

**THIS PROSPECTUS AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take or the contents of this Prospectus, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser who is authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside of the United Kingdom, without delay.**

This document comprises a prospectus (the “**Prospectus**”) relating to Fidelity China Special Situations PLC (the “**Company**”), in connection with the issue of Shares in the Company (the “**New Shares**”) pursuant to a Guernsey scheme of reconstruction and members’ voluntary winding up of abrdn China Investment Company Limited (“**ACIC**”) (the “**Scheme**”), prepared in accordance with the UK version of the EU Prospectus Regulation ((EU) 2017/1129) which is part of UK law by virtue of the European Union Withdrawal Act 2018, as amended and supplemented from time to time, including, but not limited to, by the Prospectus (Amendment etc.) (EU Exit) Regulations 2019/1234 and the Financial Services and Markets Act 2000 (Prospectus) Regulations 2019 (the “**UK Prospectus Regulation**”) and the prospectus regulation rules of the Financial Conduct Authority (the “**FCA**”) made pursuant to section 73A of FSMA (the “**Prospectus Regulation Rules**”).

This Prospectus has been approved by the FCA as competent authority under the UK Prospectus Regulation. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Company or of the quality of the Shares that are the subject of this Prospectus. This Prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of the UK Prospectus Regulation. Investors should make their own assessment as to the suitability of investing in the Shares. This Prospectus will be made available to the public in accordance with the Prospectus Regulation Rules by being made available at the Company’s website ([www.fidelity.co.uk/china](http://www.fidelity.co.uk/china)).

Applications will be made to the FCA for the New Shares to be admitted to listing on the premium segment of the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the Main Market. If the Proposals become effective, it is expected that Admission will become effective, and dealings in the New Shares will commence, on 14 March 2024.

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## **FIDELITY CHINA SPECIAL SITUATIONS PLC**

*(Incorporated in England and Wales with registered number 07133583 and registered as an investment company under section 833 of the Companies Act 2006)*

### **Prospectus relating to the Issue of New Shares pursuant to a Guernsey scheme of reconstruction and members’ voluntary winding up of abrdn China Investment Company Limited**

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The Directors of the Company, whose names appear on page 38 of this Prospectus, and the Company each accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

FIL Investment Services (UK) Limited (the “**AIFM**” or “**FISL**”) and FIL Investment Management (Hong Kong) Limited (“**FIL Hong Kong**” or the “**Investment Manager**”), respectively, each accept responsibility for the information and opinions contained in this Prospectus relating to them and all statements made by them. In particular, the AIFM and the Investment Manager each accept responsibility for the information and opinions contained in: (a) the risk factors contained under the heading ‘*Risks relating to the investment policy*’ in the Risk Factors section of this Prospectus; (b) paragraph 7 (*Net Asset Value Calculations and Valuation Policy*) of Part 3 of this Prospectus; (c) Part 2 (*Market Outlook, Investment Strategy and Investment Portfolio*) of this Prospectus; (d) paragraph 2.1 (*Managerial arrangements*) of Part 3 of this Prospectus; and (e) any other information or opinion related to or attributed to either of them or to any of their affiliates. To the best of the knowledge of the AIFM and the Investment Manager, as applicable, the information contained in this Prospectus related to or attributed to the AIFM and/or the Investment Manager, as applicable, and their affiliates is in accordance with the facts and those parts of this Prospectus for which they are responsible make no omission likely to affect their import.

Dickson Minto Advisers, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting as sponsor and financial adviser to the Company only and for no one else in connection with the Issue, the Scheme and the other arrangements referred to in this Prospectus. Dickson Minto Advisers will not regard any other person (whether or not a recipient of this Prospectus) as its client in relation to the Issue, the Scheme and the other arrangements referred to in this Prospectus and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing any advice in relation to the Issue, the Scheme, the contents of this Prospectus or any transaction or arrangement referred to in this Prospectus. This does not exclude any responsibilities that Dickson Minto Advisers may have under FSMA or the regulatory regime established thereunder.

Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto Advisers by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Dickson Minto Advisers makes no representations, express or implied, nor accepts any responsibility whatsoever for the contents of this Prospectus or for any statement made or purported to be made by it or on its behalf in connection with the Company, the Issue, the Scheme, the Shares or any other transaction or arrangement referred to in this Prospectus. Dickson Minto Advisers and its affiliates accordingly, to the fullest extent permitted by law, disclaim all and any responsibility or liability, whether arising in tort or contract or otherwise (save as referred to above), which it or they might otherwise have in respect of this Prospectus or any such statement.

Dickson Minto Advisers and its affiliates may have engaged in transactions with, and provided various financial advisory and other services to, the Company and/or the AIFM and/or the Investment Manager for which they would have received customary fees. Dickson Minto Advisers and its affiliates may provide such services to the Company and/or the AIFM and/or the Investment Manager and any of their respective affiliates in the future.

The contents of this Prospectus are not to be construed as legal, financial, business, investment or tax advice. Prospective investors should consult their own legal adviser, financial adviser or tax adviser for legal, financial, business, investment or tax advice. Investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, repurchase or other disposal of New Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of New Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of, or subscription for, New Shares. Investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, financial, business, investment, tax, or any other related matters concerning the Company and an investment therein. None of the Company, the AIFM, the Investment Manager or Dickson Minto Advisers nor any of their respective representatives is making any representation regarding the legality of an investment in the New Shares. **Prospective investors should also consider the risk factors relating to the Company set out on pages 12 to 27 of this Prospectus.**

**THE NEW SHARES ARE ONLY AVAILABLE TO ELIGIBLE ACIC SHAREHOLDERS AND ARE NOT BEING OFFERED TO EXISTING SHAREHOLDERS (SAVE TO THE EXTENT AN EXISTING SHAREHOLDER IS ALSO AN ELIGIBLE ACIC SHAREHOLDER) OR TO THE PUBLIC.**

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase, subscribe for or otherwise acquire, any securities by any person in any circumstances or jurisdiction in which such offer or solicitation would be unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company, the AIFM, the Investment Manager or Dickson Minto Advisers.

The distribution of this Prospectus and the offer of the New Shares in certain jurisdictions may be restricted by law. Other than in the United Kingdom, no action has been taken, nor will any action be taken, by the Company or Dickson Minto Advisers that would permit an offer of the New Shares or possession, issue or distribution of this Prospectus (or any other offering or publicity material relating to the New Shares) in any jurisdiction where action for that purpose is or may be required, or where doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus (or any other offering materials or publicity relating to the New Shares) comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. None of the Company, the AIFM, the Investment Manager, Dickson Minto Advisers or any of their respective affiliates or advisers, accepts any legal responsibility to any person, whether or not a prospective investor, for any such restrictions.

In particular, the New Shares described in this Prospectus have not been, and will not be, registered under the securities laws of any of Australia, Canada, Japan, New Zealand, the Republic of South Africa or any EEA Member State, or their respective territories or possessions. Accordingly, the New Shares may not (unless an exemption from such legislation or such laws is available) be offered, sold or delivered, directly or indirectly, in or into Australia, Canada, Japan, New Zealand or the Republic of South Africa or any EEA Member State, or their respective territories or possessions. Persons resident in territories other than the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to apply for, acquire, hold or dispose of the New Shares.

The New Shares are being offered or sold only: (i) outside the United States in “offshore transactions” to non-US Persons pursuant to Regulation S under the US Securities Act, and (ii) to persons that are both “qualified institutional buyers”, or “QIBs”, as defined in Rule 144A under the US Securities Act and “qualified purchasers” as defined in the US Investment Company Act (“**Qualified Purchasers**”), pursuant to an exemption from the registration requirements of the US Securities Act, and that, in the case of (ii), have executed a US Investor Representation Letter, which can be requested from Link Group at Central Square, 29 Wellington Street, Leeds LS1 4DL (or by telephone at 0371 664 0321), and returned such letter to Link Group at the same address.

In addition, the Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “**US Investment Company Act**”), and investors in the New Shares will not be entitled to the benefits of the US Investment Company Act. The New Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”) and may not be offered, sold, resold, pledged, delivered, assigned or otherwise transferred, directly or indirectly, into or within the United States or to, or for the account or benefit of, any “U.S. persons” as defined in Regulation S under the US Securities Act (“**US Persons**”), except pursuant to an exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States and in a manner which would not result in the Company being required to register under the US Investment Company Act. There has not been and there will not be any public offer of the New Shares in the United States.

This Prospectus does not address the US federal income tax considerations applicable to an investment in the New Shares. Each prospective investor should consult its own tax advisers regarding the US federal income tax consequences of any such investment.

Neither the US Securities and Exchange Commission (the “**SEC**”) nor any securities regulatory authority of any state or other jurisdiction of the United States has approved or disapproved of the New Shares or passed upon or endorsed the merits of the offering of the New Shares or the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The New Shares are also subject to restrictions on transferability and resale in certain jurisdictions and may not be transferred or resold except as permitted under applicable securities laws and regulations. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. For further information on restrictions on offers, sales and transfers of the New Shares, please refer to the section entitled “Excluded ACIC Shareholders” at paragraph 8 of Part 4 (*Details of the Scheme and the Issue*) of this Prospectus.

The publication or delivery of this Prospectus shall not under any circumstances imply that the information contained in this Prospectus is correct as at any time subsequent to the date of this Prospectus or that there has not been any change in the affairs of the Company since that date.

**Prospective investors should read this entire Prospectus and, in particular, the section entitled “Risk Factors” beginning on page 12 when considering an investment in the Company.**

16 February 2024

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# SUMMARY

## INTRODUCTION AND WARNINGS

### 1. INTRODUCTION

This Prospectus relates to the issue of ordinary shares of one penny each (the “**New Shares**”) in the capital of Fidelity China Special Situations PLC (the “**Company**”) in connection with a Guernsey scheme of reconstruction and members’ voluntary winding up of abrdn China Investment Company Limited (“**ACIC**”). The ISIN of the New Shares is GB00B62Z3C74 and the SEDOL is B62Z3C7. The LEI of the Company is 54930076MSJ0ZW67JB75 and its registered office is at Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP (Tel: 020 7961 4240).

This Prospectus was approved by the Financial Conduct Authority (the “**FCA**”) in the United Kingdom on 16 February 2024. The head office of the FCA is at 12 Endeavour Square, London E20 1JN (Tel: 020 7066 1000). Contact information for the FCA can be found at [www.fca.org.uk/contact](http://www.fca.org.uk/contact).

#### Warning

The following summary should be read as an introduction to this Prospectus. Any decision to invest in the New Shares should be based on a consideration of this Prospectus as a whole by the investor. An investor could lose all or part of the invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the New Shares.

It should be remembered that the price of the New Shares, and the income from such New Shares (if any), may go down as well as up. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who understand the potential risk of capital loss (which may be equal to the whole amount invested).

### 2. KEY INFORMATION ON THE ISSUER

#### 2.1. Who is the issuer of the securities?

The Company was incorporated and registered in England and Wales on 22 January 2010 as a private company limited by shares with registered number 07133583. It was re-registered as a public company limited by shares on 24 February 2010. The Company is an investment company under section 833 of the Companies Act. The Company’s LEI number is 54930076MSJ0ZW67JB75. The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder.

The Company is a closed-ended investment company and operates as an investment trust approved by HMRC in accordance with the Corporation Tax Act. 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 in China, both listed and unlisted, as well as Chinese companies listed elsewhere. The Company may also invest in companies with significant interests in China.

The Company has appointed FIL Investment Services (UK) Limited (the “**AIFM**” or “**FISL**”) as the Company’s alternative investment fund manager to provide overall portfolio and risk management services to the Company. The AIFM has delegated portfolio management services to FIL Investment Management (Hong Kong) Limited (“**FIL Hong Kong**” or the “**Investment Manager**”).

The Directors of the Company are as follows:

- Mike Balfour (*Chairman*);
- Alastair Bruce;
- Vanessa Donegan;
- Georgina Field;
- Gordon Orr; and
- Edward Tse.

All of the Directors are non-executive and are independent of the AIFM and the Investment Manager.

As at close of business on 14 February 2024, being the latest practicable date prior to the publication of this Prospectus, other than as set out below, there are no persons known to the Company who, directly or indirectly, are interested in three per cent. or more of the Company's issued Share capital or voting rights.

Shareholder	Number of Shares	Percentage of issued Share capital (%)
Fidelity (platform)	102,454,180	21.8
Hargreaves Lansdown	60,037,041	12.8
City of London Investment Management	50,883,200	10.8
Lazard Asset Management	43,120,596	9.2
Allan & Gill Gray Foundation	36,567,104	7.8
Interactive Investor	23,610,199	5.0

As at close of business on 14 February 2024, being the latest practicable date prior to the publication of this Prospectus, the Company and the Directors are not aware of any person who could, directly or indirectly, jointly or severally, own or exercise control over the Company, or of any arrangement the operation of which may result in a change of control of the Company. There are no different voting rights for any Shareholder.

The Company's statutory auditors are Ernst & Young LLP of 25 Churchill Place, London E14 5EY.

## 2.2. What is the key financial information regarding the issuer?

### Selected historical financial information

Selected audited financial information relating to the Company which summarises the financial condition of the Company for the financial years ended 31 March 2023 and 31 March 2022 and selected unaudited financial information relating to the Company which summarises the financial condition of the Company for the six month periods ended 30 September 2023 and 30 September 2022 is set out in the following tables.

### Income statement for closed-end funds

Nature of Information	Year ended 31 March 2023			Year ended 31 March 2022			Six months ended 30 September 2023			Six months ended 30 September 2022		
	Revenue (£'000)	Capital (£'000)	Total (£'000)	Revenue (£'000)	Capital (£'000)	Total (£'000)	Revenue (£'000)	Capital (£'000)	Total (£'000)	Revenue (£'000)	Capital (£'000)	Total (£'000)
<b>Revenue</b>												
Investment income	32,704	—	32,704	29,638	—	29,638	22,274	—	22,274	27,786	—	27,786
Derivative income	11,566	—	11,566	11,596	—	11,595	9,709	—	9,709	9,925	—	9,925
Other income	409	—	409	42	—	42	800	—	800	145	—	145
<b>Total income</b>	<b>44,679</b>	<b>—</b>	<b>44,679</b>	<b>41,275</b>	<b>—</b>	<b>41,275</b>	<b>32,783</b>	<b>—</b>	<b>32,783</b>	<b>37,856</b>	<b>—</b>	<b>37,856</b>
Losses on investments at fair value through profit or loss	—	(6,912)	(6,912)	—	(603,831)	(603,831)	—	(119,622)	(119,622)	—	(52,166)	(52,166)
Gains/(losses) on derivative instruments	—	14,971	14,971	—	(160,189)	(160,189)	—	(36,505)	(36,505)	—	(88,129)	(88,129)
Foreign exchange gains	—	8,167	8,167	—	1,429	1,429	—	(1,975)	(1,975)	—	13,614	13,614
Foreign exchange losses on bank loan	—	(4,814)	(4,814)	—	(3,569)	(3,569)	—	(1,013)	(1,013)	—	(13,800)	(13,800)
<b>Total income and gains/(losses)</b>	<b>44,679</b>	<b>11,412</b>	<b>56,091</b>	<b>41,275</b>	<b>(766,160)</b>	<b>(724,885)</b>	<b>32,783</b>	<b>(159,115)</b>	<b>(126,332)</b>	<b>37,856</b>	<b>(140,481)</b>	<b>(102,625)</b>
<b>Expenses</b>												
Investment management fees	(3,012)	11,715	(14,727)	(3,984)	(15,659)	(19,643)	(1,293)	(5,056)	(6,349)	(1,544)	(6,002)	(7,546)
Other expenses	(1,097)	(4)	(1,101)	(1,393)	(25)	(1,418)	(669)	(3)	(672)	(486)	—	(486)
<b>Profit/(loss) before finance costs and taxation</b>	<b>40,570</b>	<b>(307)</b>	<b>40,263</b>	<b>35,898</b>	<b>(781,844)</b>	<b>(745,946)</b>	<b>30,821</b>	<b>(164,174)</b>	<b>(133,353)</b>	<b>35,826</b>	<b>(146,483)</b>	<b>(110,657)</b>
Finance costs	(3,956)	(11,869)	(15,825)	(1,663)	(4,989)	(6,652)	(3,426)	(10,279)	(13,705)	(1,256)	(3,770)	(5,026)
<b>Profit/(loss) before taxation</b>	<b>36,614</b>	<b>(12,176)</b>	<b>24,438</b>	<b>34,235</b>	<b>(786,833)</b>	<b>(752,598)</b>	<b>27,395</b>	<b>(174,453)</b>	<b>(147,058)</b>	<b>34,570</b>	<b>(150,253)</b>	<b>(115,683)</b>
Taxation	(1,149)	—	(1,149)	(1,186)	—	(1,186)	(1,177)	383	(794)	(1,476)	433	(1,043)
<b>Profit/(loss) after taxation for the year</b>	<b>35,465</b>	<b>(12,176)</b>	<b>23,289</b>	<b>33,049</b>	<b>(786,833)</b>	<b>(753,784)</b>	<b>26,218</b>	<b>(174,070)</b>	<b>(147,852)</b>	<b>33,094</b>	<b>(149,820)</b>	<b>(116,726)</b>
<b>Earnings/(loss) per Share</b>	<b>7.05p</b>	<b>(2.42p)</b>	<b>4.63p</b>	<b>6.42p</b>	<b>(152.81p)</b>	<b>(146.39p)</b>	<b>5.43p</b>	<b>(36.06p)</b>	<b>(30.63p)</b>	<b>6.45p</b>	<b>(29.22p)</b>	<b>(22.77p)</b>



### **Balance sheet for closed-end funds**

<b>Nature of Information</b>	<b>Year ended 31 March 2023</b>	<b>Year ended 31 March 2022</b>	<b>Six months ended 30 September 2023</b>	<b>Six months ended 30 September 2022</b>
Net Asset Value (£'000)	1,338,421	1,400,621	1,134,476	1,232,123
Shareholders' funds (£'000)	1,338,421	1,400,621	1,134,476	1,232,123
Net Asset Value per Share (p)	274.08	272.52	238.07	244.47

### **Selected pro forma financial information**

Neither pro forma financial information nor any qualified audit report has been included in this Prospectus.

### **Additional information relevant to closed-end funds**

The data set out in the table below is as at the date of the latest published unaudited Net Asset Value of the Company as at the latest practicable date, being 14 February 2024.

<b>Share Class</b>	<b>NAV (£'000)</b>	<b>No. of Shares (excluding treasury Shares)*</b>	<b>NAV per Share (p)</b>
Ordinary	969,501	469,743,628	206.39

\* Excludes any buy backs of Shares that settled subsequent to market close on 14 February 2024.

### **2.3. What are the key risks that are specific to the issuer?**

The following are brief descriptions of what the Directors believe, at the time of publication of this Prospectus, to be the key material risks specific to the Company:

#### *Risks relating to the investment policy*

- General economic, market and political conditions, such as currency exchange rates, interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and particularly Chinese government policy (including regional stability, trade relations and financial regulations), trade barriers, currency exchange controls and national and international political circumstances and uncertainties may affect the price level, volatility and liquidity of securities and result in losses for the Company.
- The investments of the Company are subject to the risk of changes in market prices and/or macroeconomic factors, particularly in China and the East Asia Region (including interest and inflation rates, currency exchange rates and national and international political circumstances). Any such changes could have an adverse effect on the value of the Portfolio, the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares and on returns to Shareholders.
- The Company's investments are concentrated in a single country which exposes the Company to the fluctuations of a limited geographical market, adverse events associated with a single region and fewer currencies.
- The Company is also exposed to certain economic, regulatory, political, geopolitical, environmental and taxation risks specifically associated with making investments in China. In particular, an escalation in the tensions between China and the West may present a risk to the Company's investments in China. It could also result in economic sanctions being imposed against China or China (and as a result also Hong Kong) imposing its own suite of economic sanctions against the West or within China by enacting rapid and unexpected regulation, taxes and/or license requirements or other measures (including enforcement actions) in relation to the market generally and/or in relation to targeted investee companies within the Company's Portfolio and/or persons operating in China which could result in operational challenges in relation to performance and/or trade settlements and may impact the Company's ability to sell investments in the Chinese markets or transfer funds out of mainland China or Hong Kong. The Company's operational resilience may also be challenged if the Investment Manager is required to relocate from Hong Kong and/or loses or is not permitted to hold the required licences in order to operate as the Company's Investment Manager as a result of, for example, geopolitical tensions in the East Asia Region and/or changes to government policy.
- Geopolitical tensions in the Taiwan Strait region and the South China Sea dispute may also have a negative impact on the performance of the Company's Portfolio as they could result in Chinese companies being subject to reduced access to global markets and technology, potential sanctions and retaliatory measures from other nations.

- The Company is exposed to currency and foreign exchange risk as a result of holding investments denominated in currencies other than Sterling. In addition, in mainland China the government maintains two separate currencies: onshore renminbi which cannot be owned by foreigners and offshore renminbi which can be owned by any investor. The exchange rate between the two is controlled by the Chinese government. The Chinese government therefore has the ability to amend this exchange rate. Changes and fluctuations in exchange rates could have an adverse effect on the Portfolio and the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares and on returns to Shareholders.
- The Company uses Contracts for Difference and may, in the future, use bank or other long-term borrowings and potentially other forms of gearing to seek to enhance investment returns. The use of Contracts for Difference for gearing purposes has a higher level of risk than the use of bank loans and results in the Company being exposed to counterparty, correlation, illiquidity, leverage, volatility and over-the-counter trading risks.
- Derivatives and contracts for difference can involve various risks different from and, in certain cases, greater than the risks presented by other instruments. For example, potential losses from using short positions are theoretically unlimited as there is no restriction on the price to which a security may rise. In addition, derivatives involve costs that the investor would not otherwise incur through direct investments which could reduce investment returns and/or exacerbate any loss.
- The Company invests in unlisted securities, the value of which is usually more difficult to determine than the value of investments in listed companies and may be based on unaudited information and/or be subject to limited verification or other due diligence. The values of unlisted securities are often more difficult to determine and more volatile and subject to more performance uncertainties and liquidity risk. If the realised value of an unlisted investment or other asset held by the Company is less than its valuation, this may have a material adverse effect on Shareholder returns. In addition, it is unlikely that there will be a liquid market for such unlisted investments and, as a result, it may be difficult for the Company to realise its investments in unlisted securities.
- The Company invests a portion of the Portfolio in medium and smaller capitalised companies. These medium and smaller capitalised companies do not necessarily have the financial strength, operating history, diversity in terms of business lines and resources of large-cap companies and as a result they may be at risk of long-term or permanent business setbacks. They may also find it more difficult to operate in periods of economic slowdown, recession or turmoil and to maintain their dividends.

#### *Risks relating to the AIFM and the Investment Manager*

- The success of the Company is dependent on the AIFM and the Investment Manager and their expertise, key personnel (including Dale Nicholls, the Company's Portfolio Manager) and ability to source and advise appropriately on investments. As a result, the Portfolio, financial condition, results of operations, prospects and the value of the Shares could be adversely affected by: competitive pressures on the AIFM and/or the Investment Manager or the Investment Manager's ability to source and make successful investments; any failure by the AIFM or the Investment Manager to carry out due diligence and obtain relevant information on prospective investments; or any loss of key personnel (particularly the Portfolio Manager) of the AIFM or the Investment Manager and any inability to recruit appropriate replacements in a timely fashion.

