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation charge	673	–	673	709	–	709
Taxation charge for the year (see Note 7b)	673	–	673	709	–	709

b) Factors affecting the taxation charge for the year

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 19% (2017: 20%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	year ended 31 March 2018			year ended 31 March 2017		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Profit before taxation	21,661	253,014	274,675	16,847	331,340	348,187
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2017: 20%)	4,116	48,073	52,189	3,369	66,268	69,637
Effects of:						
Capital gains/(losses) not taxable *	–	(51,327)	(51,327)	–	(67,671)	(67,671)
Income not taxable	(4,122)	–	(4,122)	(4,086)	–	(4,086)
Expenses not deductible	–	745	745	–	306	306
Excess expenses	6	2,509	2,515	717	1,097	1,814
Overseas taxation	673	–	673	709	–	709
Taxation charge (Note 7a)	673	–	673	709	–	709

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

c) Deferred taxation

A deferred tax asset of £17,908,000 (2017: £15,657,000), in respect of excess expenses of £105,342,000 (2017: £92,102,000) has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 Earnings per Ordinary Share

	year ended 31 March 2018			year ended 31 March 2017		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Earnings per ordinary share – basic and diluted	3.80p	45.86p	49.66p	2.92p	60.01p	62.93p

Earnings per ordinary share are based on the revenue profit after taxation for the year of £20,988,000 (2017: £16,138,000), the capital profit after taxation for the year of £253,014,000 (2017: £331,340,000) and the total profit after taxation for the year of £274,002,000 (2017: £347,478,000) and on 551,681,603 (2017: 552,192,288) 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.

9 Dividends Paid to Shareholders

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
Dividend paid		
Dividend paid of 2.50 pence per ordinary share for the year ended 31 March 2017	13,798	-
Dividend paid of 1.80 pence per ordinary share for the year ended 31 March 2016	-	9,950
	13,798	9,950
Dividend proposed		
Dividend proposed of 3.50 pence per ordinary share for the year ended 31 March 2018	19,289	-
Dividend proposed of 2.50 pence per ordinary share for the year ended 31 March 2017	-	13,798
	19,289	13,798

The Directors have proposed the payment of a dividend for the year ended 31 March 2018 of 3.50 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting on 25 July 2018 and has not been included as a liability in these financial statements. The dividend will be paid on 30 July 2018 to shareholders on the register at the close of business on 22 June 2018 (ex-dividend date 21 June 2018).

Notes to the Financial Statements continued

10 Investments at Fair Value through Profit or Loss

	2018 £'000	2017 £'000
Total investments*	1,495,818	1,295,266
Opening book cost	1,045,403	944,097
Opening investment holding gains	249,863	43,781
Opening fair value of investments	1,295,266	987,878
Movements in the year		
Purchases at cost	441,671	453,047
Sales – proceeds	(453,560)	(476,139)
Sales – gains in the year	121,590	124,398
Movement in investment holding gains in the year	90,851	206,082
Closing fair value of investments	1,495,818	1,295,266
Closing book cost	1,155,104	1,045,403
Closing investment holding gains	340,714	249,863
Closing fair value of investments	1,495,818	1,295,266

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

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
Gains on investments		
Gains on sales of investments	121,590	124,398
Investment holding gains	90,851	206,082
	212,441	330,480

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

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
Investment transaction costs		
Purchases transaction costs	567	607
Sales transaction costs	555	719
	1,122	1,326

The portfolio turnover rate for the year was 32.0% (2017: 40.4%).

11 Derivative Instruments

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
Net gains on derivative instruments		
Realised gains on CFDs	71,507	2,269
Realised losses on futures	(5,123)	(4,983)
Realised losses on options	(4,270)	(464)
Movement on investment holding (losses)/gains on CFDs	(21,265)	21,983
Movement on investment holding (losses)/gains on futures	(151)	1,000
Movement on investment holding gains/(losses) on options	5,269	(2,237)
	45,967	17,568
	2018 fair value £'000	2017 fair value £'000
Fair value of derivative instruments recognised on the Balance Sheet*		
Derivative instrument assets	37,518	48,639
Derivative instrument liabilities	(34,841)	(33,458)
	2,677	15,181

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

	fair value £'000	2018 gross asset exposure £'000	fair value £'000	2017 gross asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	(9,865)	408,938	20,370	313,013
Short CFDs	2,190	45,356	(2,572)	32,382
Short CFDs (hedging exposure)	1,099	(25,566)	(3,108)	(21,510)
Futures (hedging exposure)	336	(27,807)	487	(26,599)
Put options (hedging exposure)	8,917	(90,189)	4	(5,699)
	2,677	310,732	15,181	291,587

Notes to the Financial Statements continued

12 Other Receivables

	2018 £'000	2017 £'000
Amounts due from dissenters claim	5,354	-
Securities sold for future settlement	3,750	12,487
Accrued income	1,551	621
Other receivables	59	46
	10,714	13,154

13 Other Payables

	2018 £'000	2017 £'000
Securities purchased for future settlement	7,798	6,104
Investment management, secretarial and administration fees	1,439	3,041
Accrued expenses	817	788
	10,054	9,933

14 Bank Loans – repayable after more than one year

	2018 £'000	2017 £'000
Fixed rate unsecured US dollar loan		
US dollar 150,000,000 @ 3.01%	106,975	119,665

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

15 Share Capital

	number of shares	2018 £'000	number of shares	2017 £'000
Issued, allotted and fully paid				
Ordinary shares of 1 penny each – Held outside Treasury				
Beginning of the year	551,914,480	5,519	553,339,480	5,533
Ordinary shares repurchased into Treasury	(500,000)	(5)	(1,425,000)	(14)
End of the year	551,414,480	5,514	551,914,480	5,519
Held in Treasury				
Beginning of the year	19,440,000	194	18,015,000	180
Ordinary shares repurchased into Treasury	500,000	5	1,425,000	14
End of the year	19,940,000	199	19,440,000	194
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 at that date and as a result £452,232,000 was transferred to the other reserve. Subsequently, the Company issued 157,654,480 ordinary shares resulting from its C share issue and 45,000,000 ordinary shares in separate issues pursuant to the authorities granted by shareholders. The share premium account cannot be used to fund share repurchases and it is not distributable by way of dividend.

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

The other reserve is a distributable premium reserve created on 21 April 2010 when High Court approval was given for the share premium account at that date to be cancelled. As a result £452,232,000 was transferred from the share premium account to the other reserve. It can be used to fund share repurchases. During the year 500,000 (2017: 1,425,000) ordinary shares were repurchased and held in Treasury. The cost of these repurchases amounting to £1,132,000 (2017: £2,212,000) was charged to this reserve.

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

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

17 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £1,502,866,000 (2017: £1,243,794,000) and on 551,414,480 (2017: 551,914,480) 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 ordinary share and, therefore, the shares held in Treasury have no dilutive effect.

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 risks faced by the Company. The Board with the assistance of the Investment Managers, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, performance, discount control, gearing and currency risks. Other risks identified are cybercrime risks, tax and regulatory risks and operational risks, including those relating to third party service providers covering investment management, marketing and business development, company secretarial, fund administration and operations and support functions. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. Risks identified are shown in the Strategic Report on pages 12 and 13.

This Note is incorporated in accordance with IFRS 7: Financial Instruments: Disclosures and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments may comprise:

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

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

Notes to the Financial Statements continued

18 Financial Instruments continued

Market price risk

Interest rate risk

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

Interest rate risk exposure

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

	2018 £'000	2017 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	418,803	292,643
Bank loans	106,975	119,665
	525,778	412,308
Exposure to financial instruments that earn interest		
Cash and cash equivalents	80,439	47,722
Short CFDs exposure plus fair value	74,211	48,212
Amounts held at futures clearing houses and brokers	30,247	2,069
	184,897	98,003
Net exposure to financial instruments that bear interest	340,881	314,305

Foreign currency risk

The Company's 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, for example, between the date when an investment is bought or sold and the date when settlement of the transaction occurs; and
- movements in currency exchange rates affecting income received.