#### *Risks relating to regulation, taxation and the Company's operating environment*

- Any failure by the Company to maintain HMRC approval as an investment trust or changes in taxation legislation or practice in the United Kingdom or other jurisdictions to which the Company has exposure (including the jurisdictions in which companies in the Portfolio are based, particularly China) may adversely affect the Company and the tax treatment for Shareholders investing in the Company.
- Changes in laws or regulations governing the Company's, the AIFM's or the Investment Manager's operations may have an adverse effect on the ability of the Company, the AIFM and/or the Investment Manager to carry on their respective businesses and any such changes could have an adverse effect on the Portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares.

### **3. KEY INFORMATION ON THE SECURITIES**

#### **3.1. What are the main features of the securities?**

The New Shares are ordinary shares with a nominal value of one penny each and are denominated in Sterling. The ISIN of the New Shares is GB00B62Z3C74 and the SEDOL number is B62Z3C7. The ticker code is FCSS. The issue price of the New Shares will be determined on the Calculation Date and will be released by way of an RIS announcement on or around 13 March 2024.

As at 14 February 2024, being the latest practicable date prior to the publication of this Prospectus, the issued Share capital of the Company comprised 469,743,628 fully paid Shares and an additional 85,629,548 Shares were held in treasury. This excludes any buybacks that may have settled after market close on 14 February 2024.



The New Shares will rank *pari passu* in all respects (including voting rights) with each other and the existing issued Shares (other than in respect of dividends or other distributions declared, made or paid on the existing Shares prior to the Calculation Date). In summary, the rights attaching to the Shares are:

- Dividend* The holders of Shares are entitled to such dividends as may be declared by the Company from time to time. Shares held in treasury do not receive dividends.
- Capital* On a winding up, the Shares (excluding Shares held in treasury) shall rank equally for the nominal capital paid up thereon and in respect of any surplus.
- Voting* Holders of Shares are entitled to attend, speak and vote at general meetings of the Company. Each Share (excluding Shares held in treasury) carries one vote. Treasury shares do not carry voting rights.

#### *Restrictions on the free transferability of Shares*

Subject to the terms of the Articles and applicable securities laws, there are no restrictions on the transferability of the Shares.

#### *Dividend policy*

The Company does not have a formal policy to achieve a specified level of dividend. The Company conducts its business so as to satisfy the conditions to retain approval as an investment trust under section 1158 of the Corporation Tax Act. In accordance with regulation 19 of the Investment Trust Tax Regulations, the Company does not (except to the extent permitted by those regulations) retain more than 15 per cent. of its income (as calculated for UK tax purposes) in respect of an accounting period and seeks to ensure that it distributes at least the minimum amount required to maintain investment trust status. The Board may resolve to pay dividends on the Shares from time to time in order to comply with these requirements.

In general, the Company pays one final dividend in respect of each financial year (usually payable in July each year). The Company paid a final dividend of 6.25 pence per Share in respect of the financial year ended 31 March 2023.

### **3.2. Where will the securities be traded?**

Applications will be made to the FCA for the New Shares to be admitted to listing on the premium segment of the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the Main Market. It is expected that such admissions will become effective, and dealings in the New Shares will commence, on 14 March 2024.

### **3.3. What are the key risks specific to the securities?**

The following is a brief description of what the Directors believe, at the time of publication of this Prospectus, to be the key material risks specific to an investment in the Shares:

- The market price of the Shares may not reflect the value of the underlying investments of the Company and may be subject to wide fluctuations in response to many factors. The market value of the Shares may therefore vary considerably from the Company's underlying NAV. In particular, it is possible that the Shares could trade at a value materially below their NAV for a prolonged period of time and there can be no assurance, express or implied, that Shareholders will receive back the amount of their investment in the Shares.
- It may be difficult for Shareholders to realise their investment as there may not be a liquid market in the Shares, and Shareholders have no right to have their Shares redeemed or repurchased by the Company.

## **4. KEY INFORMATION ON THE OFFER**

### **4.1. Under which conditions and timetable can I invest in this security?**

#### *Terms and conditions*

The New Shares being issued pursuant to the Issue are only available to Eligible ACIC Shareholders, pursuant to the terms of a Guernsey scheme of reconstruction and members' voluntary winding up of ACIC.

The Issue is conditional on, amongst other things:

- (a) the passing of the ACIC Resolutions to approve the Scheme and the winding up of ACIC at the ACIC General Meetings, or any adjournment thereof, any conditions of such ACIC Resolutions being fulfilled and the Scheme becoming unconditional in all respects (including the Transfer Agreement becoming unconditional in all respects);
- (b) the passing of the Resolution to approve the issue of the New Shares at the General Meeting, or any adjournment thereof, and such Resolution becoming unconditional in all respects;

- (c) the FCA agreeing to admit the New Shares to listing on the Official List and the London Stock Exchange agreeing to admit the New Shares to trading on its Main Market, subject only to allotment; and
- (d) the Directors and the ACIC Directors resolving to proceed with the Scheme.

Unless the conditions referred to above have been satisfied or, to the extent permitted, waived by both the Company and ACIC on or before 31 March 2024 (or such later date as may be agreed by the Company and ACIC), no part of the Proposals will become effective and no New Shares will be issued pursuant to the Scheme.

## 4.2. Expected timetable

2024

### General Meeting

Publication of the Circular and Notice of General Meeting	16 February
Latest time and date for receipt of Forms of Proxy and appointment of proxies by electronic means for the General Meeting	3.00 p.m. on 7 March
General Meeting	3.00 p.m. on 11 March
Announcement of results of the General Meeting	11 March

### Scheme

Publication of this Prospectus	16 February
Calculation Date for the Scheme	5.00 p.m. on 6 March
Record Date for entitlements under the Scheme	6.00 p.m. on 6 March
Suspension of trading of ACIC Shares	7.30 a.m. on 7 March
Announcement of elections under the Scheme	8 March
First ACIC General Meeting	9.00 a.m. on 11 March
Reclassification of ACIC Shares	8.00 a.m. on 12 March
Suspension of listing of Reclassified ACIC Shares and ACIC register closes	7.30 a.m. on 13 March
Second ACIC General Meeting	9.00 a.m. on 13 March
Effective Date of implementation of the Scheme	13 March
Announcement of results of the Scheme and respective FAVs	13 March
Admission and dealings in New Shares commence	8.00 a.m. on 14 March
CREST Accounts credited in respect of New Shares in uncertificated form	as soon as is reasonably practicable on 14 March
Certificates despatched by post in respect of New Shares held in certificated form	no later than 27 March
Cancellation of listing of ACIC Shares	as soon as practicable after the Effective Date

**Note:** All references to time in this Prospectus are to UK time. Each of the times and dates in the above expected timetable (other than in relation to the general meetings) may be extended or brought forward. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service.

### Details of Admission

The Shares are currently listed on the premium segment of the Official List of the FCA and traded on the Main Market. Applications will be made to the FCA for the New Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the Main Market. If the Scheme becomes effective, it is expected that the New Shares will be admitted to the Official List, and dealings in the New Shares will commence on the Main Market, on 14 March 2024.

### Distribution

The Company will notify ACIC Shareholders of the number of New Shares to which each Eligible ACIC Shareholder is entitled and the results of the Scheme will be announced by the Company on or around 13 March 2024 via an RIS announcement.

The New Shares will be available to be issued in either certificated form or uncertificated form. Where applicable, share certificates are expected to be despatched by post within 14 calendar days of the Effective Date.

### Dilution

Unless they also hold ACIC Shares at the relevant date, Existing Shareholders are not able to participate in the Issue and will experience a dilution to the percentage of the issued share capital that their current holding represents based on the actual number of New Shares issued under the Scheme.

*For illustrative purposes only*, if 60,648,754 New Shares were to be issued (being the estimated number of Shares that will be issued pursuant to the Issue, assuming that 33 per cent. of the total ACIC Shares in issue (excluding ACIC Shares held in treasury) are elected, or are deemed to be elected, for the Cash Option, and that the ratio between the FCSS FAV per Share and the Rollover FAV per ACIC Share is 2.122289) then, based on the issued share capital of the Company as at 14 February 2024, and assuming that: (i) an Existing Shareholder is not an Eligible ACIC Shareholder and is therefore not able to participate in the Issue; and (ii) there had been no change to the Company's issued share capital prior to Admission, an Existing Shareholder holding 1.0 per cent. of the Enlarged Company's issued Share capital as at 14 February 2024 would then hold approximately 0.89 per cent. of the Company's issued share capital immediately following the Issue. If no ACIC Shares are elected, or deemed elected, for the Cash Option but the assumptions above otherwise remain the same, 87,709,705 New Shares would be issued under the Scheme and an Existing Shareholder holding 1.0 per cent. of the Company's issued share capital as at 14 February 2024 would then hold approximately 0.84 per cent. of the Enlarged Company's issued share capital immediately following the Issue.

#### *Expenses of the Scheme and Issue*

Subject as noted below, in the event that the Scheme is implemented, the Company and ACIC have each agreed to bear their own costs associated with the Scheme and the Proposals. The fixed direct costs of the Proposals payable by the Company (that is, excluding listing fees) are estimated to be approximately £617,000 (including irrecoverable VAT).

Any costs of realignment/realisation of the ACIC Portfolio incurred prior to the Scheme becoming effective will be borne by ACIC. In addition, ACIC will bear any sales or acquisition costs, including any commissions, taxes (including stamp duty), transaction charges and/or market charges, associated with the transfer of the Rollover Pool to the Company. The listing fees in respect of the listing of the New Shares issued in connection with the Scheme will be borne by the Company.

In the event that implementation of the Scheme does not proceed, each party will bear its own costs.

The AIFM has agreed to make a material contribution towards the costs of the Proposals. The Fidelity Contribution will constitute a contribution of £500,000 plus an amount equal to eight months of management fees that would otherwise be payable by the Enlarged Company to the AIFM and the Investment Manager under the AIFM Agreement and Investment Management Agreement, respectively, in respect of the assets to be transferred by ACIC to the Company pursuant to the Scheme. The Fidelity Contribution will first be applied to meet the Company's costs in respect of the Proposals up to a maximum of £1 million with the balance, if any, being applied towards ACIC's costs in respect of the Scheme. For the avoidance of doubt, the Fidelity Contribution will be reflected in the calculation of the FCSS FAV and the Rollover FAV.

No expenses will be charged directly to investors by the Company in connection with the Issue or Admission.

#### **4.3. Why is the Prospectus being produced?**

As announced on 28 November 2023, the Board has agreed heads of terms with the Board of ACIC in respect of a proposed combination of the assets of the Company with the assets of ACIC. The combination, if approved by Shareholders and ACIC Shareholders, will be effected by way of the Scheme and the associated transfer of part of the cash, assets and undertaking of ACIC to the Company in exchange for the issue of New Shares. Under the proposed terms of the Scheme, subject to the passing of the Resolution to be proposed at the General Meeting to approve the issue of New Shares in connection with the Scheme and subject to the satisfaction of the other conditions (details of which are set out above), ACIC will be placed into members' voluntary liquidation and part of its cash, assets and undertaking transferred to the Company in consideration for the issue of New Shares in the Company of an equivalent value to the Liquidators, who will renounce such New Shares in favour of Eligible ACIC Shareholders who are deemed to elect for the Rollover Option under the Scheme.

The New Shares are being issued to Eligible ACIC Shareholders, and to the Liquidators appointed in respect of Excluded ACIC Shareholders, in consideration for the transfer of the Rollover Pool to the Company. The Rollover Pool will consist of investments aligned with the Company's investment objective and policy as at the Effective Date, together with cash and cash equivalents. Any cash in the Rollover Pool and any proceeds of the realisation of cash equivalents in the Rollover Pool will be used to acquire investments in accordance with the Company's investment policy.

The Issue will not be underwritten.

There are no conflicts of interest that are material to the Issue or the Admission.

## RISK FACTORS

An investment in the Shares carries a number of risks including the risk that the entire investment may be lost. In addition to all other information set out in this Prospectus, the following specific factors should be considered when deciding whether to make an investment in, or otherwise acquire, the Shares. The risks set out below are those that are considered to be the material risks relating to an investment in the Shares as at the date of this Prospectus but are not the only risks relating to the Shares or the Company. No assurance can be given that Shareholders will realise profit on, or recover the value of, their investment in the Shares, or that the Company will achieve any of its target returns. It should be remembered that the price of securities, and the income from them, can go down as well as up.

The success of the Company will depend on the ability of the Investment Manager to pursue the investment policy of the Company successfully and on broader market conditions and the risk factors set out below.

Prospective investors should note that the risks relating to the Company, its investment policy and strategy and the Shares summarised in the section of this Prospectus headed “Summary” are the risks that the Directors believe to be the most material to an assessment by a potential investor of whether to consider an investment in the Shares. However, as the risks that the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed “Summary” but also, among other things, the risks and uncertainties described in this “Risk Factors” section of this Prospectus. Additional risks and uncertainties not currently known to the Company or the Directors or that the Company or the Directors consider to be immaterial as at the date of this Prospectus may also have a material adverse effect on the Company’s financial condition, business, prospects and results of operations and, consequently, the Company’s NAV and/or the market price of the Shares.

Potential investors in the Shares should review this Prospectus carefully and in its entirety and consult with their professional advisers before acquiring/receiving the Shares.

### RISKS RELATING TO THE COMPANY

#### **The Company has no employees and is reliant on the performance of third-party service providers**

The Company has no employees and the Directors have been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third-party service providers (and their delegates) for its executive functions. In particular, the AIFM, the Investment Manager, the Registrar and the Depositary (and their delegates) will be performing services which are integral to the operation of the Company. Misconduct by employees of those service providers and/or their delegates, any failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment, any reputational damage suffered by any service provider and/or the termination of those appointments could have an adverse effect on the Portfolio and the Company’s financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares.

#### **The Company is subject to the risk of cybersecurity breaches**

The information and technology systems of the Company and its service providers (including, in particular, the AIFM and Investment Manager) and their delegates may be vulnerable to operational, information security and related risks resulting from failures of or breaches in cybersecurity, including damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorised persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

A failure of, or breach in, cybersecurity (“**cyber incidents**”) may cause disruption and impact business operations, potentially resulting in financial losses, interference with the ability to calculate the

Company's Net Asset Value, impediments to trading, the inability of Shareholders to subscribe for, exchange or sell Shares, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

While the AIFM and the Investment Manager, along with other service providers (and their delegates), have established business continuity plans in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cyber incidents, there are inherent limitations in such plans, strategies, systems, policies and procedures, including the possibility that certain risks have not been identified. Furthermore, none of the Company, the AIFM or the Investment Manager and/or the other service providers (or their delegates) can control the cybersecurity plans, strategies, systems, policies and procedures put in place by the entities in which the Company invests.

## **RISKS RELATING TO THE INVESTMENT POLICY**

### **There can be no guarantee that the Company will achieve its investment objective or that investors will get back the full value of their investment**

The success of the Company is dependent on the continued ability of the Investment Manager to pursue the Company's investment objective and policy successfully. There can be no assurance that the Investment Manager will continue to be successful in pursuing the Company's investment objective and policy or that the Investment Manager will be able to invest the Company's assets on attractive terms, generate any investment returns for the Company's investors, pay a dividend or avoid investment losses. In addition, the success of the Company will depend on the performance of, and continued access to, stock and securities markets in China and the Chinese economy more broadly.

### **The investments of the Company are subject to the risk of changes in market prices and/or macroeconomic factors, particularly in China and the East Asia Region**

The Company is dependent upon the Investment Manager's successful implementation of the Company's investment policy and ultimately on the Investment Manager's ability to create an investment portfolio capable of generating attractive returns. The Company is at risk from the failure of the investment strategy implemented by the Investment Manager resulting from changes in market prices and/or macroeconomic factors. As a result of the focused geographic scope of the Company's investment policy, the Company is particularly influenced by changes in economic and market conditions and practices and/or macroeconomic and political risks, particularly in China and the East Asia Region.

The Company's investments and overall returns are subject to risks arising from deflation in China and from higher interest rates associated with high levels of inflation outside of China driven by increased energy costs, shortages of goods and materials, the lingering after-effects of the Covid-19 pandemic, the current conflict in Ukraine and conflict and rising geopolitical tensions in the Middle East and would also be subject to risks arising from any increase in political tensions in the East Asia Region.

The performance of the Company's investments depends to a great extent on correct assessments of the future course of market price movements and economic cycles. There can be no assurance that the Investment Manager will be able to predict accurately these price movements or cycles.

General economic, market and political conditions, such as currency exchange rates, interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and particularly Chinese government policy (including regional stability, trade relations and financial regulations), trade barriers, currency exchange controls and national and international political circumstances and uncertainties may affect the price level, volatility and liquidity of securities and result in losses for the Company. In particular, rising inflation has led central banks to increase interest rates and created volatility in global stock markets. This could have an adverse effect on the value of the Portfolio, the Company's financial condition, results of operations and prospects, with a consequential adverse effect on returns to Shareholders and the market value of the Shares.

Other external factors, including those resulting from war (in particular, the current conflicts in Ukraine and the Middle East or any increase in political tensions in the East Asia Region and any potential future conflict), tensions between nations, incidents of terrorism, major environmental events, pandemics, or responses to such events (such as Covid-19 policies adopted globally (as well as in China) that



dampened economic activity and impacted global supply chains) could also have an adverse effect on the value of the Portfolio, the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares and on returns to Shareholders.

### **The Company is exposed to geographical concentration risk**

Pursuant to its investment policy, the Company invests primarily in securities issued by companies in China, both listed and unlisted, as well as Chinese companies listed elsewhere. Having a portfolio that is concentrated in a single country is generally considered to be a higher risk investment strategy than investing more widely, as it exposes the Company to the factors that determine the market value for the area of focus and particularly to the fluctuations of a limited geographical market, adverse events associated with a single region (including relations (both political and trade) with the other countries within the East Asia Region as well as globally) and fewer currencies. Any adverse effect on the relevant markets and/or the value of the relevant currencies could lead to higher volatility in the Company's portfolio and have an adverse effect on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares.

### **The Company is exposed to economic and regulatory risks associated with investments in China**

The Company invests in securities that are economically tied to China, which exposes the Company to certain economic and regulatory risks associated with investments in China, including (without limitation):

- adverse changes in local economic and political stability in China and/or the East Asia Region, particularly where such situations impact the revenues generated by companies that are economically tied to China, returns made to overseas investors in such companies, or other investor rights in relation to such companies (such as liquidity rights);
- the ability of China's centralised government to enact regulation rapidly and unexpectedly, which can adversely affect sectors or individual companies and, as a result, affect their stock market prices negatively;
- unexpected changes in the regulatory environment, such as changes to China's rules relating to: (i) investor protection or liquidity rights; (ii) listing on Chinese stock markets, particularly where such rules become materially more burdensome for a company in the Portfolio; (iii) payment of returns to overseas investors (whether as capital or income); or (iv) eligibility (and operational ability) of overseas investors to invest in companies located in China, including companies in the Portfolio;
- changes in the Chinese government's economic targets and policy setting, which have recently become more conservative and stability-oriented;
- the vulnerability of the Chinese economy to uncertain world growth prospects, tightening global financial conditions, energy costs, rising food prices and currency instability;
- tax systems that may have an adverse effect on the revenue received by the Company and, in particular, regulations relating to the imposition of any withholding taxes on the repatriation of capital or income from China; and
- limitations on the ability of outside authorities to enforce actions against companies and persons located or operating in China and limitations on the rights and remedies of investors as a matter of law.

In addition, the legal rights of investors in mainland China are uncertain and, in particular, it is uncertain whether a court would protect an investor's right to securities it purchased via Stock Connect programs, the China Interbank Bond Market or other methods whose regulations are untested and subject to change. The structure of these schemes does not require full accountability of some of its component entities and leaves investors with relatively little standing to take legal action in mainland China. Government intervention is also common and unpredictable, some of the major trading and custody systems are unproven, and all types of investments are likely to have comparatively high volatility and greater liquidity and counterparty risks.



Furthermore, Chinese security exchanges or the Chinese authorities may tax, limit or place a ban on short-swing profits, recall eligible stocks, set or change quotas (in respect of maximum trading volumes, either at the investor level or at the market level) or otherwise block, limit, restrict or delay trading, hampering or preventing the implementation of the Company's investment strategy.

Any of the above may have an adverse effect on the value of a company in the Portfolio and income received by the Company from the relevant company in the Portfolio, which may in turn have an adverse effect on the Company's financial condition, business, prospects and results of operations and, consequently, the Company's Net Asset Value and/or the market price of the Shares, and the returns generated for Shareholders.

In addition, any uncertainty surrounding China's legal and regulatory systems and market infrastructure could have an adverse impact on investor confidence in the Chinese market, which could have a resultant impact on the value and liquidity of the Company's investments in China.

### **The Company is exposed to political and geopolitical risks associated with investments in China**

The Company is exposed to certain geopolitical risks associated with pursuing an investment policy predicated on investing in the securities of companies that have direct exposure to China. In particular, there are currently continuing political and trade tensions between China and certain countries within the East Asia Region and countries in the West. Any escalation of these tensions could adversely affect the performance of the Chinese securities in which the Company invests. It could also result in economic sanctions being imposed against China or China (and, as a result, also Hong Kong) imposing its own suite of economic sanctions against such countries or within China by enacting rapid and unexpected regulation, taxes, licence requirements or other measures (including enforcement actions) in relation to the market generally and/or in relation to targeted investee companies within the Company's Portfolio and/or persons operating in China. The imposition of such sanctions could result in operational challenges in relation to trade settlements and may impact the Company's ability to sell investments in the mainland Chinese or Hong Kong markets or transfer funds out of mainland China or Hong Kong, which may adversely impact the Company's Net Asset Value and/or the market price of the Shares, and the returns generated for Shareholders. The imposition of such sanctions could also adversely impact the Company's FTSE status.

The current conflicts in Ukraine and the Middle East have the potential to exacerbate existing tensions between China and the West, particularly in the light of China's historical ties to Russia and the pro-Palestinian cause which elevates the uncertainty on the role China might play in these conflicts. Any intervention by China in either of these conflicts risks further polarising relations between China and the West.

Geopolitical tensions in the Taiwan Strait region and the South China Sea dispute may also have a negative impact on the performance of the Company's Portfolio as they could result in Chinese companies being subject to reduced access to global markets and technology, potential sanctions and retaliatory measures from other nations. Holding investments in sanctioned companies within the Portfolio could lead to the Company's shares being excluded from certain stock market indices (including FTSE Russell indices) which may, in turn, require certain Shareholders to sell their Shares in the Company and adversely affect the market price of the Shares and the returns to Shareholders.

The Company's operational resilience may also be challenged if the Investment Manager is required to relocate from Hong Kong and/or loses or is not permitted to hold the required licences in order to operate as the Company's Investment Manager as a result of, for example, geopolitical tensions in the East Asia Region and/or changes to government policy which could have a material adverse impact on the ability to trade settlements and sell (or buy) investments, resulting in an adverse impact on the Company's Net Asset Value and/or the market price of the Shares. This may also have an adverse impact on the operating costs of the Company if new licences need to be acquired and/or other third party service providers (with the required licences) are required to be appointed by the Company which may adversely impact the Company's Net Asset Value and/or the returns generated for Shareholders.