18 Financial Instruments continued

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:

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

Currency	investments held at fair value through profit or loss £'000	gross asset exposure to long derivative instruments ¹ £'000	other receivables ² £'000	cash and cash equivalents £'000	2017 total £'000
Australian dollar	3,735	-	-	-	3,735
Canadian dollar	1,307	-	-	-	1,307
Chinese renminbi	125,179	-	-	49,048	174,227
Hong Kong dollar	654,474	259,205	14,725	(1,679)	926,725
Singapore dollar	4,560	-	-	1	4,561
South Korean won	5,097	-	36	4	5,137
Taiwan dollar	41,200	-	-	333	41,533
UK sterling	53,132	-	47	1	53,180
US dollar	406,582	-	415	14	407,011
	1,295,266	259,205	15,223	47,722	1,617,416

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

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

Notes to the Financial Statements continued

18 Financial Instruments continued

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.

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

	gross asset exposure to short derivative instruments*	US dollar bank loans	other payables	2017 total
Currency	£'000	£'000	£'000	£'000
Hong Kong dollar	32,382	–	3,625	36,007
Taiwan dollar	–	–	27	27
UK sterling	–	–	3,356	3,356
US dollar	–	119,665	2,925	122,590
	32,382	119,665	9,933	161,980

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

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments. It represents the potential loss the Company might suffer through price movements in its investment positions. The Board meets quarterly to review the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective.

The Investment Managers are responsible for actively monitoring the portfolio selected in accordance with the overall asset allocation parameters and seek 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 Investment Managers' specialist derivative instruments team.

Liquidity

The Company's assets mainly comprise readily realisable securities which can be sold to meet funding commitments if necessary. Short term flexibility is achieved by the use of a bank overdraft, if required. The Company has the facility to borrow up to US\$150,000,000 (2017: US\$150,000,000) until 14 February 2020. The current borrowing is shown in Note 14 above. Other financial liabilities are repayable within one year.

18 Financial Instruments continued

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. These are known as Over The Counter ("OTC") trades. As a result the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Investment Managers employ, they will seek to minimise such risk by: only entering into transactions with counterparties which they believe to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk by the use of internal and external credit agency ratings and evaluates derivative instrument credit risk exposure.

Collateral

For OTC and exchange traded derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 March 2018, £24,747,000 (2017: £23,717,000) was received from brokers and held, in a segregated collateral account, on behalf of the Company to reduce the credit risk exposure of the Company. This collateral comprised: Goldman Sachs £1,177,000 in cash denominated in US dollars and UBS AG £23,570,000 in cash denominated in US dollars. £30,247,000 (2017: £2,069,000), shown as amounts held at futures clearing houses and brokers on the Balance Sheet, was held by the Company, in a segregated collateral account, on behalf of the brokers to reduce the credit risk exposure of the brokers. This collateral comprised: Deutsche Bank AG £13,300,000 in cash, HSBC Bank plc £8,986,000 in cash and UBS AG £7,961,000 in cash.

Offsetting

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

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

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

Notes to the Financial Statements continued

18 Financial Instruments continued

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

	gross amount of recognised financial liabilities set off on the balance sheet		net amount of financial assets presented on the balance sheet	related amounts not set off on the balance sheet		2017
	gross amount £'000	the balance sheet £'000	the balance sheet £'000	financial instruments £'000	margin account received as collateral £'000	net amount £'000
Financial assets						
CFDs	48,148	–	48,148	(30,150)	–	17,998
Futures (exchange traded)	487	–	487	–	–	487
Options	4	–	4	–	–	4
	48,639	–	48,639	(30,150)	–	18,489

	gross amount of recognised financial assets set off on the balance sheet		net amount of financial liabilities presented on the balance sheet	related amounts not set off on the balance sheet		2017
	gross amount £'000	the balance sheet £'000	the balance sheet £'000	financial instruments £'000	margin account pledged as collateral £'000	net amount £'000
Financial liabilities						
CFDs	(33,458)	–	(33,458)	30,150	415	(2,893)

Credit risk

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

18 Financial Instruments continued

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 Investment Managers. This Charter was approved by the Board and allows the use of derivative instruments for the following purposes:

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

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

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at the Balance Sheet date, an increase of 0.25% in interest rates throughout the year would have decreased the profit after taxation for the year and decreased the net assets of the Company by £585,000 (2017: decreased the profit after taxation and decreased the net assets by £487,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

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

Currency	2018 £'000	2017 £'000
Australian dollar	457	340
Canadian dollar	41	119
Chinese renminbi	15,194	15,839
Hong Kong dollar	95,611	80,974
Singapore dollar	127	415
South Korean won	1	467
Taiwan dollar	3,147	3,773
US dollar	37,744	25,856
	152,322	127,783

Notes to the Financial Statements continued

18 Financial Instruments continued

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

Currency	2018 £'000	2017 £'000
Australian dollar	558	415
Canadian dollar	50	145
Chinese renminbi	18,570	19,359
Hong Kong dollar	116,857	98,969
Singapore dollar	156	507
South Korean won	1	571
Taiwan dollar	3,846	4,612
US dollar	46,131	31,602
	186,169	156,180

Other price risk sensitivity analysis

Changes in market prices affect the 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 11 to 13.

An increase of 10% in the share prices of the investments held at the Balance Sheet date would have increased the profit after taxation for the year and increased the net assets of the Company by £149,582,000 (2017: increased the profit after taxation and increased the net assets by £129,527,000). 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.

An increase of 10% in the valuation of the unlisted investments held at the Balance Sheet date would have increased the profit after taxation for the year and increased the net assets of the Company by £6,434,000 (2017: increased the profit after taxation and increased the net assets by £3,718,000). A decrease of 10% in the valuation 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 the Balance Sheet date would have increased the profit after taxation for the year and increased the net assets of the Company by £22,002,000 (2017: increased the profit after taxation and increased the net assets by £22,682,000). A decrease of 10% in the share prices of the investments underlying the derivative instruments would have had an equal but opposite effect.

Fair Value of Financial Assets and Liabilities

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

	fair value £'000	2018 book value £'000	fair value £'000	2017 book value £'000
Fixed rate unsecured loan of US dollar 150,000,000	105,860	106,975	119,098	119,665

18 Financial Instruments continued

Fair Value Hierarchy

The Company is required to disclose the fair value hierarchy that classifies its financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to estimate the fair values.

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

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

	level 1 £'000	level 2 £'000	level 3 £'000	2018 total £'000
Financial assets at fair value through profit or loss				
Investments – shares	1,431,461	–	64,357	1,495,818
Derivative instruments	9,253	28,265	–	37,518
	1,440,714	28,265	64,357	1,533,336
Financial liabilities at fair value through profit or loss				
Derivative instruments	–	(34,841)	–	(34,841)
Financial liabilities at fair value				
Bank loan	–	(105,860)	–	(105,860)

	level 1 £'000	level 2 £'000	level 3 £'000	2017 total £'000
Financial assets at fair value through profit or loss				
Investments – shares	1,255,115	–	37,179	1,292,294
Investments – equity linked notes	–	2,972	–	2,972
Derivative instruments	487	48,152	–	48,639
	1,255,602	51,124	37,179	1,343,905
Financial liabilities at fair value through profit or loss				
Derivative instruments	–	(33,458)	–	(33,458)
Financial liabilities at fair value				
Bank loan	–	(119,098)	–	(119,098)

Notes to the Financial Statements continued

18 Financial Instruments continued

Level 3 investments	2018 £'000	2017 £'000
Xiaoju Kuaizhi Inc ('Didi Chuxing')	20,528	17,235
Aurora Mobile Limited ('Jiguang')	20,479	-
China Internet Plus Holdings	12,634	7,977
Shanghai Yiguo E-commerce ('Yiguo')	10,698	11,967
BNN Technology	18	-
	64,357	37,179

Xiaoju Kuaizhi Inc ('Didi Chuxing')

Didi Chuxing is a leading Chinese e-commerce company providing transport services and is an unlisted company incorporated in the Cayman Islands. The Company holds 565,153 preference shares in Didi Chuxing, which represents 0.05% of the preference shares in issue. The valuation at 31 March 2018 is based on the price of shares when US\$4bn of funding was raised in December 2017. As at 31 March 2018 its fair value was £20,528,000.