Crystallisation of any of these risks could have an adverse effect on the Portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares.

**The Company's investments may be adversely affected by poor performance of a particular sector or industry**

The Company's investments are intended to be diversified by sector and industry. The Company's returns may, however, still be adversely affected by the unfavourable performance of particular sectors or industries if such unfavourable performance adversely affects the performance or prospects of companies in the Portfolio operating in those sectors or industries. There are certain sectors which can be subject to higher levels of risk than others. For example, technology and innovation companies tend to have above-average volatility. The success or failure of a product or company can change rapidly with new developments in technology, consumer preference and regulation as well as the outcome of lawsuits, mergers and changes in personnel or strategy. Technology and innovation companies are also likely to be more vulnerable to supply chain disruptions, high employee turnover and workplace welfare issues. The technology sector also has above average cyber security risk because of its disproportionately large online presence.

These increased risks and their adverse effects may be amplified if more companies in the Portfolio are in, or connected to, the affected sector or industry (in other words, if the Portfolio has a greater concentration of investments in any affected sector or industry). As a result, these risks could have an adverse effect on the value of the Portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares and on returns to Shareholders.

**The Company is, and may continue to be, exposed to the risks associated with investing in unlisted securities**

The Company has, and may in the future have, investments in unlisted private companies and will make investments in unlisted private companies if the Investment Manager identifies attractive investment opportunities. It is unlikely that there will be a liquid market for the shares and other securities that the Company holds in unlisted investee companies and, therefore, it may be difficult for the Company to realise such investments. The risks associated with continuing political and trade tensions between China, certain countries within the East Asia Region and the West, and any escalation of these tensions, could have a greater adverse effect on the performance of an unlisted Chinese security and they could make it harder for the Company to sell such investments which may adversely impact the Company's Net Asset Value and/or the market price of the Shares, and the returns generated for Shareholders. In addition, the values of unlisted investments are often more difficult to determine than the value of investments in listed companies. Valuations of the unlisted investments may be based on unaudited information and may be subject to limited verification or other due diligence. The valuations may also be more volatile and subject to more performance uncertainties and liquidity risk. If the realised value of an unlisted investment or other asset held by the Company is less than its valuation, this may have a material adverse effect on Shareholder returns.

**The Company invests in small-cap companies**

The Company invests a portion of the Portfolio in medium and smaller capitalised companies. These medium and smaller capitalised companies do not necessarily have the financial strength, operating history, diversity in terms of business lines and resources of large-cap companies and, as a result, they may be at risk of long-term or permanent business setbacks. They may also find it more difficult to operate in periods of economic slowdown, recession or turmoil and to maintain their dividends. In addition, the capitalisation of such companies could make the market in their shares less liquid and, as a consequence, the Company may be unable to liquidate all or a portion of its positions in such securities in a timely manner. In addition, the market prices can be more volatile and the Company may not be able to realise what it perceives to be their fair value in the event of a sale. All of these factors may have an adverse effect on the value of the Portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares and on returns to Shareholders.

**The Company is exposed to risks associated with investing in emerging markets**

Emerging markets are less established, and more volatile, than developed markets. They involve higher risks, particularly market, credit, illiquid security, legal, custody, valuation, and currency risks, and are more likely to experience risks that in developed markets are associated with unusual market conditions. The category of emerging markets includes countries such as China that have successful

economies but may not offer the highest levels of investor protection. Securities markets may also suffer from impaired efficiency and liquidity, which may worsen price volatility and market disruptions. The risks of expropriation, nationalisation and social, political and economic instability or volatility are greater in emerging markets than in more developed markets.

Settlement and custody systems in emerging markets are not as well developed as those in developed markets. Standards may not be as high and supervisory and regulatory authorities not as sophisticated or transparent. As a result, there may be risks that settlement may be delayed and that the value of the Company's cash or securities could be disadvantaged.

**The Company is exposed to risks associated with investing in variable interest entity structures**

The Company has exposure to a number of companies with all or part of their business in variable interest entity structures in China. A variable interest entity structure facilitates foreign investment in sectors of the Chinese domestic economy that prohibit foreign ownership. The essential purpose of the variable interest entity structure is to convey the economic benefits and operational control of ownership without direct equity ownership itself. As these entities have a controlling interest that is not based on the majority of voting rights, there is a risk of investors being unable to enforce their ownership rights in certain circumstances.

There is also a risk that investments in these structures may be adversely affected by changes in the legal and regulatory framework. In particular, the China Securities Regulatory Commission announced in December 2021 that companies that operate with a variable interest entity structure will require approval from the China Securities Regulatory Commission to list overseas and will be required to comply with Chinese laws. These rules are meant to ease the regulatory uncertainty surrounding the use of these structures, but may impact their usage going forward. Any future changes to the rules regarding the use of variable interest entity structures that further restrict foreign ownership in the Chinese domestic economy could make it impossible or undesirable for the Company to maintain its exposure to variable interest entity structures, necessitating the divestment of the Company's investments in these structures. This could have an adverse effect on the Portfolio and the Company's financial condition and the level of divestment required could alter the Company's FTSE status.

**The Company's investments may be adversely affected by the failure of investee companies to recognise the risks associated with climate change or comply with applicable environmental, social and governance standards**

The Company invests in the securities of trading companies and any failure of these companies to respond to climate related issues, meet environmental targets or comply with applicable climate related regulations may adversely impact investor sentiment towards such companies and/or result in regulatory fines or sanctions being levied on such companies. Given the Company's focus on China, the climate credentials of its investee companies may be less favourable in comparison to similar companies in developed Western markets. Furthermore, the proprietary ESG scoring process is based on third party data and such data may be incomplete or inaccurate. This could adversely impact the performance and the value of an investment in the relevant company.

There is also a risk that any failure of the Company's investee companies to comply with applicable environmental, social and governance factors or engagement by these companies in otherwise unethical practices could adversely impact the performance of such companies and/or result in regulatory fines or sanctions being levied on such companies, which may adversely impact the performance and value of an investment in the relevant company. Any decrease in performance or value as a result of a perceived failure of an investee company to recognise the risks associated with climate change or to comply with applicable environmental, social and governance standards could have an adverse effect on the Portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares and on returns to Shareholders.

**The Company is, and will continue to be, exposed to foreign exchange risk**

The Company has, and will in the future have, investments denominated in currencies other than Sterling, including Chinese onshore and offshore renminbi, Hong Kong dollars and US dollars.

In mainland China, the government maintains two separate currencies: onshore renminbi (CNY), which must remain within mainland China and generally cannot be owned by foreigners, and offshore renminbi (CNH), which can be owned by any investor. The exchange rate between the two, and the extent to which currency exchanges involving CNH are allowed, are managed by the Chinese government, based on a combination of market and policy considerations. The Chinese government therefore has control over the exchange rate and any changes made by the Chinese government could have an adverse effect on the Portfolio and the Company's financial condition, results of operations and prospects of the Company.

The Company is, and will continue to be, exposed to foreign exchange risk through exchange rate movements. Changes in the rates of exchange between Sterling and any currency will cause the value of any investment denominated in that currency, and any income arising out of the relevant investment, to go down or up in Sterling terms. Exchange rates could, therefore, reduce investment gains or income, or increase investment losses, in some cases significantly. In addition, exchange rates can change rapidly and unpredictably. It may be difficult to unwind exposure to a given currency in time to avoid losses particularly given the Portfolio's exposure to Chinese securities and given that the Chinese renminbi is tightly controlled by the Chinese government. Changes in exchange rates can be influenced by such factors as export-import balances, economic and political trends, governmental intervention, and investor speculation.

Intervention by a central bank, such as aggressive buying or selling of currencies, changes in interest rates, restrictions on capital movements or a "de-pegging" of one currency to another, could cause abrupt or long-term changes in relative currency values.

Such currency exposure could have an adverse effect on the value of the Portfolio and the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares and on returns to Shareholders.

**The Company may accumulate investment positions which represent more than normal daily trading volumes which may make it difficult to realise investments and may lead to volatility in the market price of the Shares**

Trading volumes in certain securities within the Company's Portfolio can be low. The Company may accumulate investment positions that represent a significant multiple of the daily trading volumes of an investment which may result in a lack of liquidity and price volatility. Accordingly, the Company will not necessarily be able to realise, within a short period of time, the complete sale of a given position due to liquidity constraints. As a result, any such realisation that may be achieved may be at considerably lower prices than the Company's valuation of that investment for the purpose of calculating the NAV per Share, which may lead to volatility in the market price of the Shares.

**The review process that the Investment Manager undertakes in evaluating the Company's investments may not reveal all facts that may be relevant in connection with such investments**

Before making investments in accordance with the Company's investment policy, the Investment Manager conducts such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. There can be no assurance that due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating that investment opportunity.

The investments in the Portfolio are also subject to ongoing review by the Investment Manager. There can similarly be no assurance that such ongoing review will reveal or highlight all relevant facts that may be necessary or helpful in evaluating the best course of action to take in respect of individual investments within the Portfolio or the Portfolio as a whole.

Any failure by the Investment Manager to identify relevant facts through the due diligence and ongoing review process or any errors of judgement within that review may lead to unsuccessful investment decisions being made, which could have an adverse effect on the value of the Portfolio, the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares and on returns to Shareholders.

**The Company's investment strategy may involve the use of leverage, which exposes the Company to risks associated with leverage**

The Company uses Contracts for Difference and may, in the future, use bank or other long-term borrowings and potentially other forms of gearing, to seek to enhance investment returns. The use of contracts for difference for gearing purposes has a higher level of risk than the use of bank loans and results in the Company being exposed to counterparty, correlation, illiquidity, leverage, volatility and over-the-counter trading risks.

As a result of gearing, any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its NAV (which is likely to adversely affect the price at which the Company's Shares are trading relative to its Net Asset Value). Any reduction in the number of Shares in issue (for example, as a result of share buybacks) will, in the absence of a corresponding reduction in gearing, result in an increase in the Company's level of gearing.

To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments. No assurance can be given that any sales of the Company's investments would realise proceeds that would be sufficient to repay its borrowings.

The Company may employ hedging techniques designed to reduce the risk of adverse movements in exchange rates and/or, if the Company takes out any further borrowings in the future, interest rates. However, such strategies may also result in losses and overall poorer performance than if the Company had not entered into such hedging transactions.

If the Company takes on borrowings in the future, such use of borrowings should enhance the total return on the Shares where the return on the Company's underlying assets is positive and exceeds the cost of the borrowings, it will have the opposite effect where the return on the Company's underlying assets is at a lower rate than the cost of the borrowings, reducing the total return on the Shares. As a result, the use of borrowings by the Company may increase the volatility of the NAV per Share.

As at the date of this Prospectus, the Board has no current intention to put any bank or other longer-term borrowings in place for the purpose of seeking to enhance the Company's investment returns, and the Company does not require (and will not be required to initiate) any such borrowings within the next 12 months to support, or as a result of any concerns around, the Company's working capital. Nothing in this risk factor is intended to qualify the statement as to the sufficiency of the Company's working capital that is set out in paragraph 8 of Part 5 of this Prospectus.

**The Company is subject to risks associated with any hedging or derivative transactions in which it participates**

The Company uses derivatives, particularly contracts for difference, for the purpose of efficient portfolio management, gearing and hedging purposes, as well as to enhance portfolio performance. Derivatives are subject to the risks of the underlying asset(s), typically in modified and greatly amplified form. They can also involve various risks different from, and in certain cases, greater than the risks presented by other instruments. For example, potential losses from using short positions are theoretically unlimited as there is no restriction on the price to which a security may rise. In addition, derivatives involve costs that the investor would not otherwise incur through direct investments which could reduce investment returns and/or exacerbate any loss. The primary risks related to derivative transactions include counterparty, correlation, illiquidity, leverage, volatility and over-the-counter trading risks.

Counterparty risk is the risk that a counterparty in a derivative transaction will not fulfil its contractual or financial obligations to the Company or the risk that the reference entity in a swap or similar derivative will not fulfil its contractual or financial obligations. There is a risk that such reference entity becomes bankrupt, that a serious natural or human-caused disaster or other "*force majeure*" event may occur (resulting in the counterparty being released from its obligations and not liable for any losses); and/or in some jurisdictions, collateral agreements (even those using industry-standard language) could prove difficult or impossible to enforce.



Correlation risk is the risk that an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Company from achieving the intended hedging effect or expose the Company to the risk of loss. Small movements in the value of an underlying asset can create large changes in the value of a derivative and expose the portfolio to losses that could be greater than the cost of the derivative itself. Under any of the following circumstances, the value of collateral might not cover the full value of a transaction, or any fees or returns owed:

- the collateral declines in value; this risk is greatest when there is a material delay in the return of assets by the counterparty, but during times of market volatility it can occur even during the short lag between the placement and settlement of a collateral-related transaction, or between when the need for collateral is calculated and when the fund receives the collateral;
- the collateral yields less income than anticipated;
- the investor/their delegate or a counterparty has mispriced the collateral; and/or
- collateral that is used to cover a counterparty's default may take time to liquidate.

For any cash collateral invested, the circumstances immediately above could also create leverage (and consequently volatility) or expose the client to assets inconsistent with its objective.

Liquidity risk is the risk that derivative transactions may not be liquid in all circumstances, such that in volatile markets or difficult market conditions it may not be possible to close out a position without incurring a loss or it may be impossible or unfeasible to place orders that would limit or offset the market exposure or financial losses created.

Leverage may be generated through the use of such financial instruments, which inherently contain much greater leverage than a non-margined purchase of the underlying security or instrument. This is due to the fact that, generally, only a very small portion (and in some cases none) of the value of the underlying security or instrument is required to be paid in order to make such leveraged investments. As a result of any leverage employed by the Company, small changes in the value of the underlying assets may cause a relatively large change in the Net Asset Value of the Company. A small investment in derivatives could have a large potential impact on the Company's performance, effecting a form of investment leverage on the Portfolio. In certain types of derivative transactions, the entire amount of the investment could be lost. In other types of derivative transactions, the potential loss is theoretically unlimited.

Volatility risk is the risk resulting from the fact that the prices of many derivative instruments, including many options and swaps, are highly volatile, due to being influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and national and international political and economic events and policies (for example, a change in tax, accounting, or securities laws or standards could cause the value of a derivative to fall or could force the portfolio to terminate a derivative position under disadvantageous circumstances), as well as (in the case of options and swaps agreements) the price of the securities or currencies underlying the relevant derivative agreement.

Although exchange traded securities involve settlement risk, transactions in over-the-counter ("OTC") contracts may involve additional risk as there is no exchange market on which to close out an open position. They are less regulated than market-traded securities, carry greater counterparty and liquidity risks, and their pricing is more subjective. In addition, if a counterparty ceases to offer a derivative, there may not be a comparable derivative readily available elsewhere at the appropriate time. An opportunity for a gain may be missed or the Company may find itself unexpectedly exposed to risks or losses, including losses from a derivative position for which it was unable to buy an offsetting derivative.

Some derivatives, in particular futures, options, total return swaps, and contracts for difference may involve margin borrowing, meaning that the portfolio could be forced to choose between liquidating securities to meet a margin call or taking a loss on a position that might, if held longer, have yielded a smaller loss or a gain.

Volatility risk is the risk resulting from the fact that the prices of many derivative instruments, including many options and swaps, are highly volatile, due to being influenced by, among other things, interest



rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and national and international political and economic events and policies, as well as (in the case of options and swaps agreements) the price of the securities or currencies underlying the relevant derivative agreement.

Accordingly, the Company's use of derivative instruments may expose the Company to greater risk and have a material adverse effect on the Company's performance.

## **RISKS RELATING TO THE AIFM AND INVESTMENT MANAGER**

### **The success of the Company is dependent on the AIFM and the Investment Manager and their expertise, key personnel, and ability to source and advise appropriately on investments**

In accordance with the Management Agreement, the AIFM is solely responsible for the management of the Company's investments, with the AIFM delegating its portfolio management responsibilities to the Investment Manager. The Company does not have any employees and its Directors are appointed on a non-executive basis. All of its investment and asset management decisions are in the ordinary course made by the AIFM and the Investment Manager (and any of their delegates) and not by the Company. The Investment Manager is not required to, and generally does not, submit individual investment decisions that are in line with the Company's investment policy for approval to the Board. The Company is therefore reliant upon, and its success depends on, the AIFM and the Investment Manager and their personnel, services and resources.

Returns on Shareholders' investments in Shares will depend upon the AIFM's and the Investment Manager's ability to source and make successful investments on behalf of the Company. Competition for such investment opportunities identified for the Company can create significant upward pressure on pricing, thereby reducing the potential investment returns, which could, in turn, have a material adverse effect on the Company's financial position and returns for investors.

Many of the AIFM's and the Investment Manager's investment decisions will depend upon the ability of their employees and agents to carry out due diligence and obtain relevant information. There can be no guarantee that such information will be available or that the AIFM and the Investment Manager and their employees and agents will be able to obtain it. The AIFM and the Investment Manager may be required to make investment decisions without complete information, or in reliance upon information provided by third parties that is impossible or impracticable to fully verify. Further, the AIFM and the Investment Manager may not conduct due diligence which is wide enough in scope to reveal the potential risks of a particular investment. There can be no assurance that the AIFM and the Investment Manager will correctly identify and evaluate the nature and magnitude of the various factors that could affect the value of and return on the Company's investments. Any failure by the AIFM and the Investment Manager to perform effective due diligence on potential investments may adversely affect the investment returns expected from a particular investment.

The Company is also exposed to the risk of losses or reputational damage resulting from inadequate or failed internal processes and systems of the AIFM and/or the Investment Manager, including in respect of acquiring assets that have been blacklisted or sanctioned in certain of the Company's stakeholder's jurisdictions and in respect of the valuation of the Company's assets and, in particular, its unlisted investments.

Further, the ability of the Company to pursue its investment policy successfully depends on the continued service of key, skilled and experienced personnel of the AIFM and the Investment Manager (including Dale Nicholls, the Portfolio Manager), and/or the AIFM's and the Investment Manager's ability to recruit individuals of similar experience and calibre. Whilst the AIFM and the Investment Manager seek to ensure that the principal members of its management teams are suitably incentivised, the retention of key members of those teams cannot be guaranteed. Following the death, disability or departure of the Portfolio Manager (or any other key personnel of the AIFM or the Investment Manager), there can be no guarantee that the AIFM or the Investment Manager would be able to recruit a suitable replacement or avoid any delay in doing so. The loss of key personnel (especially the Portfolio Manager) and any inability to recruit an appropriately experienced replacement in a timely fashion could have an adverse effect on the future performance of the Portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on returns to Shareholders and the market value of the Shares.

The AIFM and the Investment Manager are not required to commit all of their resources to the Company's affairs. Insofar as the AIFM and the Investment Manager devote resources to their responsibilities to other business interests, their ability to devote resources and attention to the Company's affairs will be limited. This could adversely affect the Company's ability to achieve its investment objective, which could have a material adverse effect on the Company's profitability, the Company's NAV per Share and the market price of the Shares.

**There can be no assurance that the Board would be able to find a replacement alternative investment fund manager or investment manager if the AIFM or the Investment Manager were to resign or the Management Agreement were to be terminated**

Under the terms of the Management Agreement, the AIFM may resign as the Company's manager by giving the Company not less than six months' written notice. Further, the Management Agreement may be terminated immediately upon notice by the AIFM or by the Company in certain circumstances.

The Board would, in such circumstances, have to find a replacement alternative investment fund manager and/or investment manager for the Company. There can be no assurance that a replacement with the necessary skills and experience would be available and could be appointed on terms acceptable to the Company. If the Management Agreement is terminated and a suitable replacement is not secured in a timely manner, this could have an adverse effect on the future performance of the Portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares and on returns to Shareholders.

**The AIFM, the Investment Manager and their affiliates serve as the alternative investment fund manager, investment manager and/or investment adviser to other clients, including funds and managed accounts that have similar investment objectives and policies to that of the Company, which may on occasion give rise to conflicts of interest with the Company**

The AIFM, the Investment Manager and their affiliates serve as the alternative investment fund manager, investment manager and/or investment adviser to other clients, including funds and managed accounts that have similar investment objectives and policies to that of the Company. These investment management services may on occasion give rise to conflicts of interest with the Company and may have a material adverse effect on the Company's business, financial condition, results of operations and the market price of the Shares. For example, the AIFM, the Investment Manager and/or their affiliates may have conflicts of interest in allocating their time and activity between the Company and their other clients, in allocating investments among the Company and their other clients and in effecting transactions between the Company and other clients, including ones in which the AIFM, the Investment Manager and/or their affiliates may have a greater financial interest. Furthermore, the AIFM and the Investment Manager may provide services to certain in-house funds into which the Company may invest which may give rise to a conflict of interest. There can be no assurance that the AIFM and the Investment Manager will resolve all conflicts of interest in a manner that is favourable to the Company.

**Reputational risks, including those arising from litigation against the AIFM, the Investment Manager or the Company, may disrupt the Company's investment strategy and growth**

The Company may be exposed to reputational risks, including from time to time the risk that litigation, misconduct, operational failures (such as investing in an asset that has been backlisted or sanctioned in certain of the Company's Shareholders' jurisdictions), negative publicity and press speculation (whether or not valid) may harm the reputation of the AIFM, the Investment Manager or the Company. If the AIFM, the Investment Manager or the Company or any of its Directors is named as a party to litigation or becomes involved in regulatory inquiries, this could cause substantial reputational damage to the AIFM, the Investment Manager and the Company and result in potential counterparties and other third parties being unwilling to deal with the AIFM, the Investment Manager and/or the Company. Damage to the reputation of the AIFM, the Investment Manager and/or the Company may disrupt the Company's investment strategy, business or potential growth, which could have an adverse effect on the value of the Portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares and on returns to Shareholders.

## **RISKS RELATING TO REGULATION, TAXATION AND THE COMPANY'S OPERATING ENVIRONMENT**

### **Changes in taxation legislation or practice may adversely affect the Company and the tax treatment for Shareholders investing in the Company**

Any change in the Company's tax status, or in taxation legislation or practice in the United Kingdom or other jurisdictions to which the Company has exposure (including the jurisdictions in which companies in the Portfolio are based, particularly China), could, depending on the nature of such change, adversely affect the value of investments in the Portfolio and the Company's ability to achieve its investment objective, or alter the post-tax returns to Shareholders. There is also the risk that tax changes (particularly in mainland China or Hong Kong) could be retroactive. Statements in this Prospectus concerning the taxation of the Company and taxation of Shareholders are based upon current UK tax law and published practice, any aspect of which is in principle subject to change (potentially with retrospective effect) that could adversely affect the ability of the Company to pursue successfully its investment policy and/or which could adversely affect the taxation of the Company and the Shareholders.

Existing and potential investors should consult their tax advisers with respect to their own tax position before deciding whether to invest in the Company.