Aurora Mobile Limited ('Jiguang')

Jiguang is China's leading mobile big data platform and mobile application ('app') cloud service provider. It is an unlisted company incorporated in the Cayman Islands. The Company holds 2,441,572 preference shares in Jiguang, which represented 3.064% of the preference shares in issue at 31 March 2018. The holding was purchased in May 2017 at a cost of US\$13,175,211 and at 31 March 2018 the valuation is based on the price of shares when US\$35m of funding was confirmed in April 2018. At 31 March 2018 its fair value was £20,479,000.

China Internet Plus Holdings

China Internet Plus Holdings develops and operates a platform providing online group buying services. It is an unlisted company incorporated in the Cayman Islands. The Company holds 3,108,000 preference shares in China Internet Plus Holdings, which represents 0.05% of the preference shares in issue. The valuation at 31 March 2018 is based on a secondary transaction in the shares on 26 March 2018. As at 31 March 2018 its fair value was £12,634,000.

Shanghai Yiguo E-commerce ('Yiguo')

Yiguo operates an e-commerce platform, selling fruit and vegetables online to customers in China. It is an unlisted company incorporated in the People's Republic of China. The Company holds 318,287 preference shares in Yiguo, which represents 0.88% of the preference shares in issue. The valuation at 31 March 2018 is based on the price of shares when US\$1.7bn of funding was raised in November 2017. As at 31 March 2018 its fair value was £10,698,000.

BNN Technology

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

18 Financial Instruments continued

	2018 level 3 £'000	2017 level 3 £'000
Movements in level 3 investments during the year		
Level 3 investments at the beginning of the year	37,179	20,317
Purchases at cost	10,129	11,806
Transfers into Level 3* at cost	4,611	-
Unrealised profits recognised in the Income Statement	12,438	5,056
Level 3 investments at the end of the year	64,357	37,179

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

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 on the Balance Sheet. The Company is managed in accordance with its investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on pages 10 and 11. The principal risks and their management are disclosed in the Strategic Report on pages 11 to 13 and in Note 18 above.

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

	2018 £'000	2017 £'000
Gross asset exposure		
Investments	1,495,818	1,295,266
Long CFDs	408,938	313,013
Total long exposures before hedges	1,904,756	1,608,279
Less: short derivatives instruments hedging the above	(143,562)	(53,808)
Total long exposures after the netting of hedges	1,761,194	1,554,471
Short CFDs	45,356	32,382
Gross Asset Exposure	1,806,550	1,586,853
Net assets	1,502,866	1,243,794
Gearing (Gross Asset Exposure in excess of Net Assets)	20.2%	27.6%

20 Transactions with the Managers and Related Parties

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

Details of the current fee arrangements are given in the Directors' Report on page 22. During the year management fees of £14,193,000 (2017: £10,970,000) and accounting, administration and secretarial fees of £600,000 (2017: £600,000) were payable to the Managers. At the Balance Sheet date, management fees of £1,289,000 (2017: £2,891,000) and accounting, administration and secretarial fees of £150,000 (2017: £150,000) were accrued and included in other payables. Fidelity also provides the Company with marketing services. The total amount payable for these services was £201,000 (2017: £257,000). At the Balance Sheet date £40,000 (2017: £39,000) was accrued and included in other payables.

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and taxable benefits, relating to reasonable travel expenses, payable to the Directors are given in the Directors' Remuneration Report on pages 30 and 31. The Directors received compensation of £181,000 (2017: £194,000). In addition to the fees and taxable benefits disclosed in the Directors' Remuneration Report, this amount includes £17,000 (2017: £20,000) of employers' National Insurance Contributions paid by the Company.