### **Loss of investment trust status may adversely affect the Company and the tax treatment for Shareholders investing in the Company**

It is the intention of the Directors to continue to conduct the affairs of the Company so as to satisfy the conditions under section 1158 of the Corporation Tax Act and the Investment Trust Tax Regulations and, accordingly, for the Company to retain approval as an investment trust. In respect of each accounting period for which the Company is an approved investment trust, the Company will be exempt from UK corporation tax on chargeable gains. There is a risk that if the Company fails to maintain its status as an investment trust, the Company would be subject to the normal rates of corporation tax on chargeable gains arising on the transfer or disposal of investments and other assets, which could adversely affect the Company's financial performance, its ability to provide returns to its Shareholders or the post-tax returns received by its Shareholders. In addition, it is not possible to guarantee that the Company will remain a non-close company, which is a requirement to maintain investment trust status, as the Shares are freely transferable. In the event that the Company fails to continue to satisfy the criteria for maintaining investment trust status, the Company will, as soon as reasonably practicable, notify Shareholders of this fact.

### **Changes in laws or regulations governing the Company's or the Investment Manager's operations may adversely affect the business and performance of the Company**

The Company and the Investment Manager are subject to laws and regulations enacted by national and local governments.

The Company, as a closed-ended investment company incorporated in England and Wales, is subject to various laws and regulations in such capacity, including the Listing Rules, the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules, UK MAR, the UK AIFMD Laws, the EU AIFM Directive, the UK PRIIPs Laws, the AIC Code and the Companies Act. The Company will be subject also to the continuing obligations imposed on all investment companies whose shares are admitted to trading on the Main Market and to listing on the premium listing category of the Official List. These rules, regulations and laws govern the way that, amongst other things, the Company is operated (i.e. its governance), how its Shares can be marketed and how it must deal with its Shareholders, together with requiring the Company to make certain reports, filings and notifications (and governing their respective content).

Any changes to the rules, laws and regulations affecting the Company, the AIFM and the Investment Manager, particularly in relation to: (i) permissions and licences granted by the Chinese government that the Investment Manager holds to carry out investment business in mainland China and/or Hong Kong; or (ii) the ability of the Company's shareholders to hold Shares in the light of the investments made by the Company (for example if sanctions were to be imposed by certain of the Shareholders'

governments on certain Chinese entities or China as a whole), could have an adverse effect on the Portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares.

**Shareholders may be subject to withholding tax under FATCA and forced transfers under the Articles and there may also be reporting of Shareholders under other exchange of information arrangements**

The UK has concluded an intergovernmental agreement (“**IGA**”) with the US (the “**US-UK IGA**”), pursuant to which parts of FATCA have effectively been incorporated into UK law. Under the US-UK IGA a Foreign Financial Institution that is resident in the UK (a “**Reporting FI**”) is not subject to withholding tax under FATCA (i.e. at 30 per cent.) provided that it complies with the terms of the US-UK IGA, including documentation requirements, requirements to register with the IRS to obtain a Global Intermediary Identification Number and requirements to identify, and report certain information on, accounts held by certain US persons owning, directly or indirectly, an equity or debt interest in the company (other than equity and debt interests that are regularly traded on an established securities market, as described below) and report on accounts held by certain other persons or entities to HMRC, which will exchange such information with the IRS.

The Company expects that it will be treated as a Reporting FI pursuant to the US-UK IGA and that it will comply with the requirements under the US-UK IGA and relevant UK legislation. The Company also expects that its Shares may, in accordance with the current HMRC practice, comply with the conditions set out in the US-UK IGA to be “regularly traded on an established securities market” meaning that the Company should not have to report specific information on its Shareholders and their investments to HMRC.

However, there can be no assurance that the Company will be treated as a Reporting FI, that its Shares will be considered to be “regularly traded on an established securities market” or that it will not in the future be subject to withholding tax under FATCA or the US-UK IGA.

The UK has also implemented the CRS, under which the Company may be required to collect and report to HMRC certain information regarding its Shareholders and HMRC may pass this information on to tax authorities in other jurisdictions.

The requirements under FATCA, the CRS and similar regimes and any related legislation, IGAs and/or regulations may impose additional burdens and costs on the Company or Shareholders. There is no guarantee that the Company will be able to satisfy such obligations and any failure to comply may materially adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the Shares. In addition, there can be no guarantee that any payments in respect of the Shares will not be subject to withholding tax under FATCA. To the extent that such withholding tax applies, the Company is not required to pay any additional amounts to Shareholders.

In acquiring Shares, each Shareholder is agreeing, upon the request of the Company or its delegate, to provide such information as is necessary to comply with FATCA, the CRS and other similar regimes and any related legislation, IGAs and/or regulations. Investors should be aware that certain forced transfer provisions contained in the Articles may apply in the case that the Company suffers any pecuniary disadvantage as a result of the Company's failure to comply with FATCA.

Investors should consult with their respective tax advisers regarding the possible implications of FATCA, the CRS and similar regimes concerning the automatic exchange of information and any related legislation, IGAs and/or regulations.

**The Company has not, does not intend to and may be unable to become registered as an investment company under the US Investment Company Act and related rules**

The Company has not, does not intend to and may be unable to become registered with the SEC as an “investment company” under the US Investment Company Act and related rules. The US Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered, does not intend to so register and may be unable to so register, none of these protections or restrictions are or will be applicable to the Company. However, if the Company were to become subject to the US Investment Company Act because of a change of law or otherwise, the various restrictions imposed by the US



Investment Company Act, and the substantial costs and burdens of compliance therewith, could adversely affect the operating results and financial performance of the Company. Moreover, parties to a contract with an entity that has improperly failed to register as an investment company under the US Investment Company Act may be entitled to cancel or otherwise void their contracts with the unregistered entity and shareholders in that entity may be entitled to withdraw their investment. In order to ensure compliance with exemptions that permit the Company to avoid being required to register as an investment company under the US Investment Company Act and related rules, the Company has implemented appropriate restrictions on the ownership and transfer of Shares, which may affect a US investor's ability to hold or transfer Shares and may in certain circumstances require the US investor to transfer or sell its Shares.

**The ability of certain persons to hold Shares and make secondary transfers in the future may be restricted as a result of ERISA and other regulatory considerations**

Each initial purchaser and subsequent transferee of New Shares is required to represent and warrant or will be deemed to represent and warrant that it is not a "benefit plan investor" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and that it is not, and is not using assets of, a plan or other arrangement subject to provisions under applicable federal, state, local, non-US or other laws or regulations that are substantially similar to Section 406 of ERISA or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "US Tax Code"), unless its purchase/receipt of, holding and disposition of New Shares does not constitute or result in a non-exempt prohibited transaction or violation of any such substantially similar law.

**RISKS RELATING TO AN INVESTMENT IN THE SHARES**

**Investors may not recover the full amount of their investment in the Shares**

The Company's ability to achieve its investment objective and pursue its investment policy successfully may be adversely affected by the manifestation of any of the risks described in this "Risk Factors" section of this Prospectus or other market conditions (or significant changes thereto). The market price of the Shares may fluctuate significantly, particularly in the short term, and potential investors should regard an investment in the Shares as a medium to long term investment.

As with any investment, the price of the Shares may fall in value. The maximum loss on an investment in the Shares is equal to the value of the initial investment and, where relevant, any gains or subsequent investments made. Investors therefore may not recover the full amount initially invested in the Shares, or any amount at all.

**The Shares may trade at a discount to Net Asset Value and the price that can be realised for Shares will be subject to market fluctuations**

It is unlikely that the price at which the Shares trade will be the same as their Net Asset Value (although they are related). The shares of an investment company such as the Company may trade at a discount to their net asset value. This could be due to a variety of factors, including due to market conditions, an imbalance between supply and demand for the Shares or negative investor sentiment towards China. While the Directors may seek to mitigate the discount to Net Asset Value through such discount management mechanisms as they consider appropriate, there can be no guarantee that they will do so or that such efforts will be successful. As a result of this, investors that dispose of their interests in the Shares in the secondary market may realise returns that are lower than they would have been if an amount equivalent to the Net Asset Value were to be distributed.

The market price of the Shares may fluctuate significantly and Shareholders may not be able to sell Shares at or above the price at which they purchased those Shares. Factors that may cause the price of the Shares to vary include those detailed in this "Risk Factors" section of this Prospectus, such as: changes in the Company's financial performance and prospects, or in the financial performance and market prospects of the Company's investments or of those which are engaged in businesses that are similar to the Company's business; the termination of the Management Agreement or the departure of some or all of the AIFM's or the Investment Manager's key investment professionals; changes in or new interpretations or applications of laws and regulations that are applicable to the Company's business or to the companies in which the Company makes investments; general economic trends and other external factors, including those resulting from war (in particular, the current war in Ukraine and any

potential future conflict and/or rising tensions in the East Asia Region, incidents of terrorism, pandemics or responses to such events (such as Covid-19 policies adopted globally that dampened economic activity and impacted global supply chains); poor performance in any of the Investment Manager's activities or any event that affects the Company's or the Investment Manager's reputation; speculation in the press or investment community regarding the Company's business or investments, or factors or events that may directly or indirectly affect the Company's business or investments; and foreign exchange risk as a result of making and selling equity investments denominated in currencies other than Sterling.

Securities markets in general have experienced extreme volatility that has often been unrelated to the operating performance or fundamentals of individual companies. Market fluctuations may adversely affect the trading price of the Shares. As with any investment, the price of the Shares may fall in value with the maximum loss on such investments being equal to the value of the initial investment and, where relevant, any gains on subsequent investments made.

**It may be difficult for Shareholders to realise their investment as there may not be a liquid market in the Shares, and Shareholders have no right to have their Shares redeemed or repurchased by the Company**

Although the Company's Shares are admitted to trading on the Main Market, there is no guarantee there will be an active and liquid market for the Shares. Limited liquidity in the Shares may affect: (i) an investor's ability to realise some or all of its/ their investment; and/or (ii) the price at which such Shares trade in the secondary market. The price at which the Shares will be traded will be influenced by a variety of factors, some specific to the Company and its investments and some which may affect companies generally.

Further, the Company is a closed-ended investment company and Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time. Subject to the Companies Act, the Directors retain the right to effect repurchases of Shares. However, they are under no obligation to use such powers at any time and Shareholders should not place any reliance on the willingness of the Directors to exercise such powers. Shareholders wishing to realise their investment in the Company may therefore be required to dispose of their Shares in the market. There can be no guarantee that a liquid market in the Shares will operate or that the Shares will trade at prices close to their underlying Net Asset Value. Accordingly, Shareholders may be unable to realise their investment at such Net Asset Value, or at all.

**The Shares are subject to significant transfer restrictions for Shareholders in the United States**

The New Shares have not been and will not be registered under the US Securities Act, and may not be offered, sold, resold, pledged, delivered, assigned or otherwise transferred, directly or indirectly, into or within the United States or to, or for the account or benefit of, US Persons, except pursuant to an exemption from the registration requirements of the US Securities Act and in a manner that would not result in the Company being required to register under the US Investment Company Act. There has not been, and will not be, any public offer of the New Shares in the United States.

There are significant restrictions on the purchase and resale of Shares by Shareholders located in the United States, that are US Persons, or who hold Shares for the account or benefit of US Persons and on the resale of Shares by any Shareholders to any person located in the United States or to, or for the account or benefit of, a US Person. If in the future the initial purchaser, as well as any subsequent holder, decides to offer, sell, transfer, assign or otherwise dispose of the Shares, they may do so only: (i) outside the United States in an "offshore transaction" complying with the provisions of Regulation S under the US Securities Act to a person not known by the transferor to be a US Person, by pre-arrangement or otherwise; or (ii) to the Company or a subsidiary thereof.

A US ACIC Shareholder that does not complete and return a valid US Investor Representation Letter will be deemed to be an Ineligible US Shareholder and will be deemed to have elected for their Basic Entitlement in respect of the Cash Option and to receive New Shares in respect of the remainder of their ACIC Shares. Such New Shares will be issued to the Liquidators as nominees for such Ineligible US Shareholder and sold by the Liquidators in the market, with the net proceeds paid to the Ineligible US Shareholder.



**The ability of certain persons to hold Shares and make secondary transfers in the future may be restricted as a result of regulatory considerations and sanctions imposed by their governments**

The governments of the jurisdiction(s) of certain Shareholders could amend their current policies, rules and regulations and impose significant restrictions and/or sanctions on the purchase and resale of Shares by Shareholders located in their jurisdiction(s) given that the Company invests in Chinese entities or in the light of certain holdings of certain Chinese entities within the Portfolio. As a result, Shareholders could be required to realise their investment in the Company and may be unable to realise such investment at its Net Asset Value, or at all. This could increase the volatility of the Company's share price and have a material adverse effect on the financial position of the Company.

**RISK RELATING TO THE SCHEME**

**Implementation of the Scheme is subject to certain conditions**

Implementation of the Scheme is conditional, amongst other conditions, upon: (i) the passing of the Resolution to approve the issue of New Shares in connection with the Scheme; and (ii) ACIC Shareholders approving the Scheme. If any condition of the Scheme is not met, the Scheme will not be implemented and certain costs and expenses incurred in connection with the Scheme will be borne by the Company. In these circumstances, the Company and ACIC would remain as separate investment trusts.

## IMPORTANT INFORMATION

### General

This Prospectus should be read in its entirety. Prospective investors should rely only on the information contained in this Prospectus or any supplementary prospectus published by the Company prior to the date of Admission. No person has been authorised to give any information or make any representations in connection with the Issue other than the information contained in, or incorporated by reference into, this Prospectus (or any supplementary prospectus published by the Company prior to the date of Admission) and, if given or made, such information or representations about the Company or the Issue must not be relied upon as having been authorised by or on behalf of the Company, the AIFM, the Investment Manager, Dickson Minto Advisers or any of their respective affiliates, officers, directors, members, employees or agents.

Without prejudice to the Company's obligations under the UK Prospectus Regulation, the Listing Rules, the Disclosure Guidance and Transparency Rules and UK MAR, neither the delivery of this Prospectus nor the issue of New Shares made pursuant to the Issue shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Prospectus or that the information contained herein, including any forward-looking statements, is correct as at any time subsequent to the date of this Prospectus.

The Shares are designed to be held over the long term and may not be suitable as a short term investment. The value of an investment in the Company and any income derived from it, if any, may go down as well as up. An investment in the Shares is suitable only for long-term investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which might result from such an investment (which may be equal to the whole amount invested). Accordingly, typical investors in the Shares are institutional investors, private clients through their wealth managers, experienced investors, high net worth investors, professionally advised investors and retail investors (who may have basic or no knowledge and experience of investing in financial markets) who have taken appropriate steps to ensure that they understand the risks involved in investing in the Company.

There can be no guarantee that the Company will achieve its investment objective, that any appreciation in the value of the Company's investments will occur or that investors will get back the full value of their investment. There can be no guarantee that the Company will deliver any returns. The investment objective of the Company is a target only and should not be treated as an assurance or guarantee of performance. The past performance of the Company or its Investment Manager is not a guarantee of the future performance of the Company. Shareholders will bear the rewards and risks of the success or otherwise of the Company's investments. Although the Shares are, and the New Shares will be, listed on the premium segment of the Official List and admitted to trading on the Main Market, it is possible that there may not be a liquid market in the Shares and Shareholders may have difficulty in selling them.

Prospective investors should consider carefully all of the information contained in this Prospectus. However, prospective investors should not treat the contents of this Prospectus or any subsequent communication from the Company, the AIFM, the Investment Manager, Dickson Minto Advisers or any of their respective affiliates, officers, directors, members, employees or agents as advice relating to legal, financial, taxation, accounting, regulatory, investment or any other related matters.

Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto Advisers by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Dickson Minto Advisers makes no representations, express or implied, nor accepts any responsibility whatsoever for the contents of this Prospectus (or any supplementary prospectus published by the Company prior to Admission) nor for any statement made or purported to be made by it or on its behalf in connection with the Company, the Issue, the Scheme or the Shares. Dickson Minto Advisers and its affiliates, officers, employees and agents, to the fullest extent permitted by law, disclaim all and any responsibility or liability, whether arising in tort or contract or otherwise (save as referred to above), which it or they might otherwise have in respect this Prospectus or any such statement.

The distribution of this Prospectus in certain jurisdictions may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions.

All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of the Company. A summary of the provisions in the Articles relating to the rights attaching to the Shares, including any limitation of those rights and procedures for the exercise of those rights, is set out in paragraph 6 of Part 7 (*General Information*) of this Prospectus.

Statements made in this Prospectus are based on the law and practice currently in force in England and Wales and are subject to changes in such law and practice.

**If you are in doubt about the contents of this Prospectus you should consult your stockbroker, bank manager, solicitor, accountant or other professional or other financial adviser.**

### **Selling restrictions**

**The New Shares are only available to Eligible ACIC Shareholders and are not being offered to Existing Shareholders (save to the extent an Existing Shareholder is also an Eligible ACIC Shareholder) or to the public.**

This Prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to apply for any New Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

The distribution of this Prospectus and the offering of New Shares in certain jurisdictions may be restricted. Accordingly, persons into whose possession this Prospectus comes are required to inform themselves about and observe any restrictions as to the offer or sale of New Shares and the distribution of this Prospectus under the laws and regulations of any jurisdiction relevant to them in connection with any proposed applications for New Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such jurisdiction.

Save for in the United Kingdom, and save as explicitly stated elsewhere in this Prospectus, no action has been taken or will be taken in any jurisdiction by the Company that would permit a public offering of New Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this Prospectus in any other jurisdiction where action for that purpose is required.

### **Notice to prospective investors in the EEA**

In relation to each EEA Member State, no New Shares have been offered or will be offered pursuant to the Issue to the public in that EEA Member State prior to the publication of a prospectus in relation to the New Shares which has been approved by the competent authority in that EEA Member State, or, where appropriate, approved in another EEA Member State and notified to the competent authority in that EEA Member State, all in accordance with the EU Prospectus Regulation, except that the New Shares may be offered to the public in that EEA Member State at any time with the prior consent of a sponsor under the following exemptions under the EU Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined in Article 2 of the EU Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) in that EEA Member State; or
- (c) in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of New Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement to a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression “offer to the public” in relation to any offer of New Shares in any EEA Member State means a communication in any form and by any means of sufficient

information on the terms of the offer and any New Shares to be offered so as to enable an investor to decide to purchase or subscribe for the New Shares.

Further, the AIFM has not made any notifications or applications or received approvals for the marketing of the New Shares to “professional investors” (as defined in the EU AIFM Directive) in any EEA Member State. Notwithstanding any other statement in this Prospectus, this Prospectus should not be made available to any ACIC Shareholder (or any other person) domiciled in any EEA Member State. ACIC Shareholders domiciled in the EEA that have received the Prospectus in any EEA Member State are not, save as otherwise agreed with the Company, deemed to be an Eligible ACIC Shareholder and should not subscribe for New Shares (and the Company reserves the right to reject any application so made, without explanation).

Notwithstanding that the AIFM may confirm, from time to time, that it is able to market New Shares to ACIC Shareholders who are professional investors in an EEA Member State, the New Shares may not be marketed to retail investors (as this term is defined in the EU AIFM Directive as transposed in the relevant EEA Member State) in any EEA Member State unless the New Shares have been qualified for marketing to retail investors in that EEA Member State in accordance with applicable local laws. As at the date of this Prospectus, the New Shares are not eligible to be marketed to retail investors in any EEA Member State. Accordingly, no retail investor in any EEA Member State is considered to be an Eligible ACIC Shareholder and, as such, the New Shares may not be offered, sold or delivered and neither this Prospectus nor any other offering materials relating to such New Shares may be distributed or made available to retail investors in any EEA Member State.

#### ***Notice to prospective investors with respect to US federal securities laws***

New Shares are being offered or sold only: (i) outside the United States in “offshore transactions” to non-US Persons pursuant to Regulation S under the US Securities Act, and (ii) to persons that are both “qualified institutional buyers”, or “QIBs”, as defined in Rule 144A under the US Securities Act and Qualified Purchasers, pursuant to an exemption from the registration requirements of the US Securities Act, and that, in the case of (ii), have executed and returned a US Investor Representation Letter. A US ACIC Shareholder that does not complete and return a valid US Investor Representation Letter will be deemed to have elected for their *pro rata* Basic Entitlement under the Cash Option and to receive New Shares in respect of the remainder of their ACIC Shares. Such New Shares will be issued to and sold in the market by the Liquidators as nominees for the relevant US ACIC Shareholder.

In addition, the Company has not been and will not be registered under the US Investment Company Act, and investors in the New Shares will not be entitled to the benefits of the US Investment Company Act. The New Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, resold, pledged, delivered, assigned or otherwise transferred, directly or indirectly, into or within the United States or to, or for the account or benefit of, any US Persons, except pursuant to an exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States and in a manner which would not result in the Company being required to register under the US Investment Company Act. There has not been and there will not be any public offer of the New Shares in the United States.

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations and under the Articles. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. For further information on restrictions on transfers of the Shares, please refer to the section titled “*Excluded ACIC Shareholders*” at paragraph 8 of Part 4 (*Details of the Scheme and the Issue*) of this Prospectus.

#### **Information to distributors**

Solely for the purposes of the product governance requirements contained within: (a) the UK’s implementation of EU Directive 2014/65/EU on markets in financial instruments, as amended (“**UK MiFID II**”); and (b) the UK’s implementation of Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing UK MiFID II, and, in particular, Chapter 3 of the Product Intervention and Product Governance Sourcebook of the FCA (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Shares have been subject to a product approval process,

which has determined that the New Shares to be issued pursuant to the Issue are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in UK MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by UK MiFID II (the “**Target Market Assessment**”).

Notwithstanding the Target Market Assessment, distributors (such term to have the same meaning as in the MiFID II Product Governance Requirements) should note that: (i) the price of the New Shares may decline and investors could lose all or part of their investment; (ii) the New Shares offer no guaranteed income and no capital protection; and (iii) an investment in the New Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may be equal to the whole amount invested from such an investment. Accordingly, typical investors in the New Shares are expected to be institutional investors, private clients through their wealth managers, experienced investors, high net worth investors, professionally advised investors and retail investors who may have basic or no knowledge and experience of investing in financial markets who have taken appropriate steps to ensure that they understand the risks involved in investing in the Company. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Issue.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of UK MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Shares when determining appropriate distribution channels.

#### **UK PRIIPs Laws**

Investors should be aware that the UK PRIIPs Laws require the AIFM, as PRIIP manufacturer, to prepare a key information document (“**KID**”) in respect of the Company. This KID must be made available by the AIFM to retail investors prior to them making any investment decision and is available on the Company’s website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns referred to in the KID are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

To the extent that New Shares are to be made available to retail investors in the EEA, the Company will make available key information documents under the EU PRIIPs Regulation as required.

#### **Non-mainstream pooled investments status and UK MiFID II**

As the Company is a closed-ended investment company which is an investment trust domiciled in the United Kingdom, the New Shares will be “excluded securities” under the FCA’s rules on non-mainstream pooled investments. Accordingly, the promotion of the Shares is not subject to the FCA’s restriction on the promotion of non-mainstream pooled investments. The Board has reviewed UK MiFID II and the ESMA guidance published in relation thereto and has concluded that the Shares constitute a “non-complex” product for the purposes of UK MiFID II.

#### **Data protection**

The information that a prospective investor provides to the Company or its agents in relation to the Issue or subsequently, by whatever means, which relates to prospective investors who are individuals or a third-party individual (“**personal data**”) will be held and processed by the Company in compliance with relevant data protection legislation and regulatory requirements. Such personal data may include:

- personal details such as name, title, date of birth, addresses, telephone numbers and email addresses;
- identification and verification information and documents, such as signatures, passports, driving licences, birth/marriage certificates and tax/credit references; and



- financial and transactional information, and instructions, relating to an investment.

Each prospective investor acknowledges that such information will be held and processed by the Company for the following purposes:

- the performance of the Company's contract with the prospective investor;
- acting in a way that is necessary for the Company's legitimate interests, including carrying out the business of the Company and the administering of interests in the Company;
- complying with the legal, regulatory, reporting and/or financial obligations of the Company in the UK or elsewhere, including verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures; and
- disclosing personal data to other functionaries of, or advisers to, the Company to operate and/ or administer the Company.

Each prospective investor acknowledges that, where appropriate, it may be necessary for the Company to:

- disclose personal data to third party service providers, affiliates, agents or functionaries appointed by the Company or its agents to provide services to the prospective investor; and
- transfer personal data outside of the UK to countries or territories which may not offer the same level of protection of personal data provided that, in each case, adequate safeguards are in place for the protection of such personal data in accordance with the relevant data protection legislation and regulatory requirements in the United Kingdom.

Personal data relating to prospective investors shall be retained by the Company for as long as necessary to fulfil the purposes it was collected for, including for the purposes of satisfying any legal or regulatory requirements.

Individuals have certain rights in relation to their personal data – specifically, the right to be informed, the right of access, the right to rectification, the right to erasure, the right to restrict processing, the right to data portability, the right to object to processing and the right to complain to the relevant supervisory authority (which, in the United Kingdom, is the UK Information Commissioner's Office).

Prospective investors acknowledge that each of the AIFM and the Investment Manager will be a separate controller of the personal data and such personal data shall be held and processed by the AIFM and/or Investment Manager in compliance with relevant data protection legislation and regulatory requirements, and the AIFM and Investment Manager's privacy policy (available at <https://investment-trusts.fidelity.co.uk/security-privacy/>).

Prospective investors are responsible for informing and obtaining any required consent of any third party individual to whom the personal data relates to the disclosure and use of such data in accordance with these provisions.

Shareholders will be notified if an updated privacy policy has been published on the Company's website through an RIS.

### **Forward-looking statements**

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the Company, the Directors, the AIFM or the Investment Manager concerning, amongst other things, the Company's investment objective and investment policy, the Company's investment performance, results of operations, financial condition, prospects and dividend policy, and the markets in which the Company invests and/or operates.



By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. The Company's actual investment performance, results of operations, financial condition, dividends paid and its financing strategies may differ materially from the impression created by the forward-looking statements contained in this Prospectus. In addition, even if the investment performance, results of operations, financial condition of the Company and its financing strategies are consistent with the forward-looking statements contained in this Prospectus, those results, its condition or strategies may not be indicative of results, its condition or strategies in subsequent periods. Important factors that could cause these differences include, but are not limited to, the factors set out in the "Risk Factors" section of this Prospectus.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Prospectus reflect the Company's view with respect to future events as at the date of this Prospectus and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations and strategy. The Company, the AIFM, the Investment Manager and Dickson Minto Advisers undertake no obligation to revise or update any forward-looking statements contained herein (save where required by the Prospectus Regulation Rules, the Listing Rules, UK MAR, EU MAR, the Disclosure Guidance and Transparency Rules, the EU AIFM Directive or the UK AIFMD Laws), whether as a result of new information, future events, conditions or circumstances, any change in the Company's, the AIFM's or the Investment Manager's expectations with regard thereto or otherwise. However, Shareholders are advised to read any communications that the Company may make directly to them, and any additional disclosures in announcements that the Company may make through an RIS following the date of this Prospectus.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements and should carefully consider the section of this Prospectus titled "Risk Factors" for a discussion of additional factors that could cause the Company's actual results to differ materially before making any investment decision.

Notwithstanding the foregoing, nothing contained in this Prospectus shall in any way be taken to qualify the working capital statement contained in paragraph 8 of Part 5 (*Financial Information*) of this Prospectus.

### **Performance data**

This Prospectus includes information regarding the track record and performance data of the Investment Manager (referred to here as the "**Track Record**"). Such information is being provided for illustrative purposes only and is not necessarily comprehensive. Prospective investors should not consider such information to be indicative of the possible future performance of the Company or any investment opportunity to which this Prospectus relates. The past performance of the Investment Manager is not a reliable indicator of, and cannot be relied upon as a guide to, the future performance of the Company and/or the Investment Manager. Prospective investors should be aware that any investment in the Company involves a significant degree of risk, and could result in the loss of all, or substantially all, of their investment.

For a variety of reasons, the comparability of the Track Record information to the Company's future performance is by its nature very limited. Without limitation, results can be positively or negatively affected by market conditions beyond the control of the Company or the Investment Manager which may be different in many respects from those that prevail at present or in the future, with the result that the performance of portfolios originated now may be significantly different from those originated in the past.

### **Taxation**

Any change in the Company's tax status or in taxation legislation or accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Representations in this Prospectus concerning the taxation of investors are based upon tax law and practice as at the date of this Prospectus, which are, in principle, subject to change (possibly with retrospective effect). Any change in accounting standards may adversely affect the value of the Company's assets and liabilities in its books of account or restrict the ability of the Company to pay dividends.

A guide to the general UK taxation position as at the date of this Prospectus is set out in Part 6 (*UK Taxation*) of this Prospectus.

### **Tax reporting, FATCA and Common Reporting Standard (“CRS”)**

Shareholders should furnish any information and documents the Company may from time to time request, including but not limited to information required under FATCA or CRS. Shareholders may be subject to tax reporting under applicable laws. FATCA and CRS documentation and reporting obligations can also arise in respect of Shareholders where third parties hold shares or act on their behalf.

### **Latest practicable date**

In this Prospectus, where the context requires, references to 14 February 2024 should be treated as being references to the latest practicable date prior to the publication of this Prospectus.

### **Defined terms**

Capitalised terms contained in this Prospectus have the meanings ascribed to them in the Definitions section of this Prospectus at pages 101 to 114, save where the context indicates otherwise.

### **Documents incorporated by reference**

The following sections of the annual report and audited financial statements of the Company for the financial years ended 31 March 2023 and 31 March 2022 and the unaudited interim financial statements of the Company for the six month periods ended 30 September 2023 and 30 September 2022 are deemed relevant for the purposes of this Prospectus and are incorporated by reference into this Prospectus. The non-incorporated parts of these financial reports of the Company are either not relevant to investors or are covered elsewhere in this Prospectus.

- The sections listed in the section titled “*Historical financial information*” of Part 5 (*Financial information*) of this Prospectus.
- The sections listed in the section titled “*Operating and financial review*” of Part 5 (*Financial information*) of this Prospectus.

The documents incorporated by reference can be obtained from the Company’s website: [www.fidelity.co.uk/china](http://www.fidelity.co.uk/china).

### **No incorporation of website information**

Without limitation, neither the contents of the Company’s website nor the websites of the AIFM, the Investment Manager or Dickson Minto Advisers (or any other website) nor the content of any website accessible from hyperlinks on the Company’s or the AIFM’s or the Investment Manager’s or Dickson Minto Advisers’ website (or any other website) is incorporated into, or forms part of this Prospectus, or has been approved by the FCA. Investors should base their decision as to whether or not to invest in the Shares on the contents of this Prospectus (and any supplementary prospectus published by the Company prior to Admission) alone.

### **Governing law**

Unless otherwise stated, statements made in this Prospectus are based on the law and practice currently in force in England and Wales and are subject to changes therein.

### **Enforcement of civil liabilities**

The Company is organised as a public limited company incorporated under the laws of England and Wales. All of the Company’s Directors and officers are citizens and residents of jurisdictions outside the United States. In addition, the majority of the Company’s assets and the majority of the assets of the Directors and officers are located outside the United States. As a result, it may not be possible for US investors to effect service of process within the United States upon the Company or the Directors and officers located outside the United States or to enforce in the US courts or outside the United States judgments obtained against them in US courts or in courts outside the United States, including

judgments predicated upon the civil liability provisions of the US federal securities laws or the securities laws of any state or territory within the United States. There is doubt as to the enforceability in England and Wales, whether by original actions or by seeking to enforce judgments of US courts, of claims based on the federal securities laws of the United States. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in England and Wales.

## EXPECTED TIMETABLE

2024

### General Meeting

Publication of the Circular and Notice of General Meeting	16 February
Latest time and date for receipt of Forms of Proxy and appointment of proxies by electronic means for the General Meeting	3.00 p.m. on 7 March
General Meeting	3.00 p.m. on 11 March
Announcement of results of the General Meeting	11 March

### Scheme

Publication of this Prospectus	16 February
Calculation Date for the Scheme	5.00 p.m. on 6 March
Record Date for entitlements under the Scheme	6.00 p.m. on 6 March
Suspension of trading of ACIC Shares	7.30 a.m. on 7 March
Announcement of elections under the Scheme	8 March
First ACIC General Meeting	9.00 a.m. on 11 March
Reclassification of ACIC Shares	8.00 a.m. on 12 March
Suspension of listing of Reclassified ACIC Shares and ACIC Register closes	7.30 a.m. on 13 March
Second ACIC General Meeting	9.00 a.m. on 13 March
Effective Date of implementation of the Scheme	13 March
Announcement of results of the Scheme and respective FAVs	13 March
Admission and dealings in New Shares commence	8.00 a.m. on 14 March
CREST Accounts credited in respect of New Shares in uncertificated form	as soon as is reasonably practicable on 14 March
Certificates despatched by post in respect of New Shares in certificated form	no later than 27 March
Cancellation of listing of Reclassified ACIC Shares	as soon as practicable after the Effective Date

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**Note:** All references to time in this Prospectus are to UK time. Each of the times and dates in the above expected timetable (other than in relation to the general meetings) may be extended or brought forward. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service.

## ISSUE STATISTICS

Number of New Shares to be issued      Based on a ratio between the FCSS FAV per Share and the Rollover FAV per ACIC Share of 2.122289 (which, in turn, is based on the Company's NAV and ACIC's NAV (each as at 14 February 2024)), and assuming the Cash Option is fully subscribed, the Scheme would result in the issue of 60,684,754 New Shares<sup>1</sup>

## DEALING CODES

ISIN	GB00B62Z3C74
SEDOL	B62Z3C7
Ticker code	FCSS
Legal Entity Identifier (LEI) of the Company	54930076MSJ0ZW67JB75

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<sup>1</sup> This is illustrative only and is based on the illustration provided in paragraph 3 of Part 4 (*Details of the Scheme and the Issue*) of this Prospectus. The number of New Shares to be issued pursuant to the Issue is not known at the date of this Prospectus and will depend on the ratio produced by the division of the Rollover FAV per ACIC Share by the FCSS FAV per Share, multiplied by the number of ACIC Shares that are deemed to be elected for the Rollover Option. The total number of New Shares to be issued pursuant to the Issue will be notified by way of an RIS announcement on or around 13 March 2024.



## DIRECTORS, AIFM, INVESTMENT MANAGER AND OTHER ADVISERS

<b>Directors</b>	Mike Balfour ( <i>Chairman</i> ) Alastair Bruce Vanessa Donegan Georgina Field Gordon Orr Edward Tse
<b>Registered office</b>	Beech Gate Millfield Lane Lower Kingswood Tadworth Surrey KT20 6RP
<b>Alternative Investment Fund Manager</b>	FIL Investment Services (UK) Limited Beech Gate Millfield Lane Lower Kingswood Tadworth Surrey KT20 6RP
<b>Investment Manager</b>	FIL Investment Management (Hong Kong) Limited Level 21 Two Pacific Place 88 Queensway Admiralty Hong Kong
<b>Company Secretary</b>	FIL Investments International Beech Gate Millfield Lane Lower Kingswood Tadworth Surrey KT20 6RP
<b>Financial adviser and sponsor to the Company</b>	Dickson Minto Advisers Dashwood House 69 Old Broad Street London EC2M 1QS
<b>Legal advisers to the Company in respect of the Proposals (as to English law)</b>	Dickson Minto W.S. Dashwood House 69 Old Broad Street London EC2M 1QS
<b>Legal advisers to the Company in respect of the Proposals (as to US securities law)</b>	Proskauer Rose LLP 110 Bishopsgate London EC2N 4AY
<b>Retained legal advisers to the Company</b>	Simmons & Simmons LLP Citypoint 1 Ropemaker Street London EC2Y 9SS
<b>Depository</b>	J.P. Morgan Europe Limited 25 Bank Street Canary Wharf London E14 5JP

**Auditor**

Ernst & Young LLP  
25 Churchill Place  
London E14 5EY

**Registrar and Receiving Agent**

Link Market Services Limited  
Central Square  
29 Wellington Street  
Leeds LS1 4DL

## PART 1

### FIDELITY CHINA SPECIAL SITUATIONS PLC

#### 1. INTRODUCTION AND HISTORY

Fidelity China Special Situations PLC (the “**Company**”) is a closed-ended public limited company incorporated on 22 January 2010 in England and Wales with registered number 07133583. The Company is an alternative investment fund or “AIF” for the purposes of the UK AIFMD Laws and EU AIFM Directive and is registered as an investment company under section 833 of the Companies Act. The Company does not have a fixed life but, subject to the implementation of the Scheme, the Board has committed to give Shareholders the opportunity to vote on the continuation of the Company in 2029 and every five years thereafter.

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 in China, both listed and unlisted, as well as Chinese companies listed elsewhere. The Company may also invest in companies with significant interests in China. The Company’s comparative benchmark index is the MSCI China Index (in Sterling terms) (the “**Benchmark Index**”). As at 14 February 2024, the Company had an unaudited Net Asset Value of approximately £969.5 million.

The Company’s Shares are listed on the premium segment of the Official List and traded on the Main Market.

FIL Investment Services (UK) Limited (the “**AIFM**” or “**FISL**”) has been appointed as the Company’s alternative investment fund manager. The AIFM has delegated portfolio management services to FIL Investment Management (Hong Kong) Limited (“**FIL Hong Kong**” or the “**Investment Manager**”).

The Company’s Portfolio Manager is Dale Nicholls. He is supported by 35 analysts based in Hong Kong, Shanghai and Singapore, of which 26 are dedicated to covering Greater China stocks. Dale’s biography is set out at paragraph 8 of this Part 1 of this Prospectus.

#### 2. BACKGROUND TO THE PUBLICATION OF THIS PROSPECTUS

##### 2.1. The Proposals

As announced on 28 November 2023, the Board has agreed terms with the board of abrdn China Investment Company Limited (“**ACIC**”) in respect of a proposed combination of the assets of the Company with the assets of ACIC. The combination, if approved by Shareholders and ACIC Shareholders, will be effected by way of a Guernsey scheme of reconstruction and members’ voluntary winding up of ACIC (the “**Scheme**”) and the associated transfer of part of the cash, assets and undertaking of ACIC to the Company in exchange for the issue of New Shares.

Following implementation of the Proposals, it is intended that the Company’s Portfolio will continue to be managed on the same basis as it is currently. In particular, the Company’s investment objective and investment policy will not change as a result of the implementation of the Proposals, and the Portfolio will continue to be managed by the Investment Manager, with Dale Nicholls continuing as the Portfolio Manager.

Implementation of the Scheme is conditional upon, among other things, the approval of the Resolution to authorise the issue of New Shares in connection with the Scheme at the General Meeting and the approval of the ACIC Resolutions by ACIC Shareholders at the ACIC General Meetings.

##### 2.2. Benefits of the Proposals

The Board believes that, if implemented, the Proposals will offer Shareholders the following benefits:

- **Scale and enhanced profile:** The Enlarged Company is expected to have a Net Asset Value of approximately £1.094 billion (based on valuations as at 14 February 2024 and assuming the Cash Option is fully subscribed). As the flagship UK closed-ended vehicle for investment in China and a constituent of the FTSE 250 Index, it is expected that the Enlarged Company would benefit from an enhanced profile and improved marketability.

- **Enhanced liquidity:** The scale of the Enlarged Company, as the largest and most liquid company in the AIC's China/Greater China sector, is expected to improve the secondary market liquidity for Shareholders (including in relation to the Company's Share buyback policy).
- **Shareholder register:** The implementation of the Proposals would allow a number of Shareholders to consolidate their holdings across the Company and ACIC whilst also creating a more diversified Shareholder base through a combination of the two share registers.
- **Lower ongoing charges:** The Enlarged Company would be expected to benefit from a lower ongoing expense ratio, with the Company's fixed costs being spread over a larger asset base.
- **Contribution to costs:** As described in paragraph 8 of Part 3 (*Directors, Management and administration of the Company*) of this Prospectus, the AIFM has agreed to make a cost contribution in respect of the Proposals and the Scheme which is expected to offset the direct transaction costs of the Company relating to the Proposals.
- **Lower tiered management fee:** FISL has agreed that, with effect from the admission to listing and trading of the New Shares, the base management fee payable by the Company under the Management Agreement will be reduced from 0.70 per cent. to 0.65 per cent. in respect of the Company's Net Assets in excess of £1.5 billion, which is expected to lower the ongoing costs of the Company as it grows over the longer term.

### 2.3. Overview of the Scheme

The Proposals will be effected by way of a Guernsey scheme of reconstruction of ACIC, resulting in the members' voluntary winding up of ACIC and the transfer of part of ACIC's assets, cash and undertaking to the Company in return for the issue of New Shares by the Company on a formula asset value ("**FAV**") for FAV basis.

The Scheme is conditional on, among other things, approval of the Resolution to approve the Issue by Shareholders at the General Meeting and the approval of the ACIC Resolutions by ACIC Shareholders at the ACIC General Meetings. Further details of the conditions attaching to the Scheme are set out in paragraph 4 of Part 4 (*Details of the Scheme and the Issue*) of this Prospectus.

Under the Scheme, ACIC Shareholders will be deemed to have elected to receive New Shares in respect of their ACIC Shares (the "**Rollover Option**") unless they elect (or are deemed to have elected) to receive cash in respect of some or all of their ACIC Shares (the "**Cash Option**").

The maximum aggregate number of ACIC Shares that can be elected (or deemed to have been elected) for the Cash Option is 33 per cent. of the total number of ACIC Shares in issue (excluding ACIC Shares held in treasury) as at the Calculation Date (the "**Maximum Cash Option Shares**"). Eligible ACIC Shareholders are entitled to elect for the Cash Option in respect of 33 per cent. of their individual holdings of ACIC Shares (the "**Basic Entitlement**") but may also elect for the Cash Option in respect of a greater proportion of their individual holding of ACIC Shares (such excess amount being an "**Excess Application**"). However, should total elections and deemed elections for the Cash Option exceed 33 per cent. of the ACIC Shares in issue (excluding ACIC Shares held in treasury as at the Calculation Date), Excess Applications for the Cash Option will be scaled back into New Shares in a manner that is, as near as practicable, *pari passu* and *pro rata* among all Eligible ACIC Shareholders who have made such Excess Applications such that the aggregate number of ACIC Shares elected and deemed elected for the Cash Option shall be equal to the Maximum Cash Option Shares.

The Cash Option will be offered at the Residual ACIC NAV per ACIC Share less a discount of 2 per cent. (the "**Cash Option Discount**"). The value of the Cash Option Discount will be credited to the Rollover Pool for the benefit of ACIC Shareholders who are deemed to have elected for the Rollover Option.

New Shares will be issued as the default option under the Scheme in the event that ACIC Shareholders do not make (or are not deemed to make) a valid election for the Cash Option under the Scheme or to the extent elections for the Cash Option (including Excess Applications) are scaled back as a result of the Cash Option being oversubscribed.

Further details of the Scheme and the Issue are set out in Part 4 (*Details of the Scheme and the Issue*) of this Prospectus.

## **2.4. Use of proceeds**

The New Shares will be issued to Eligible ACIC Shareholders (and to the Liquidators appointed in respect of Excluded ACIC Shareholders) who, in accordance with the terms of the Scheme, are deemed to elect for the Rollover Option in consideration for the transfer of the Rollover Pool from ACIC to the Company. The Rollover Pool will consist of investments aligned with the Company's investment objective and policy as at the Effective Date, together with cash and cash equivalents. Any cash in the Rollover Pool and any proceeds of the realisation of cash equivalents in the Rollover Pool will be used to acquire investments in accordance with the Company's investment objective and policy.

## **3. INVESTMENT OBJECTIVE AND POLICY**

### **3.1. Investment objective and policy**

#### *Investment objective*

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 in China, both listed and unlisted, as well as Chinese companies listed elsewhere. The Company may also invest in companies with significant interests in China.

#### *Investment policy*

The Company invests in a diversified portfolio consisting primarily of securities issued by companies in China, both listed and unlisted, as well as Chinese companies listed elsewhere. The Company may also obtain exposure to other listed companies that 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 per cent. of Net Assets plus Borrowings.

The Investment Manager is 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.

#### *Unlisted investments*

The Company is able to invest up to 15 per cent. of Net Assets plus Borrowings, at the time of investment, in unlisted securities which carry on business, or have significant interests, in China.

#### *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 borrowing and gearing policy.

The Company may borrow up to 25 per cent. 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 per cent. The Portfolio Manager is responsible for operating within these limits.

### **3.2. Derivative instruments**

The Company may use derivative instruments for efficient portfolio management, gearing and hedging purposes. They may also be used as a means of enhancing portfolio performance in order to achieve the Company's investment objective.

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



It is the Board's policy that the Company's 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 per cent. of Net Assets plus Borrowings. Derivative exposures are included after the netting off of off-setting positions and allowing for any collateral placed by the counterparty with the Company.

### **3.3. Investments in other listed investment companies**

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

### **3.4. Changes to investment objective and policy**

No material change will be made to the Company's investment objective and policy without the prior approval by ordinary resolution of the Shareholders and the approval of the FCA.

## **4. GEARING**

The Board considers that long-term capital returns can be enhanced by the judicious use of gearing. Derivatives and borrowings may be used to achieve the Company's investment objective (that is, to enhance portfolio performance) and the Company also utilises derivatives for efficient portfolio management, gearing and hedging purposes.

The Board is responsible for setting 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 borrowing and gearing policy.

As noted above, the Company's investment policy stipulates a maximum borrowing level of 25 per cent. of the Company's Net Assets, with the Gross Asset Exposure of the Company, including borrowings and the use of derivatives, not to exceed the Net Assets of the Company by more than 30 per cent.

The Company and Scotiabank Europe plc ("**SBE**") entered into a fixed loan facility agreement originally dated 14 February 2020, as amended, novated and/or restated from time to time, including, without limitation, as amended and novated from SBE to The Bank of Nova Scotia, London Branch ("**BNS**") on 14 February 2023 (the "**Fixed Loan Facility Agreement**"). Pursuant to the Fixed Loan Facility Agreement, BNS provided the Company with a term loan of US\$100,000,000 at an interest rate of 6.335 per cent. per annum (the "**Fixed Loan Facility**"). The purpose of the Fixed Loan Facility was to finance investments in the ordinary course of the Company's business and for general corporate purposes. The termination date of the Fixed Loan Facility was 13 February 2024. In the light of the current interest rate environment, the Board and the Investment Manager are of the view that, in the near-term, it is prudent for the Company to achieve its desired level of gearing through increased use of contracts for difference rather than borrowings. The Board notes that the Investment Manager and the Portfolio Manager have considerable expertise in the use of derivatives and, in particular, the Investment Manager has been utilising contracts for difference for these purposes within the Company's Portfolio since its launch in April 2010.