Notes to the Financial Statements continued

21 Alternative Performance Measures

Total return is considered to be an alternative performance measure. NAV total return includes the reinvestment of the dividend in the NAV of the Company on the date of payment. Share price total return includes the reinvestment of the dividend in the month that the share price goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the years ended 31 March 2018 and 31 March 2017.

	Dividend rate	Net asset value per Ordinary Share	Share price
Year ended 31 March 2018			
31 March 2017	n/a	225.36p	195.70p
29 June 2017	2.50p	238.25p	206.90p
31 March 2018	n/a	272.55p	239.00p
Total return		22.2%	23.6%

	Dividend rate	Net asset value per Ordinary Share	Share price
Year ended 31 March 2017			
31 March 2016	n/a	164.18p	136.00p
23 June 2016	1.80p	160.53p	137.60p
31 March 2017	n/a	225.36p	195.70p
Total return		38.8%	45.8%

22 Post Balance Sheet Event

Trading in the shares of Clear Media was suspended on 3 April 2018. As a result, in May 2018, the valuation of the holding was decreased by 40% from £9,891,000 to £5,901,000. If this decrease in value had been applied at 31 March 2018, the net assets of the Company would have decreased by 0.27%.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity China Special Situations PLC will be held at **155 Bishopsgate, London EC2M 3YD**, on 25 July 2018 at 11.00 am for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 March 2018.
2. To declare that a final dividend for the year ended 31 March 2018 of 3.50 pence per ordinary share be paid to shareholders who appear on the register as at close of business on 22 June 2018.
3. To re-elect Mr Nicholas Bull as a Director.
4. To re-elect Mr David Causer as a Director.
5. To re-elect The Hon Peter Pleydell-Bouverie as a Director.
6. To re-elect Ms Elisabeth Scott as a Director.
7. To re-elect Ms Vera Hong Wei as a Director.
8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 29) for the year ended 31 March 2018.
9. To reappoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
10. To authorise the Directors to determine the Auditor's remuneration.

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

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

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of ordinary shares (or sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 10% of the number of ordinary shares of the Company (including Treasury shares) in issue on 11 June 2018. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority in order to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so. Any ordinary shares held in Treasury would be re-issued at no less than Net Asset Value ("NAV") per share, or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per share.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or

to grant rights to subscribe for or to convert any 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 2018) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury Shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting ("AGM") of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

12. THAT, subject to the passing of Resolution 11, as set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 11 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:
 - a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £571,354 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 11 June 2018); and
 - b) by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the NAV per share.

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

Authority to repurchase shares

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 11 June 2018 either for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases

Notice of Meeting continued

of ordinary shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share, thereby resulting in an increased NAV per share.

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 1 penny each in the capital of the Company (the "shares") provided that:
- a) the maximum number of shares hereby authorised to be purchased shall be 82,612,060;
 - b) the minimum price which may be paid for a share is 1 penny;
 - c) the maximum price (excluding expenses) which may be paid for a share is the higher of:
 - (i) an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased; and
 - (ii) the amount stipulated by Regulatory Technical Standards adopted by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;
 - d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company unless such authority is renewed prior to such time; and
 - e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

By Order of the Board
FIL Investments International
 Secretary
 11 June 2018

Notes:

1. A member of the Company entitled to attend and vote at the AGM 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 AGM 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 Registrar at the address on the form to arrive not later than 11.00 am on 23 July 2018. 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 Registrar, Link 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 11.00 am on 23 July 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 11.00 am on 23 July 2018.
6. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on 23 July 2018.

7. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
 8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.
 9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members by close of business on 23 July 2018. If the meeting is adjourned then, to be so entitled, members must be entered on the register of members at close of business on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
 10. As at 11 June 2018 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 571,354,480 ordinary shares. The number of Treasury shares held by the Company was 20,240,000. Therefore, the total number of voting rights in the Company as at 11 June 2018 was 551,114,480.
 11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
 12. Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
 13. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
 14. No Director has a service contract with the Company.
 15. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at **www.fidelityinvestmenttrusts.com**.
- Registered office: Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Glossary to the Annual Report

AIC

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

AIF

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

AIFM

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

AIFMD

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

Auditor

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

Benchmark Index

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

Cenkos Securities

The Company's Broker.