Accordingly, the Company repaid the Fixed Loan Facility when it reached maturity on 13 February 2024 (the "**Repayment**") and did not renew or replace that facility. The Company has no bank borrowings in place as at the date of this Prospectus and has increased its investment exposure through contracts for difference such that the Company's level of gearing and Portfolio weighting remain substantially unchanged immediately following the Repayment.

Through its use of this low-cost, flexible means of gearing in the near-term, the Investment Manager believes that the Company can remain agile whilst the Investment Manager continues to monitor developments in interest rates and funding markets. Subject to the prevailing interest rate environment and other funding market conditions, the Company may consider putting in place bank or other longer-term borrowing at an appropriate time for the purpose of seeking to enhance the Company's investment returns. However, as at the date of this Prospectus, there is no current intention to put any bank or other longer-term borrowings in place for such purpose, and the Company does not require (and will not be required to initiate) any such borrowings within the next 12 months to support, or as a result of any

concerns around, the Company's working capital. Nothing in this paragraph 4 is intended to qualify the statement as to the sufficiency of the Company's working capital that is set out in paragraph 8 of Part 5 of this Prospectus.

As at 14 February 2024, the Company's Net Gearing was approximately 26.3 per cent. Assuming the Scheme is implemented, the Cash Option is subscribed in full and, based on valuations as at 14 February 2024, the Rollover Pool has a value of approximately £124.8 million, it is expected that the Company's Net Gearing immediately following implementation of the Scheme will be approximately 23.3 per cent.

## **5. DIVIDEND POLICY**

The Company does not have a formal policy to achieve a specified level of dividend. The Company conducts its business so as to satisfy the conditions to retain approval as an investment trust under section 1158 of the Corporation Tax Act. In accordance with regulation 19 of the Investment Trust Tax Regulations, the Company does not (except to the extent permitted by those regulations) retain more than 15 per cent. of its income (as calculated for UK tax purposes) in respect of an accounting period and seeks to ensure that it distributes at least the minimum amount required to maintain investment trust status. The Board may resolve to pay dividends on the Shares from time to time in order to comply with these requirements.

In general, the Company pays one final dividend in respect of each financial year (usually payable in July each year). The Company paid a final dividend of 6.25 pence per Share in respect of the financial year ended 31 March 2023.

## **6. DURATION OF THE COMPANY**

The Company does not have a fixed life. However, subject to the implementation of the Scheme, the Board has committed to give Shareholders the opportunity to vote on the continuation of the Company in 2029 and every five years thereafter.

## **7. SHARE CAPITAL**

The Company's share capital comprises only of ordinary shares with a nominal value of one penny each (the "**Shares**"), all of which are listed on the premium segment of the Official List and admitted to trading on the Main Market. Shareholders are entitled to such dividends (if any) as are declared by the Company and are entitled, on a return of capital on a winding up or otherwise, to all undistributed revenue of the Company and to the residual capital of the Company that remains after satisfying any liabilities.

### **7.1. Share capital authorities**

At the Annual General Meeting of the Company held on 20 July 2023, Shareholders granted the Board authority to: (i) allot Shares representing approximately 10 per cent. of the Company's issued Share capital as at 7 June 2023 on a non pre-emptive basis; and (ii) buy back up to 14.99 per cent. of the Company's issued Share capital as at 7 June 2023. The authority to allot Shares on a non pre-emptive basis will expire on the earlier of 20 October 2024 or the conclusion of the Annual General Meeting of the Company held in 2024. The authority to buy back Shares will expire at the conclusion of the Annual General Meeting of the Company held in 2024.

As at 14 February 2024 the Directors had general authority to allot, on a non pre-emptive basis for cash, 56,881,575 Shares.

At the General Meeting, the Board will seek authority to allot up to 130 million New Shares in connection with the Proposals. Such authority will not impact on the Company's existing authorities to allot Shares taken at the Annual General Meeting held on 20 July 2023.

### **7.2. Share repurchases**

The Board believes that investors are best served when the Share price trades close to the Company's Net Asset Value per Share. However, the Board also recognises that the Share price is affected by the interaction of supply and demand in the market based on investor sentiment towards investment in Chinese companies, as well as the performance of the Company's Portfolio. The Board therefore

operates a discount control mechanism whereby it seeks to maintain the discount at which the Shares trade relative to the Company's Net Asset Value per Share in single digits in normal market conditions by undertaking Share buy backs where appropriate.

The timing, price and volume of any buy back of Shares will be at the absolute discretion of the Company and any such buy back is also subject to the Company having sufficient working capital for its requirements and distributable profits available.

All Share repurchases will be conducted in accordance with the Companies Act and the Listing Rules applicable to closed-ended investment funds from time to time and will be announced to the market through an RIS announcement on the same or following day.

Shares purchased by the Company may be cancelled or held in treasury (or a combination of both). Historically, Shares purchased by the Company were held in treasury. However, as the number of Shares held in treasury was significant and equated to approximately 15 per cent. of the Company's issued Share capital on 11 May 2023, Shares bought back since then have been cancelled. Any Shares held in treasury may be subsequently cancelled or sold for cash. The sale of Shares from treasury will be subject to the Companies Act and the provisions relating to rights of pre-emption contained therein to the extent not disapplied.

## **8. THE AIFM, THE INVESTMENT MANAGER AND THE PORTFOLIO MANAGER**

FISL is the Company's alternative investment fund manager for the purposes of UK AIFMD Laws. FISL has sub-delegated certain responsibilities, including the day-to-day management of the Portfolio, to FIL Hong Kong.

FISL is a private limited company, incorporated and registered in England and Wales on 2 May 1986 with registered number 02016555. FISL is authorised and regulated by the FCA to conduct certain restricted activities in relation to collective investment schemes and general securities and derivatives.

FIL Hong Kong is a company with limited liability, incorporated and registered in Hong Kong on 12 May 1981 with registered number 0097708.

Both the AIFM and FIL Hong Kong are indirectly wholly owned subsidiaries of Fidelity International.

Established in 1969 as the international arm of Fidelity Investments, founded in Boston in 1946, Fidelity International became independent of the US organisation in 1980, and is today owned mainly by management and members of the original founding family.

Fidelity International has over 30 years' experience managing investment companies, and currently manages six investment trust companies with total investment trust assets under management of approximately £5.6 billion as at 31 January 2024. All six of the investment trust companies managed by Fidelity International are focused on equity growth strategies.

### **Dale Nicholls**

Dale Nicholls joined Fidelity International in 1996 as a Research Associate in its Tokyo office. It was during his tenure as an analyst that Dale first began to take an interest in the dynamics of the Chinese market. He regularly visited Chinese companies to get a clear view of the key supply and demand chains of the industries he covered. In 2003, he was promoted to portfolio manager of the Fidelity Pacific Fund and retains management of that portfolio today. Dale has been Portfolio Manager of the Company since 1 April 2014. In his current role, Dale spends much of his time traveling within China to meet with the management teams and competitors of companies in which he may, or already does, invest, visiting well over 100 companies a year.

Prior to joining Fidelity International, Dale worked at Bankers Trust Asia Securities in Tokyo and as a market/business analyst at Sony Corporation, also in Tokyo. He is a graduate of the Queensland University of Technology in Australia.

## PART 2

### MARKET OUTLOOK, INVESTMENT STRATEGY AND PORTFOLIO

#### 1. MARKET OUTLOOK

The Investment Manager believes that the Chinese economy is currently at a different point in the economic cycle to Western developed market economies. In the West, developed market economies have experienced rising rates of inflation in recent years, with central banks raising interest rates in an attempt to rein in inflation. While growth has generally held up well in the US and Europe despite the challenges posed by rising inflation and interest rates, the Investment Manager believes that the risks of a slowdown are increasing. In contrast, the Chinese economy has not experienced analogous inflationary pressures and government economic policy is instead focused on stimulating investment and consumption to support the post-Covid-19 recovery.

Despite sluggish economic activity in the Chinese economy, the Investment Manager believes that the overall trend still points towards a recovery in growth. There are indications that consumer confidence remains soft, mainly due to a weakened property market, but the Chinese government is addressing this by implementing various measures including lower mortgage requirements and support for property developers. Additional measures to boost both supply and demand in the property sector may be required, but a substantial amount of household savings, accumulated recently for security, sets the stage for an upswing in consumer spending once confidence is restored.

Activity should also pick up with improving business confidence, which has been impacted by regulatory campaigns. The Investment Manager believes there is cyclical regulation in China and the current policy orientation is shifting towards loosening, with more balance between growth and stability. This aligns with China's long-term goal to double GDP per capita, which relies on a vibrant private sector and sustained growth.

Despite macroeconomic challenges, the Investment Manager still sees growth and adaptability in companies and opportunities for investors. The Investment Manager believes that, over the longer term, improved corporate earnings could be a key driver for the return of broader investor confidence.

Innovation continues to thrive across sectors, reflecting companies' commitment to building a competitive edge. High-end manufacturing and domestic consumption are central to the Chinese government's long-term plan to reduce reliance on investment and property for driving growth. While overseas investors may focus on the impact on China of de-globalisation and "near-shoring" of industry, one consequence of this is an increasing preference among Chinese consumers and corporates for Chinese brands and local suppliers, resulting in domestic companies taking ever greater market share in what remains one of the world's largest markets.

At the same time, the Investment Manager believes valuations in the Chinese equity market are compelling both in historic terms and in comparison with other major markets. These low valuations are despite a corporate earnings outlook that compares favourably to markets such as Japan and the US and the Investment Manager notes that a lot of pessimism over the Chinese economy appears to be priced into equities.

The Investment Manager is of the view that, despite executing well in industries with strong growth potential, the stories of successful individual companies are often missed when their valuations are dragged down by negative macro headlines and poor sentiment. That said, the Investment Manager also believes that stock prices follow earnings in the long-term. Provided that the forecasted earnings growth for such companies materialises, the Investment Manager believes that the upside potential is significant, and the Investment Manager is directing capital accordingly.

#### 2. INVESTMENT STRATEGY

The Company operates as an investment company that has an actively managed portfolio of investments and provides investors with a broad exposure to the opportunities that China offers.

The Investment Manager continues to believe that the sheer size of China's economy and its growing importance on the world stage make it a market that should not be ignored. Since its launch in 2010,

the Company has offered direct exposure to China’s growth story; from tech giants through to entrepreneurial small and medium-sized companies, and even new businesses yet to launch on the stock market. The Portfolio Manager, Dale Nicholls, looks to identify and invest in companies that are best placed to capitalise on China’s transformation. These are often beneficiaries of growing domestic consumption and the rising middle class, but also of technological innovation.

The investment strategy focuses on opportunities among small and medium-sized companies, where there are fewer investors, lower levels of research and, consequently, greater opportunities for mispricing. That said, the Company has a flexible approach and may invest in larger companies, including state-owned entities, if they fit the Portfolio Manager’s criteria.

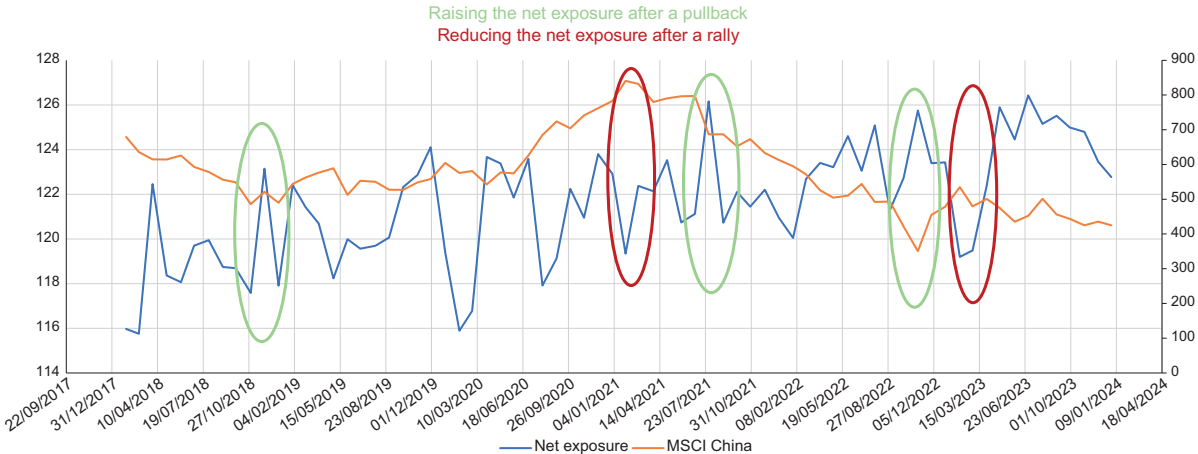
To find these exciting businesses, the Investment Manager has deep research capabilities and locally based experts who seek out companies with good long-term growth prospects whose strength the Investment Manager believes has been underestimated by the wider market. Company visits and management meetings comprise an important part of the investment process and the Portfolio Manager is supported by 35 analysts based in Hong Kong, Shanghai and Singapore, of which 26 are dedicated to covering Greater China stocks.

The closed-ended nature of the investment trust structure more readily facilitates investments in unlisted companies, as closed-ended funds are not subject to the same liquidity concerns that face their open-ended counterparts. In accordance with the Company’s investment policy, the Investment Manager is able to invest up to 15 per cent. of the Company’s Net Assets plus Borrowings (at the time of investment) in unlisted companies, which the Investment Manager’s research team also covers and analyses. The Investment Manager believes that the ability to invest in unlisted securities is a differentiating factor for the Company and will continue to be a source of additional investment performance, as investing in unlisted companies allows the Investment Manager to take advantage of the potentially faster growth trajectory of earlier stage companies before they become listed on the public markets.

The Portfolio further benefits from the use of gearing which is possible in a closed-ended structure. The Board believes that the judicious use of gearing can be accretive to long-term capital returns for Shareholders and, pursuant to the Company’s investment policy, the Company is able to employ gearing to increase investment exposure up to 130 per cent. of Net Assets. This is currently achieved through derivatives, namely contracts for difference (which are low-cost and represent a flexible way of increasing investment exposure), and the Company may also employ borrowings (albeit it has opted not to do so in the current interest rate environment).

The Board is responsible for the Company’s gearing strategy with day-to-day decisions being made by the Portfolio Manager within the remit set by the Board. The level of gearing is regularly tabled and discussed during quarterly Board meetings. The Portfolio Manager’s approach to managing the net market exposure involves consideration of a combination of market valuation, macro-outlook, market sentiment and the number of opportunities that are available to him. Broadly speaking, the Portfolio Manager will increase the Company’s net market exposure after a market pullback and will reduce its exposure after a period of strong share price performance, as demonstrated in the below chart:

**Net exposure vs MSCI China**





### 3. ESG POLICY

Fidelity International's approach to integrating ESG factors into its investment analysis incorporates in-depth research, company engagement, active ownership and collaboration with its peers in the investment industry.

Fidelity International's analysts have overall responsibility for analysing the ESG performance of individual companies. It also has a dedicated Sustainable Investing Team working closely with the investment teams with responsibility for consolidating Fidelity International's approach to stewardship, engagement, ESG integration and the exercise of its votes at general meetings.

The Sustainable Investing Team have a key role in assisting the investment teams with ESG integration which includes:

- implementing Fidelity International's proxy voting guidelines;
- engagement with investee companies on ESG issues including attending company meetings;
- working closely with the investment team globally across all asset classes in integrating ESG into analysis and decision making;
- providing internal ESG reporting including analyst reports, portfolio manager reviews and industry analysis;
- co-ordinating and responding to specific client queries on ESG topics;
- publishing client reporting on ESG integration and proxy voting;
- maintaining a thorough understanding of current ESG themes and trends around the world; and
- providing ESG training to the investment team and across the business.

Fidelity International's investment approach involves bottom-up research. As well as studying financial results, the portfolio managers and analysts carry out additional qualitative analysis of potential investments. They examine the business, customers and suppliers and often visit the companies in person to develop a view of every company in which Fidelity International invests. In this way, ESG factors are embedded in this research process. These include:

- corporate governance (e.g. board structure, executive remuneration);
- shareholder rights (e.g. election of directors, capital amendments);
- changes to regulation (e.g. greenhouse gas emissions restrictions, governance codes);
- physical threats (e.g. extreme weather, climate change, water shortages);
- brand and reputational issues (e.g. poor health and safety record, cyber security breaches);
- supply chain management (e.g. increase in fatalities, lost time injury rates, labour relations); and
- work practices (e.g. observation of health, safety and human rights provisions and compliance with the provisions of the Modern Slavery Act).

Fidelity International also uses a number of external research sources around the world, particularly for company-specific and industry-specific research, alongside *ad hoc* thematic research looking at particular topics. The ESG ratings are industry specific and are calculated relative to industry peers and Fidelity International uses these ratings in conjunction with its wider analysis.

### 4. THE COMPANY'S PERFORMANCE TRACK RECORD

The Company's performance relative to its Benchmark Index (being the MSCI China Index (in Sterling terms)) over one, three, five and 10 years each to 14 February 2024 is set out below. The Company had also delivered a Share price total return of 121.58 per cent. and a NAV total return of 144.73 per cent., respectively, since its launch on 19 April 2010.

From 30 September 2023 to 14 February 2024, the Company's NAV total return per Share decreased by 13.31 per cent.\*, which can be compared against the Benchmark Index which fell by 13.21 per cent. over the same period. The Share price over the same period fell by 11.41 per cent. to 185.60 pence and ended the period trading at a discount of 10.07 per cent. to the unaudited NAV per Share as at 14 February 2024.

The Board monitors the performance of the Portfolio continuously and closely with the Investment Manager in order to understand the drivers behind relative performance (both underperformance and outperformance) and actions being taken by the Investment Manager in the light of that.

#### 4.1. The Company's performance track record (all as at 14 February 2024)

	1 year (%)	3 years (%)	5 years (%)	10 years (%)
NAV total return per Share	-29.13	-55.10	-7.45	107.53
Share price total return	-29.93	-59.80	-4.17	104.50
Benchmark Index total return	-25.91	-52.76	-26.94	42.94

Sources: Market indices are sourced from RIMES and other data is sourced from third-party providers such as Morningstar. Data to 14 February 2024. Total return calculations assume reinvested income. Past performance is not a reliable indicator of future results.

## 5. THE COMPANY'S PORTFOLIO

### 5.1. Overview

The Portfolio Manager aims to achieve long-term capital growth through actively managing the Portfolio through bottom-up security selection.

As at 31 January 2024, the Company's key overweight positions (relative to the Benchmark Index) are in industrials, healthcare and consumer discretionary, while its largest underweight positions are in communication services, utilities and energy.

The Portfolio Manager continues to find companies offering compelling long-term growth prospects within China's industrial sector, driven by rapid innovation and ongoing industry consolidation. The Portfolio Manager believes many Chinese businesses are also benefitting from the re-orientation of global supply chains and an increasing preference for local suppliers in China.

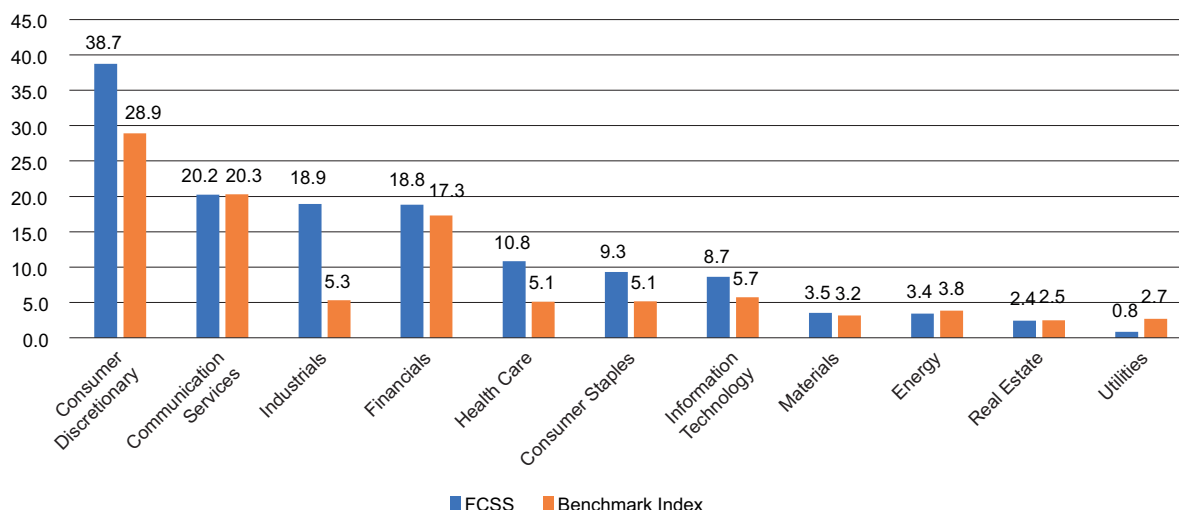
Across sectors, Chinese companies are sustaining a fast pace of innovation, evident in measures of research and development spend and the share of global patent applications by Chinese companies. This is improving their competitive edge and, in areas such as robotics, domestic players are closing the gap on global peers. The Portfolio Manager believes that fragmented industries like building materials, including paint, pipes and waterproofing, are poised for further consolidation, following the trajectory seen in more developed markets. Good quality companies with an edge and scale should profit from gaining market share and are providing attractive investment opportunities.

In emerging sectors such as electric vehicles and renewable energy, the Portfolio Manager is identifying opportunities among enablers in the electric vehicle value chain, particularly those providing key components and services, such as electric vehicle battery manufacturers or auto parts suppliers. Healthcare also presents opportunities, especially in areas with low penetration like medical devices or core pharmaceuticals.

The Portfolio retains a significant exposure to the consumer sector as, despite recent challenges, many companies will continue to benefit from China's long-term shift from export and investment-led growth towards higher quality growth driven by consumption. Urbanisation and a growing middle class persist in strengthening consumer purchasing power, offering notable structural growth for those under-penetrated products and services industries. Capitalising on the recent weakness in stock prices, the Portfolio Manager has added to some long-term structural beneficiaries in the consumption space, with many seeing their valuations dragged down by the macro headlines.

\* Based on an unaudited NAV per Share of 238.07p as at 30 September 2023 and an unaudited NAV per Share of 206.39p as at 14 February 2024.

## % of unaudited Net Assets as at 31 January 2024



### 5.2. Unlisted investments

Within unlisted investments, the Portfolio Manager maintains a cautiously optimistic outlook, actively looking for unique assets with significant secular drivers and attractive valuations. As at 31 January 2024, the Company had five investments in private companies across different sectors. Notable investments include:

- ByteDance, a company that develops applications for smart phones. Among its best-known products are TikTok and Douyin, its mainland Chinese counterpart. ByteDance was founded in 2012 and is based in Beijing with offices across the globe. The company generates part of its revenue from advertising and live broadcasting and the remainder through a suite of different applications.
- Pony.ai, which operates in the United States and China, provides automobile engineering and technology solutions for transport, developing artificial intelligence and autonomous driving technology.

### 5.3. Gearing

As noted above, gearing is primarily obtained using Contracts for Difference. As at 14 February 2024, the Company's Net Gearing was approximately 26.3 per cent. This reflects the compellingly attractive valuations of the Chinese market and therefore the relative appeal of greater levels of gearing to take advantage of potential future market rises.

Assuming the Scheme is implemented, the Cash Option is fully subscribed and the Rollover Pool has a value of approximately £124.8 million (based on valuations as at 14 February 2024), it is expected that the Company's Net Gearing immediately following implementation of the Scheme will be approximately 23.3 per cent.

### 5.4. Distribution of the Portfolio

The Net Asset Value and Portfolio information set out in this paragraph 5.4 is unaudited information as at 31 January 2024 which has been extracted from the internal management accounting records held by the Company. The Company confirms that, as at 14 February 2024 (being the latest practicable date prior to the publication of this Prospectus), there has been no material change to the composition of the Portfolio since 31 January 2024.

As at close of business on 31 January 2024, the Portfolio comprised investments and cash, calculated in accordance with the Company's usual accounting policies, with an aggregate unaudited Gross Asset Exposure of approximately £1.211 billion and an unaudited Net Asset Value of approximately £945.6 million.

Given that the Company may use derivatives as a means of enhancing portfolio performance, the market exposure of the Portfolio is typically greater than 100 per cent. of NAV. The Company's Net Equity Exposure represents the net positive exposure of the Portfolio to the market, netting off long and short positions (and net of both hedge exposure and any interests in fixed income investments/bonds), as a percentage of the Net Asset Value. The higher the Net Equity Exposure, the greater the effect of any market rises or falls on the Portfolio.

As at close of business on 31 January 2024, the Company's Net Equity Exposure was 122.1 per cent. of the unaudited NAV also as at 31 January 2024, with such exposure in excess of 100 per cent. reflecting the Investment Manager's use of Contracts for Difference within the Portfolio.

The following table shows the unaudited Net Equity Exposure of the Portfolio by share type (as a percentage of Net Asset Value) all as at 31 January 2024.

Share Type	Net Equity Exposure as a percentage of NAV (%) as at 31 January 2024*
Listed in Hong Kong**	39.3
Listed in US	22.6
China "H" Shares	19.3
China "A" Shares	10.5
Unlisted	16.6
Red Chips***	11.7
Listed in Japan	3.0
Listed in UK	1.4
Listed in Germany	1.0
Listed in Canada	0.0
US ADRs (non-China)	0.0
Listed in Singapore	0.0
China "B" Shares	0.0
Listed in Taiwan	-0.0
Other****	-3.2
<b>Total Net Equity Exposure</b>	<b>122.1</b>

\* Rounded to one decimal place.

\*\* Shares of companies listed in Hong Kong that are not China "H" Shares or Red Chips.

\*\*\* As classified by Bloomberg.

\*\*\*\* Includes fixed income investments/bonds.

The following table shows unaudited information on the Company's top ten net long positions as at 31 January 2024, being the investments in which the Company has the greatest net positive market exposure. Such exposure takes account of market price movements in the shares, equity linked notes and convertible bonds held by the Company together with market price movements in the shares underlying the derivative instruments held by the Company.

Company Name	Sector	Net long exposure (£'000) as at 31 January 2024	Net long exposure (as a percentage of NAV) (%) as at 31 January 2024
Tencent Holdings	Communication Services	96,831	10.2
Pony.ai	Consumer Discretionary	46,550	4.9
PDD Holdings	Consumer Discretionary	44,836	4.7
Ping An Insurance Company of China	Financials	38,779	4.1
DJI International	Information Technology	30,885	3.3
Alibaba Group Holdings	Consumer Discretionary	29,669	3.1
Crystal International Group	Consumer Discretionary	29,446	3.1
Venturous Holdings	Financials	28,224	3.0
China Foods	Consumer Staples	27,017	2.9
ByteDance	Communication Services	24,369	2.6

The following table shows the unaudited breakdown of the Portfolio (based on percentage of the unaudited NAV as at 31 January 2024) by sector and market capitalisation (with unlisted investments set out separately for the purposes of the latter) as at 31 January 2024.

Sector	Net Equity Exposure (as a percentage of NAV) as at 31 January 2024*	Market capitalisation exposure (£)	Net Equity Exposure (as a percentage of NAV) as at 31 January 2024*
Consumer Discretionary	38.7	>10 billion	27.3
Communication Services	20.2	5-10 billion	8.2
Industrials	18.9	1-5 billion	24.4
Financials	18.8	0-1 billion	45.8
Health Care	10.8	Other Index / Unclassified / Unlisted	16.4
Consumer Staples	9.3	<b>Total Net Equity Exposure</b>	<b>122.1</b>
Information Technology	8.7		
Materials	3.5		
Energy	3.4		
Real Estate	2.4		
Utilities	0.8		
<b>Total sector exposure</b>	<b>135.7</b>		
Other Index / Unclassified / Hedge	-13.6		
<b>Total Net Equity Exposure</b>	<b>122.1</b>		

\* Rounded to one decimal place.

The Enlarged Company's portfolio will, immediately following the Scheme becoming effective, constitute a combination of the Company's Portfolio and the investments, cash and cash equivalents apportioned to the Rollover Pool that will transfer to the Company pursuant to the Transfer Agreement. The investments in the Rollover Pool will include only those aligned with the Company's investment policy as at the Effective Date together with cash and cash equivalents. The assets within the Rollover Pool, and hence the Enlarged Company's portfolio, are not known at the date of this Prospectus.

## 6. RECENT INVESTMENTS

Save as set out below, the Company has not made any material new investments since 30 September 2023 (being the date as at which unaudited financial information was last published by the Company):

- The Company increased its position in Ping An Life Insurance Company of China to give a Gross Asset Exposure of £38,779,199 as of 31 January 2024.
- The Company invested in NetEase, a Chinese internet technology company, with a Gross Asset Exposure of £12,277,298 as of 31 January 2024.



## PART 3

### DIRECTORS, MANAGEMENT AND ADMINISTRATION OF THE COMPANY

#### 1. DIRECTORS

The Directors, each of whom is non-executive and all of whom are independent of the AIFM and the Investment Manager, are responsible for the determination of the investment policy of the Company and the overall supervision of the Company, including the review of the Company's investment activity and performance, and the control and supervision of the AIFM's and the Investment Manager's activities in relation to the Company. The Company operates with an experienced non-executive Board of Directors, bringing investment and corporate skills and experience of closed-ended funds to their oversight roles. The Directors are as follows:

**Mr Mike Balfour (Chairman):** Mr Balfour is a non-executive director of abrdn Property Income Trust Limited and Schroder BSC Social Impact Trust plc. He is chairman of TPT Investment Management Limited and sits on the board of its parent company, TPT Retirement Solutions Limited. He is a member of the Investment Advisory Board of The Institute of Chartered Accountants of Scotland. He was chief executive of Thomas Miller Investment Ltd until 2016 and was previously chief executive at Glasgow Investment Managers and chief investment officer at Edinburgh Fund Managers Limited. His early investment management career was focused on the nascent equity markets of Asia. He is a qualified Chartered Accountant.

**Mr Alastair Bruce:** Mr Bruce is a non-executive director and chairman of the audit committee of both ICG Enterprise Trust PLC and Barings Emerging EMEA Opportunities PLC. He was managing partner of Pantheon Ventures between 2006 and 2013, having joined the firm in 1996. At Pantheon Ventures, he was involved in all aspects of the firm's business, particularly the management of Pantheon International PLC, the expansion of Pantheon Ventures global platform and the creation of a co-investment business. He has over twenty-five years of private equity, investment management and financial experience. He is a qualified Chartered Accountant.

**Mrs Vanessa Donegan (Senior Independent Director):** Mrs Donegan is a non-executive director and the senior independent director of JPMorgan Indian Investment Trust plc and Invesco Asia Trust plc in addition to being a non-executive director of Herald Investment Management Ltd. and State Street Global Advisors Luxembourg SICAV. She has 37 years of Asian fund management experience, including managing dedicated China portfolios. She was Head of the Asia Pacific desk at Columbia Threadneedle Investments Ltd. (formerly Threadneedle Investments Ltd.) for 21 years and has extensive experience of marketing funds to retail and institutional clients across the globe.

**Ms Georgina Field:** Ms Field is the founder and chief executive officer of White Marble Consulting, a business that specialises in investment marketing. She was previously a non-executive director of the Perpetual Income Growth Investment Trust plc, overseeing its merger into Murray Income Trust plc. She has over 20 years' experience in the investment industry, including two senior roles leading marketing teams at asset management companies.

**Mr Gordon Orr:** Mr Orr is an independent non-executive director at Hong Kong listed Lenovo Group Limited, Meituan and Swire Pacific Limited. He is a board member at EQT AB, a Swedish private equity business, and is vice chairman of the China Britain Business Council. He founded McKinsey's consulting practice in mainland China in the early 1990s and led it in China and Asia until 2015, since when he has served on several corporate boards.

**Dr Edward Tse:** Dr Tse is a non-executive director of China Travel International Investment Limited (Hong Kong), China Oriental Group and Ping An Life Insurance Company of China as well as an adviser of CDIB Capital International and Our Hong Kong Foundation. He is founder and CEO of Gao Feng Advisory Company, Professor of Managerial Practice at Cheung Kong Graduate School of Business, and Advisory Board Member cum Adjunct Professor of Institute for China Business at the University of Hong Kong. He became one of the pioneers in China's management consulting industry by building and running two leading international management consulting firms (BCG and Booz) for 20 years. He has also advised Chinese government organisations on strategies, state-owned enterprise

reform and Chinese companies going overseas, as well as to the World Bank and the Asian Development Bank.

It has been agreed that none of the ACIC Directors will join the Board as part of the Proposals. Accordingly, the Board will continue to consist of the six incumbent Directors upon completion of the Scheme.

## **2. MANAGERIAL, COMPANY SECRETARIAL, ADMINISTRATION, DEPOSITARY AND OTHER ARRANGEMENTS**

### **2.1. Managerial arrangements**

FIL Investment Services (UK) Limited (the “**AIFM**” or “**FISL**”) has been appointed as the Company’s alternative investment fund manager. The AIFM has delegated portfolio management services to FIL Investment Management (Hong Kong) Limited (“**FIL Hong Kong**” or the “**Investment Manager**”). Both the AIFM and Investment Manager are indirectly wholly owned subsidiaries of Fidelity International.

#### ***The AIFM***

FISL is a limited liability company, incorporated and registered in England and Wales on 2 May 1986 with registered number 02016555. The registered office of the AIFM is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. The LEI of the AIFM is 213800TWO2EHFEWNF438. The AIFM is authorised and regulated by the FCA to conduct certain restricted activities in relation to collective investment schemes. The AIFM is registered under the UK AIFMD Laws as a full scope authorised UK alternative investment fund manager and has acted as the Company’s alternative investment fund manager since the EU AIFM Directive came into force in 2014.

The Company entered into the Original AIFM Agreement with the AIFM on 17 July 2014. The Original AIFM Agreement was terminated and replaced in its entirety with the AIFM Agreement which came into effect on 1 June 2021. Under the terms of the AIFM Agreement, the AIFM has been appointed by the Company with ultimate responsibility for investment management and risk management in accordance with the Company’s investment objective and policy, and subject to the overall supervision of the Directors. The AIFM also has overall responsibility for the provision of general accounting, administrative, secretarial and marketing services to the Company.

Further details of the terms of the AIFM Agreement are set out in paragraph 13.1 of Part 7 (*General Information*) of this Prospectus.

#### ***The Investment Manager***

Pursuant to the Investment Management Agreement, FISL, with the consent of the Company, has delegated the day-to-day management of the Portfolio to FIL Hong Kong. FIL Hong Kong is a Hong Kong company with its registered office at Level 21, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong.

The Investment Manager manages the Portfolio in accordance with the Company’s investment objective and policy, and subject to the overall supervision of the Directors and the overall policy decisions and directions made or given by the Directors from time to time.

The Investment Management Agreement is terminable on six months’ notice and can be terminated immediately by any of the parties if FISL (or an associate of FISL) ceases to be the Company’s alternative investment fund manager. Pursuant to the Investment Management Agreement, the Investment Manager is entitled to a portion of a variable management fee payable by the Company. The variable management fee payable to the Investment Manager comprises: (i) a fixed base fee based on the Company’s Net Asset Value; and (ii) a variable fee based on the performance of the Company’s Net Asset Value per Share relative to that of the Benchmark Index over a specified performance period.

Further details of the terms of the Investment Management Agreement are set out in paragraph 13.2 of Part 7 (*General Information*) of this Prospectus.

### ***The Portfolio Manager***

The Company's Portfolio Manager is Dale Nicholls. He is supported by 35 analysts based in Hong Kong, Shanghai and Singapore, of which 26 are dedicated to covering Greater China stocks.

Dale Nicholls joined Fidelity International in 1996 as a research associate in the Tokyo office. It was during his tenure as an analyst that Dale first began to take an interest in the dynamics of the Chinese market. He regularly visited Chinese companies to get a clear view of the key supply and demand chains of the industries he covered. In 2003, he was promoted to portfolio manager of the Fidelity Pacific Fund and retains management of that portfolio today. Dale has been Portfolio Manager of the Company since 1 April 2014. In his current role, Dale spends much of his time travelling within China to meet with the management teams and competitors of companies in which he may, or already does, invest, visiting well over 100 companies a year.

Prior to joining Fidelity International, Dale worked at Bankers Trust Asia Securities in Tokyo and as a market/business analyst at Sony Corporation, also in Tokyo. He is a graduate of the Queensland University of Technology in Australia.

### **2.2. Company secretarial and administration arrangements**

The AIFM entered into a secretarial agreement with FIL Investments International (the "**Company Secretary**") which came into effect on 1 June 2021 (the "**Secretarial Services Delegation Agreement**") pursuant to which the AIFM has delegated the provision of general accounting, administrative and company secretarial services to the Company Secretary. The Company Secretary is responsible for, amongst other things, providing the Company with all secretarial services required in connection with its business and operations, assisting the AIFM in determining the Company's Net Asset Value per Share, arranging for such Net Asset Value figures to be announced through an RIS and providing the Company with all necessary general accounting and administrative services required in connection with the Company's business and operation that are not part of the duties of the Investment Manager.

The Company Secretary also assists the AIFM in providing the Company with marketing services.

### **2.3. Depository**

J.P. Morgan Europe Limited (the "**Depository**") has been appointed as the depository of the Company pursuant to the Depository Agreement entered into with the Company and the AIFM.

The Depository's responsibilities include cash monitoring, safekeeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets, and monitoring the Company's compliance with investment limits and leverage requirements. J.P. Morgan Europe Limited and its delegates also undertake the function of custodian in respect of the Company. The Depository has delegated the provision of custodian services to JPMorgan Chase Bank National Association, London Branch (the "**Custodian**"), which has further sub-delegated the provision of custodian services in relation to certain of the Company's investments in China to HSBC Bank (China) Company Limited.

A summary of the Depository Agreement is set out in paragraph 13.3 of Part 7 (*General Information*) of this Prospectus.

### **2.4. Registrar**

Link Market Services Limited (the "**Registrar**") has been appointed as the Company's registrar pursuant to the Registrar Agreement. The Registrar is responsible for, among other things, the maintenance of the Register and for the transfer and settlement of Shares, as applicable. A summary of the Registrar Agreement is set out in paragraph 13.5 of Part 7 (*General Information*) of this Prospectus.

### **2.5. Auditor**

The statutory auditor to the Company is Ernst & Young LLP of 25 Churchill Place, London E14 5EY (the "**Auditor**" or "**EY**"). EY is independent of the Company and is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. EY's responsibility, as statutory auditor, is to audit and express an opinion on the financial statements of the Company in accordance

with applicable law and auditing standards. EY was first appointed as auditor of the Company following a competitive tender process on 30 November 2015 and this appointment was approved by Shareholders at the Company's AGM held on 22 July 2016. EY has been re-appointed as auditor at each of the Company's AGMs since that date. The Company's audited annual financial statements are prepared in accordance with UK-adopted International Accounting Standards and interpretations of the IFRS Interpretations Committee.

### **3. CORPORATE GOVERNANCE**

The Board is committed to maintaining high standards of corporate governance. The Board places considerable emphasis on running the Company in a way it believes is best suited to the successful management of an investment trust on behalf of its Shareholders. In doing so, the Board has considered the principles and recommendations of the AIC Code. The AIC Code addresses all of the principles set out in the UK Code, as well as setting out additional principles and recommendations which are of specific relevance to investment companies. The Company is a member of the AIC and the Company reports against the AIC Code.

The Company complies with the recommendations of the AIC Code and the relevant applicable provisions of the UK Code, except in relation to the following provisions:

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

Given that the Company is an externally managed investment trust and has no executive directors, employees or internal operations, the Board considers that these provisions are not relevant to the Company.

#### **3.1. Board independence, composition and tenure**

The Chairman and each of the other Directors is independent of the AIFM and the Investment Manager and each Director is non-executive. The executive responsibilities for investment management have been delegated to the AIFM. The AIFM has delegated day-to-day management of the Portfolio to the Investment Manager. Vanessa Donegan is the Senior Independent Director.

Directors do not serve on the Board for a specified period of time. Each Director is subject to the election/re-election provisions as set out in the Articles. These provisions provide that, in accordance with the AIC Code, each Director must retire and stand for re-election at each Annual General Meeting. All newly appointed Directors stand for election by Shareholders at the Annual General Meeting following their appointment by the Board. The Company's policy is that a Director's tenure of office (including that of the Chairman) will normally be for up to nine years. When making a recommendation for re-electing a Director, the Board will take into account the ongoing requirements of the AIC Code.

The AIC Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. Accordingly, the Board conducts an annual evaluation of its performance and that of its committees, the Chairman and individual Directors. The annual evaluation takes the form of written questionnaires and discussions, except for every third year when, in accordance with provision 21 of the UK Code as it applies to FTSE 350 Companies, an external evaluation is undertaken.

Directors' fees are considered by the Board as a whole within the limits as set out in the Articles and in accordance with the Company's remuneration policy which has been approved by Shareholders. The cap on the aggregate remuneration payable to the Directors as set out in the Articles is currently £350,000 per annum. The level of the cap may be increased by Shareholder resolution from time to time. The Directors are entitled to fees and reasonable travel expenses incurred in attending to the affairs of the Company. The Directors' remuneration is not subject to any performance-related fee. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. The Directors are also not entitled to exit payments and are not provided with any compensation for loss of office.

### **3.2. Audit and Risk Committee**

The Audit and Risk Committee is chaired by Alastair Bruce, who is a chartered accountant, and comprises all Directors with the exception of Mike Balfour. This is in line with the recommendation of the UK Code that a chairman of a board should not be a member of an audit committee. Mike Balfour will generally be invited to attend meetings of the Audit and Risk Committee as an observer.

The role of the Audit and Risk Committee is, broadly, to assist the Board in carrying out its responsibilities relating to the Company's accounting policies, internal controls, risk management, financial reporting functions and valuation of unlisted investments. The Audit and Risk Committee also reviews the scope, results, cost effectiveness, independence and objectivity of the Company's external auditors. The Audit and Risk Committee meets at least three times per year and the committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process. At least once a year the Audit and Risk Committee meets with the external statutory auditor without any representatives from the AIFM or the Investment Manager being present to discuss the remit of and any issues arising from the audit. The Audit and Risk Committee also meets with the AIFM's internal audit representative at least once a year.

### **3.3. Management Engagement Committee**

The Management Engagement Committee comprises all of the Directors and is chaired by Mike Balfour. The Board considers each member of the Management Engagement Committee to be independent. The role of the Management Engagement Committee is to review and monitor the performance of the AIFM and the Investment Manager and to ensure that the terms of the AIFM Agreement and the Investment Management Agreement remain competitive and reasonable for Shareholders, considering not less than once a year whether it is in the interests of Shareholders for the AIFM Agreement and the Investment Management Agreement to remain in force. In monitoring the performance of the AIFM and the Investment Manager, the Management Engagement Committee considers, amongst other things: (i) the quality of the Investment Manager's team; (ii) the Investment Manager's commitment to the Company; and (iii) the Investment Manager's portfolio management skills, experience and track record. The Management Engagement Committee meets at least once per year and at such other times as may be required.

### **3.4. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is chaired by Vanessa Donegan and comprises all of the Directors. The Nomination and Remuneration Committee meets at least once per year and at such other times as may be required. The committee seeks to ensure that the Company has a formal, considered and transparent nomination and remuneration policy. The Nomination and Remuneration Committee has written terms of reference which include: (i) performance evaluation; (ii) reviewing Board structure, size and composition; (iii) succession planning; and (iv) Board appointments. The Nomination and Remuneration Committee also considers whether Directors should be recommended for re-election by Shareholders and reviews the remuneration of the Directors, taking into account their roles, responsibilities and the time involved in carrying out their duties effectively as well as the fees paid to directors of other comparable investment trust companies.

### **3.5. Senior Independent Director**

The Company has appointed Vanessa Donegan as Senior Independent Director. The Senior Independent Director provides a sounding board for the Chairman, acts as an intermediary for the other Directors, and acts as a channel of communication for Shareholders in the event that contact through the Chairman is inappropriate.

## **4. CONFLICTS OF INTEREST**

The AIFM and the Investment Manager and their respective officers and employees may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with those of the Company. The AIFM and the Investment Manager may provide investment management, investment advice or other services in relation to a number of funds that may have similar investment policies to that of the Company.



As the AIFM and Investment Manager's fees are based on a percentage of the Company's net assets and the AIFM is responsible for valuing the Portfolio under the AIFM Agreement, there is the potential for a conflict of interest in any valuations it proposes in relation to the Company's investments. The Company's Portfolio is comprised of both listed and unlisted securities. There is ordinarily little or no judgement as to valuation in respect of listed securities and, where there is an element of judgement by the AIFM or its affiliates as to valuation, this conflict is managed through the use of independent sources to value assets where possible and through Board review and challenge of the valuations used. A greater degree of judgement is required in respect of unlisted securities and the AIFM has in place an unlisted investments valuation process to manage potential conflicts in this area. The valuation of each unlisted investment is set by the AIFM's Fair Value Committee, which is independent of the Portfolio Manager's team, with input from an independent third party valuer, Kroll. The methodologies applied by the Fair Value Committee when valuing the unlisted investments are consistent with the International Private Equity and Venture Capital Valuation guidelines and include market-based approaches such as the use of multiples, industry valuation benchmarks and available market prices, with the nature of the unlisted investment influencing the valuation technique applied. The valuation methodology proposed by the AIFM's Fair Value Committee in respect of the Company's unlisted investments is also subject to Board review and challenge.

The AIFM and the Investment Manager will have regard to their respective obligations under the AIFM Agreement and the Investment Management Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to their obligations to other clients or funds, should potential conflicts of interest arise.

The AIFM and the Investment Manager have each established internal control frameworks to provide reasonable assurances as to the effectiveness of the internal control systems operated on behalf of their respective clients. The AIFM and Investment Manager both report to the Board on a regular basis with regard to the operation of their respective internal controls and risk management within their respective operations in so far as it impacts the Company.

## **5. TAXATION**

The Company has been approved by HMRC as an investment trust. The Directors believe that the affairs of the Company have been conducted so as to continue to satisfy the conditions to qualify as an investment trust under section 1158 of the Corporation Tax Act and, on this basis, the Company should therefore be exempt from UK taxation on its capital gains in its Portfolio. The Company will be liable to UK corporation tax on its income in the normal way, with dividend income generally being exempt from UK corporation tax. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates but double taxation relief may be available.