China "A" Shares

Shares traded on the Chinese Stock Exchanges in [Chinese renminbi](#). Foreign investors were unable to participate in the [China "A" Shares](#) market until the introduction of the [QFII](#) program in 2002 which provided a legal framework for licensed [QFIs](#) 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.

Depository

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

Derivatives

Financial instruments whose value is derived from the value of an underlying asset or other financial instruments 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.

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.

Initial Public Offering (IPO)

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

Investment Manager

FIL Investment Management (Hong Kong) Limited.

Investment Managers

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

Link Asset Services

The Company's Registrar. Previously Capita Asset Services.

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.

Manager

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

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.

Ongoing Charges

Ongoing charges are the regular, recurring operational expenses of the Company. Finance costs (except for interest on bank loans and overdrafts), taxation and the costs of buying and selling investments are excluded. The ongoing charges figure is calculated annually and expresses ongoing charges as a percentage of the average daily net assets for the reporting year.

Options

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

Glossary to the Annual Report continued

P Chips

Companies controlled by mainland China individuals, with the establishment and origin of the company in mainland China.

P Chips are incorporated outside of the **PRC** and traded on the Stock Exchange of Hong Kong with a majority of revenues or assets derived from mainland China.

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 – in UK sterling (after making good any cumulative underperformance, 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.

Portfolio

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

Portfolio Manager

Dale Nicholls is the appointed **Portfolio Manager** of the Company and is responsible for managing the Company's assets.

PRC

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

Pre-emption Rights

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held 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.

Premium

If the share price of the Company is higher than the **Net Asset Value per Ordinary Share**, the Company's shares are said to be trading at a **premium**. The **premium** is shown as a percentage of the **Net Asset Value per Ordinary Share**.

Prospectus

The **Prospectus** of the Company dated 7 January 2011.

QFII

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

Red Chips

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

Registrar

The entity that manages the Company's shareholder register. The Company's **Registrar** is Link Asset Services.

Return

The **return** generated in a given period from investments:

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

Capital Return – reflects the return on the capital, excluding any revenue return; and

Total Return – reflects the aggregate of revenue and capital returns.

Secretarial Agreement

The agreement between the Secretary and Company regarding the provision of company secretarial and administrative services 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.

Total Shareholder Return ("TSR")

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

Treasury Shares

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

Unlisted Investment Manager

FIL Investment Services (UK) Limited.

Unlisted Management Agreement

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

Unlisted Companies

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

Variable Interest Entity ("VIE")

A [variable interest entity](#) (VIE) is an entity where there is a controlling interest that is not based on the majority of voting rights and may result in a risk to an investor being unable to enforce their ownership rights in certain circumstances.

Variable Management Fee ("VMF")

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

Warrants

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

Shareholder Information

General Data Protection Regulation ("GDPR")

What personal data is collected and how it is used

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

Any personal data collected will be kept securely on computer systems and in some circumstances on paper. Personal information is kept secure in line with Fidelity's Information Security policies and standards. A copy of these standards is available from Fidelity's Data Protection Officer (Address: UK Data Protection Officer, Fidelity International, Beech Gate, Millfield Lane, Surrey KT20 6RP).

Sharing personal data

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

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

How long will personal data be kept for?

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

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

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

Investing in Fidelity China Special Situations PLC

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

Contact Information

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

Shareholders on the main share register

Shareholders should note that Capita Asset Services was acquired by Link Group and the new brand name is Link Asset Services. There is no change in the services offered to shareholders.

Contact Link Asset Services, Registrar to Fidelity China Special Situations PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: **0871 664 0300** (calls cost 12p per minute plus network extras. If you are outside the United Kingdom, call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm Monday to Friday, excluding public holidays in England and Wales). Email: enquiries@linkgroup.co.uk

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

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

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

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0871 664 0300** (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales).

Link Share Dealing Service

Link Asset Services offer a low cost share dealing service to buy or sell shares. Further information is available at

www.linksharedeal.com, or by telephoning **0371 664 0445** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8.00 am to 4.30 pm, Monday to Friday excluding public holidays in England and Wales). The Link Share Dealing Service allows you to deal in the shares of other companies for which Link Asset Services acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

Dividend Reinvestment Plan

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

For more information and an application pack call **0371 664 0381** between 9.00 am and 5.30 pm Monday to Friday. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Alternatively you can email: **shares@link.co.uk** or log onto **www.signalshares.com**

Fidelity Platform Investors

Contact Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ. Website: **www.fidelity.co.uk/its**.

Private investors: call free on **0800 41 41 10**, 9.00 am to 6.00 pm, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 8.00 am to 6.00 pm, Monday to Friday.

General enquiries

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

Telephone: **01732 361144**

Email: **investmenttrusts@fil.com**

Website: **www.fidelityinvestmenttrusts.com**

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

ShareGift

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

Shareholder Information continued

Managers and Advisors

Alternative Investment Fund Manager (AIFM/the Manager)

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

Investment Manager

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

Unlisted Investment Manager, Secretary and Registered Office

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

Financial Adviser and Stockbroker

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

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

Charles Russell Speechlys LLP
5 Fleet Street
London
EC4M 7RD

Banker and Custodian

JPMorgan Chase Bank
125 London Wall
London
EC2Y 5AJ

Depository

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

Registrar

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

Company Information

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

The Company is a member of the Association of Investment Companies ("AIC") from whom general information on investment trusts can be obtained by telephoning **020 7282 555** (email address: enquiries@theaic.co.uk).

Price Information

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

Investors can also obtain current share price information by telephoning Fidelity for free on **0800 41 41 10** or FT Cityline on **0905 817 1690** (voice activated service – calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary). The Reuters Code for Fidelity China Special Situations PLC is FCSS, the SEDOL is B62Z3C7 and the ISIN is GB00B62Z3C74.

NAV Information

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

Capital Gains Tax

All UK individuals under present legislation are permitted to have £11,700 of capital gains in the current tax year 2018/2019 (2017/2018: £11,300) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependant on the total amount of taxable income.

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the investment management (other than in unlisted securities) to FIL Investment Management (Hong Kong) Limited. It has delegated the investment management of the unlisted securities and the company secretarial function to FIL Investments International (another Fidelity group company). Details of current Management Agreements can be found in the Directors' Report on page 22.

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

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	<p>The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investment Management (Hong Kong) Limited (other than the unlisted securities) and for unlisted securities to FIL Investments International.</p> <p>The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.</p>	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 10 and 11.
Risk management	<p>The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management.</p> <p>The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing.</p> <p>The Board, as part of UK corporate governance, remains responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</p>	The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 11 to 13 and in Note 18 to the Financial Statements on pages 57 to 67.
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.

Alternative Investment Fund Manager's Disclosure continued

Function	AIFM Role and Responsibility	AIFMD Disclosure
Leverage	<p>The Company uses leverage to increase its exposure primarily to the stockmarkets of China and currently holds long 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.</p> <p>There are two methods of calculating leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.</p>	<p>The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. There have been no changes to the maximum level of leverage that the Company may employ during the year. At 31 March 2018, actual leverage was 1.47 for the Gross Method and 1.39 for the Commitment Method.</p>
Liquidity management	<p>The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.</p>	<p>No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 18 on page 60.</p>
Remuneration of the AIFM	<p>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).</p>	<p>Details of Fidelity International's Global Remuneration Policy can be found at www.fidelityinternational.com/global/remuneration/default.page.</p>

EU Securities Financing Transactions Regulation ("SFTR")

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

As at 31 March 2018 all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £'000	Percentage of Net Assets	Collateral Granted £'000	Collateral Received £'000
Deutsche Bank AG (UK)	(14,195)	-0.94%	13,300	
Goldman Sachs International (UK)	982	0.07%		1,177
HSBC Bank plc (UK)	(14,298)	-0.95%	8,986	
UBS AG (UK)	20,937	1.39%		23,570

Collateral granted was denominated in US dollars and held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 March 2018 from CFDs was a profit of £52,089,000.



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