**A guide to the general UK taxation position as at the date of this Prospectus is set out in Part 6 (UK Taxation) of this Prospectus.**

**If you are in any doubt as to your taxation position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.**

## **6. SHAREHOLDER MEETINGS, REPORTS TO SHAREHOLDERS AND ACCOUNTS**

The Company held its last AGM on 20 July 2023 and expects to hold an AGM in July 2024 and each year thereafter. The annual report and audited financial statements of the Company are made up to 31 March each year, with copies expected to be sent to Shareholders within three months of that date. The Company also publishes interim reports and unaudited interim condensed financial statements covering the six month period to 30 September each year, which are usually despatched within two months of that date.

The Company's audited annual financial statements are drawn up in Sterling and prepared in accordance with UK-adopted International Accounting Standards and interpretations of the IFRS Interpretations Committee. They include an income statement, balance sheet, statement of changes in equity, cash flow statement, related notes and any additional information that the Board deems appropriate or that is required by applicable law.

The Company's annual report and audited financial statements for the period from 1 April 2022 to 31 March 2023 were published on 8 June 2023 and are available on the Company's website. For the



avoidance of doubt, such website and its contents are not incorporated by reference into this Prospectus. The Company's next annual report and audited financial statements will be prepared to 31 March 2024.

Any ongoing disclosures required to be made to Shareholders pursuant to the UK AIFMD Laws and the EU AIFM Directive will (where applicable) be contained in the Company's periodic or annual reports or on the Company's website, or will be communicated to Shareholders in written form as required.

Information on performance, Portfolio holdings and investment activity is prepared by the AIFM and published monthly by the AIFM in the form of a factsheet made available on the Company's website.

In accordance with the UK AIFMD Laws, the AIFM will ensure that the following information in relation to the Portfolio is published in the Company's annual report and audited annual financial statements:

- the percentage of the Company's assets which are subject to special arrangements arising from their illiquid nature;
- any new arrangements for managing the liquidity of the Company;
- the current risk profile of the Company and the risk management systems employed by the AIFM to manage those risks;
- any changes to the maximum level of leverage which the AIFM may employ on behalf of the Company as well as any right of the re-use of collateral or any guarantee granted under the leveraging arrangement. The Company will, in addition, notify Shareholders of any such changes, rights or guarantees without undue delay by issuing an announcement through a RIS; and
- the total amount of leverage employed by the Company.

## **7. NET ASSET VALUE CALCULATIONS AND VALUATION POLICY**

The Net Asset Value is the value of all assets of the Company less its liabilities (including provisions for such liabilities). The Net Asset Value per Share is the Net Asset Value divided by the number of Shares in issue at the relevant time (excluding any Shares held in treasury).

Under the AIFM Agreement, the AIFM is responsible for calculating the Company's Net Asset Value per Share. The unaudited Net Asset Value per Share is calculated in Sterling on each dealing day (on a cum-income basis) by the AIFM and is announced by the Company on a daily basis through an RIS. Unless otherwise disclosed in such RIS announcements, the Net Asset Value is calculated in accordance with the recommendations of the AIC and the Company's investments are valued based on the following valuation methodologies:

- Securities that are traded on stock exchanges in an active market are valued at the last available bid price at the time the valuation is carried out.
- Investments that are not quoted, or are not frequently traded, are stated at the best estimate of fair value. The AIFM's Fair Value Committee, which is independent of the Portfolio Manager's team, assesses and approves recommended fair values in respect of such investments with support from Kroll, an independent third-party valuations specialist, and Fidelity's analysts (including a Chinese unlisted investments specialist). The Fair Value Committee meets monthly to discuss, among other things, the valuation of the Company's unlisted investments. Between these meetings, the unlisted investments are monitored on a daily basis for 'trigger events' such as funding rounds or news of fundamentals which may require the Fair Value Committee to adjust the valuation in the interim. Kroll undertakes a detailed review of each of the unlisted investments on a quarterly basis. The Board is provided with quarterly updates from the Fair Value Committee, which includes the Fidelity analysts' recommendations, enabling the Board to review and appropriately challenge such recommendations and have oversight of, and confidence in, the valuation process. The Board also receives details of any price changes made outside of the normal quarterly cycle. The methodologies applied by the Fair Value Committee

when valuing the unlisted investments are consistent with the International Private Equity and Venture Capital Valuation guidelines and include:

- the selection of appropriate comparable companies. Comparable companies are chosen on the basis of their business characteristics and growth patterns;
  - the selection of a revenue metric (either historical or forecast);
  - the selection of an appropriate illiquidity discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;
  - the estimation of the likelihood of a future exit of the position through an initial public offering or a company sale;
  - the selection of an appropriate industry benchmark index to assist with the valuation; and/or
  - the calculation of valuation adjustments derived from milestone analysis and future cash flows (i.e. incorporating operational success against the plans/forecasts of the business into the valuation).
- The nature of the unlisted investment will influence the valuation technique applied. The unlisted investments are valued according to a three month cycle of measurement dates. The fair value of the unlisted investments will be reviewed before the next scheduled three monthly measurement date on the following occasions:
    - at the year end and half year end of the Company; and
    - where there is an indication of a change in fair value (resulting from 'trigger' events as set out above).
  - Derivative instruments are valued at fair value as follows: (i) the fair value of contracts for difference is calculated based on the difference between the strike price and the value of the underlying shares in the contract; (ii) the fair value of futures is calculated based on the difference between the contract price and the quoted trade price; and (iii) the fair value of options is based on the quoted trade price for the contract.
  - Bank loans are valued at amortised cost using the effective interest rate method.
  - Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Sterling at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are retranslated into Sterling at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Sterling using the exchange rate at the date of the transaction.
  - At the reasonable discretion of the Directors, if the methods above are not available or an alternate method is considered to be a more accurate reflection of the fair value of any asset or liability, the Directors may in their reasonable discretion permit such an alternative method of valuation to be used to calculate Net Asset Value.

In accordance with the AIC's Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts, the Company includes transaction costs incidental to the purchase or sale of investments within losses on investments held at fair value through profit or loss in the capital column of the income statement.

Once all assets and liabilities have been included and valued in the daily NAV, a series of checks and control processes are executed by the AIFM to identify exceptions. Individual exceptions are evidenced and are subject to maker/checker sign-off prior to the NAV announcement being released. The validated NAV is subsequently released through an RIS.

The calculation of the NAV per Share is suspended only in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be

obtained. Details of any suspension in making such calculations will be announced to Shareholders through an RIS as soon as practicable after such suspension occurs.

The Company may delay public disclosure of the Net Asset Value per Share to avoid prejudice to its legitimate interests, provided that such delay would not be likely to mislead the public and the Company has put in place appropriate measures to ensure confidentiality of that information.

## **8. FEES AND EXPENSES**

### **8.1. Issue expenses**

The fixed direct costs of the Proposals payable by the Company (that is, excluding listing fees) are estimated to be approximately £617,000 (including irrecoverable VAT). In the event that implementation of the Scheme does not proceed, each party will bear its own costs.

The AIFM has agreed to make a material contribution towards the costs of the Proposals. The Fidelity Contribution will constitute a contribution of £500,000 plus an amount equal to eight months of management fees that would otherwise be payable by the Enlarged Company to the AIFM and the Investment Manager under the AIFM Agreement and the Investment Management Agreement, respectively, in respect of the assets to be transferred by ACIC to the Company pursuant to the Scheme. The Fidelity Contribution will first be applied to meet the Company's costs in respect of the Proposals up to a maximum of £1 million with the balance, if any, being applied towards ACIC's costs in respect of the Scheme. For the avoidance of doubt, the Fidelity Contribution will be reflected in the calculation of the FCSS FAV and the Rollover FAV.

No expenses will be charged directly to investors by the Company in connection with the Issue or Admission.

### **8.2. Ongoing expenses**

The Company will also incur ongoing expenses. A summary of the principal terms of the ongoing expenses borne by the Company is set out below.

#### ***Directors***

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. As at the date of this Prospectus, Mike Balfour, as Chairman, is entitled to receive £52,000 per annum, Alastair Bruce, as chair of the Audit and Risk Committee, is entitled to receive £43,500 per annum, Vanessa Donegan, as Senior Independent Director, is entitled to receive £41,000 per annum, and all other Directors are entitled to receive £34,500 per annum.

All of the Directors are also entitled to be paid all reasonable expenses properly incurred by them in connection with the performance of their duties. These expenses may include those associated with attending general meetings, Board or committee meetings, travel and accommodation costs in relation to due diligence visits to China and legal fees. If the Board requests one or more of the Directors to perform services outside of those considered to be ordinary course on behalf of the Company, the Board may determine that additional remuneration may be paid to the relevant Director or Directors.

#### ***Management fee***

The annual management fee payable to the AIFM and the Investment Manager by the Company comprises a fixed base fee and a positive or negative variable element, both of which are calculated based on the Net Asset Value of the Company. The base fee payable to the Investment Manager is calculated as a tiered percentage of the Company's Net Asset Value. From 1 April 2021, the base fee payable to the Investment Manager was 0.90 per cent. of net assets up to £1.5 billion and 0.70 per cent. of net assets above £1.5 billion. Pursuant to a side letter dated 1 June 2023, with effect from 1 July 2023, the first tier of the base fee reduced from 0.90 per cent. to 0.85 per cent. The variable element of the fee payable to the Investment Manager is calculated based on the Company's NAV per Share performance against the Benchmark Index and increases or decreases by 0.033 per cent. for each percentage point of the three year NAV per Share outperformance or underperformance compared to the Benchmark Index, subject to a maximum adjustment of +/- 0.20 per cent.

The AIFM and Investment Manager have agreed that, subject to implementation of the Scheme and with effect from Admission, the annual base management fee payable by the Company in respect of the Company's net assets in excess of £1.5 billion will be reduced from 0.70 per cent. to 0.65 per cent. Although it is not anticipated that this threshold will be reached immediately as a result of the Proposals, the Board expects that this reduction in the management fee will lower the ongoing costs of the Company as it grows over the longer term.

For the purposes of calculating the management fee, an amount equal to the proportion of any management fees payable to the Investment Manager or its associates in respect of the management of, or advice to, any collective investment schemes and/or investment trusts in which the Company invests is credited to the Company and the fee payable to the AIFM and the Investment Manager is reduced accordingly.

In satisfaction of the services rendered by the AIFM and Investment Manager pursuant to the AIFM Agreement and Investment Management Agreement, respectively, for the year ended 31 March 2023, the Company paid a fee of £14,727,000.

As described in paragraph 8.1 of this Part 3, the AIFM and the Investment Manager have agreed to make a cost contribution in respect of the Proposals and the Scheme which is expected to offset, in full, the direct transaction costs to be incurred by the Company in connection with the Proposals.

### ***Marketing expenses***

The AIFM, with the assistance of the Company Secretary, provides the Company with marketing services. The expenses incurred in connection with the marketing of the Company, which are payable by the Company, were £263,000 for the year ended 31 March 2023.

### ***Depositary and Custodian fees***

Under the terms of the Depositary Agreement, the Depositary is entitled to receive an annual fee based on the Company's Net Asset Value. This fee comprises 0.0095 per cent. of the Company's net assets up to £250 million, 0.0050 per cent. of the Company's net assets between £250 million and £500 million, 0.0030 per cent. of the Company's net assets between £500 million and £1 billion, and 0.0010 per cent. of the Company's net assets over £1 billion. A custody fee in respect of global custodian services is also payable equal to between 0.0008 per cent. and 0.35 per cent. of the value of the assets to which the custody charge relates. Transaction-based fees of between 0.003 per cent. and 0.75 per cent. of the value of the asset to which the settlement instruction relates are also payable. The variable fees are dependent on the countries in which the individual holdings are registered. All fees are exclusive of VAT. In satisfaction of the services rendered by the Depositary pursuant to the Depositary Agreement for the year ended 31 March 2023, the Company paid to the Depositary a fee of £57,000 and the Custodian a fee of £157,000.

### ***Registrar fees***

Under the terms of the Registrar Agreement, the Registrar is entitled to a basic registration fee calculated based on the number of Shareholders on the Register. The Registrar charges additional fees for services that are not included in the basic registration fee. The Registrar is entitled to increase these fees annually at the rate of the Retail Price Index prevailing at the time. In satisfaction of the services rendered by the Registrar pursuant to the Registrar Agreement for the year ended 31 March 2023, the Company paid to the Registrar a fee of £69,000.

### ***Other operational expenses***

Other ongoing operational expenses that are borne by the Company include, but are not limited to, the following:

- fees and expenses of the corporate broker and fees and expenses associated with legal, audit and other professional services;
- finance costs and interest paid on Contracts for Difference;
- certain direct transaction expenses;

- the ongoing costs of maintaining the listing of the Shares (where relevant) on the premium segment of the Official List and their continued admission to trading on the Main Market;
- NAV publication costs;
- Directors' travel and accommodation costs in relation to due diligence visits to China;
- Directors' and officers' insurance policy premiums; and
- costs of printing the Company's financial reports and posting them to Shareholders.

The Company's total fixed operational costs (excluding management fees, brokerage and other transaction charges and taxes, and any finance costs and interest paid on CFDs) are estimated, in the first year following the Issue, to amount to approximately 0.1 per cent. per annum of the Enlarged Company's estimated NAV (based on the illustrative calculations as set out in paragraph 3 of Part 4 (*Details of the Scheme and the Issue*) of this Prospectus).

Shareholders do not bear any fees, charges or expenses directly, other than any fees, charges or expenses incurred as a consequence of acquiring, holding, transferring or otherwise selling Shares.

## **9. UK MAR AND THE DISCLOSURE GUIDANCE AND TRANSPARENCY RULES**

As a company whose shares are admitted to trading on the Main Market, the Company complies with all of the provisions of UK MAR and the Disclosure Guidance and Transparency Rules which are applicable to it. The Directors have adopted a share dealing code that is compliant with UK MAR. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the share dealing code by the Directors and other persons discharging managerial responsibilities.

The Disclosure Guidance and Transparency Rules provide that certain persons (including Shareholders) must notify the Company if the proportion of the Company's voting rights which they then hold directly or indirectly as a Shareholder or through a direct or indirect holding of certain financial instruments reaches, exceeds or falls below thresholds of three per cent., four per cent., five per cent., six per cent., seven per cent., eight per cent., nine per cent. and ten per cent. and each one per cent. thereafter up to 100 per cent.

## PART 4

### DETAILS OF THE SCHEME AND THE ISSUE

#### 1. INTRODUCTION

The Issue is being undertaken pursuant to the proposed Guernsey scheme of reconstruction and members' voluntary winding up of ACIC (the "**Scheme**"), which the ACIC Board has resolved to recommend to ACIC Shareholders. Under the Scheme, ACIC will be placed into members' voluntary liquidation and Eligible ACIC Shareholders will receive New Shares issued by the Company in exchange for the transfer to the Company of the Rollover Pool. ACIC Shareholders may alternatively elect to receive cash under the terms of the Scheme.

The New Shares are only available to Eligible ACIC Shareholders (and, subject to the terms of the Scheme, the Liquidators as nominees for Excluded ACIC Shareholders) who are deemed to elect for the Rollover Option under the Scheme. The New Shares are not being offered to Existing Shareholders (save to the extent an Existing Shareholder is also an Eligible ACIC Shareholder) or to the public.

#### 2. DETAILS OF THE SCHEME

##### 2.1. Scheme overview

Subject to the passing of the resolution to be proposed at the General Meeting to approve the issue of the New Shares in connection with the Scheme (the "**Resolution**"), and subject to the satisfaction of the other conditions of the Issue (details of which are set out in paragraph 4 of this Part 4), the Scheme will take effect on the Effective Date.

The Scheme will be implemented in accordance with the terms of the Transfer Agreement that will be entered into by the Company, ACIC and the Liquidators. The Transfer Agreement provides for the Rollover Pool to be transferred to the Company in consideration for the issue of New Shares of an equivalent value to the Liquidators, who will renounce such New Shares in favour of Eligible ACIC Shareholders (and, subject to the terms of the Scheme, otherwise hold such New Shares as nominees for Excluded ACIC Shareholders) who are deemed to elect for the Rollover Option under the Scheme. Further details of the Transfer Agreement are provided in paragraph 13.9 of Part 7 (*General Information*) of this Prospectus. Any cash and cash equivalents that are transferred in accordance with the terms of the Transfer Agreement will be invested by the Company in accordance with the Company's investment objective and policy.

Subject to the terms of the Scheme, each Eligible ACIC Shareholder on the ACIC Register on the Record Date will be deemed to have elected to receive such number of New Shares as have a value (at the FCSS FAV per Share) equal to the Rollover FAV per ACIC Share attributable to the number of ACIC Shares deemed to have been so elected, being the "**Rollover Option**" save to the extent that such ACIC Shareholder elects to receive an amount of cash equal to the Cash Pool FAV per Share attributable to the number of ACIC Shares so elected, being the "**Cash Option**".

The maximum aggregate number of ACIC Shares that can be elected (or deemed to have been elected) for the Cash Option is 33 per cent. of the total number of ACIC Shares in issue (excluding ACIC Shares held in treasury) as at the Calculation Date (the "**Maximum Cash Option Shares**"). Eligible ACIC Shareholders are entitled to elect for the Cash Option in respect of 33 per cent. of their individual holdings of ACIC Shares (the "**Basic Entitlement**") but may also elect for the Cash Option in respect of a greater proportion of their individual holding of ACIC Shares (such excess amount being an "**Excess Application**"). However, should total elections and deemed elections for the Cash Option exceed 33 per cent. of the ACIC Shares in issue (excluding ACIC Shares held in treasury as at the Calculation Date), Excess Applications for the Cash Option received from Eligible ACIC Shareholders will be scaled back into New Shares in a manner that is, as near as practicable, *pari passu* and *pro rata* among all Eligible ACIC Shareholders who have made such Excess Applications such that the aggregate number of ACIC Shares elected and deemed elected for the Cash Option shall equal the Maximum Cash Option Shares.



Eligible ACIC Shareholders will be deemed to have elected for the Rollover Option as the default option under the Scheme to the extent that they do not make (or are not deemed to make) a valid election for the Cash Option and to the extent elections for the Cash Option (including Excess Applications) in excess of 33 per cent. of ACIC Shareholders' holdings are scaled back as a result of the Cash Option being oversubscribed. Excluded ACIC Shareholders (including Overseas ACIC Shareholders) should read paragraph 8 of this Part 4.

The issue of New Shares under the Scheme will be effected on a formula asset value ("**FAV**") for formula asset value basis as at the Calculation Date. On the Calculation Date, or as soon as practicable thereafter, ACIC, in consultation with the Liquidators, shall procure the finalising of the division of ACIC's undertaking, cash and other assets into three separate and distinct pools, namely the Liquidation Pool, the Cash Pool and the Rollover Pool, as follows and in the following order:

- first, there shall be appropriated to the Liquidation Pool, the ACIC Illiquid Investment and such of the cash, undertaking and other assets of ACIC estimated by the Liquidators (in consultation with the ACIC Directors) to be sufficient to meet the current and future, actual and contingent liabilities of ACIC, including (save to the extent that the same have already been deducted in calculating the total assets of ACIC) the costs of the Scheme to be borne by ACIC and the Liquidators' Retention. Further details of the Liquidation Pool are set out in the section titled "*Liquidation Pool*" in paragraph 2.2 of this Part 4.
- second, there shall be appropriated to the Cash Pool and the Rollover Pool, in accordance with the terms of the Scheme, all the undertaking, cash and other assets of ACIC remaining after the appropriation referred to in respect of the Liquidation Pool, on the following basis:
  - there shall first be appropriated to the Cash Pool such proportion of the undertaking, cash and other assets as shall equal the Cash Pool FAV; and
  - there shall be appropriated to the Rollover Pool in accordance with the Scheme, the balance of the undertaking, cash and other assets of ACIC.

In advance of the transfer of the Rollover Pool, the ACIC Directors intend that ACIC will have, to the extent practicable, realised or realigned the undertaking and business carried on by ACIC in accordance with the Scheme and the elections made or deemed to have been made thereunder so that, as far as practicable, ACIC will hold, in addition to assets destined to become the Cash Pool and the Liquidation Pool, investments suitable for transfer to the Company under the Transfer Agreement. The Rollover Pool will therefore consist of investments aligned with the Company's investment policy as at the Effective Date, cash and cash equivalents.

ACIC currently holds one investment that the ACIC Board expects to be illiquid (the "**ACIC Illiquid Investment**") with an aggregate fair value (as reflected in the ACIC NAV as at 14 February 2024) of approximately £915,000. In the event that the ACIC Illiquid Investment is not sold prior to the Calculation Date, it will continue to be held for sale by ACIC after the Effective Date as part of the Liquidation Pool. There is no certainty that the Liquidators will be able to sell the ACIC Illiquid Investment or as to the value that might be realised from such investment.

## **2.2. Liquidation Pool**

On or following the Effective Date, the Liquidation Pool shall be applied by ACIC (acting by the Liquidators) in discharging the liabilities of ACIC and the Liquidators shall seek to realise the ACIC Illiquid Investment. Any remaining balance of the Liquidation Pool shall be distributed in cash by the Liquidators pursuant to the Scheme to all ACIC Shareholders who were on the ACIC Register on the Record Date in proportion to their respective holdings of ACIC Shares on the Record Date provided that (a) such distributions in cash to Sanctions Restricted Persons shall be made at the sole and absolute discretion of the Liquidators and will be subject to applicable laws and regulations; and (b) if any such amount payable to any ACIC Shareholder is less than £5.00, it shall not be paid to the ACIC Shareholder but instead will be paid by the Liquidators to the Nominated Charity.

### 2.3. Formula Asset Value

The Residual ACIC NAV per Share will be calculated on the basis of the ACIC NAV as at the Calculation Date adjusted for:

- (a) the value of the Liquidation Pool (including the Liquidators' Retention, the Illiquid Investment and any costs of the Proposals payable by ACIC but not accrued in ACIC's NAV as at the Calculation Date);
- (b) any dividends declared by ACIC prior to the Calculation Date that have not been paid to ACIC Shareholders or accrued in ACIC's NAV as at the Calculation Date; and
- (c) the benefit of the ACIC Fidelity Contribution, if any,

being the "**Residual ACIC NAV**", divided by the number of ACIC Shares in issue (excluding any ACIC Shares held in treasury) (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down) (the "**Residual ACIC NAV per Share**").

The FCSS FAV per Share will be calculated on the basis of the Company's NAV as at the Calculation Date adjusted for:

- (a) any costs of the Proposals payable by the Company but not accrued in the Company's NAV as at the Calculation Date;
- (b) any dividends declared by the Company prior to the Calculation Date that have not been paid to Shareholders or accrued in the Company's NAV as at the Calculation Date; and
- (c) the benefit of the FCSS Fidelity Contribution,

being the "**FCSS FAV**", divided by the number of Shares in issue (excluding treasury shares) as at the Calculation Date (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down) (the "**FCSS FAV per Share**").

### 2.4. Cash Option

ACIC Shareholders who validly elect, or are deemed to elect, for the Cash Option will receive an amount in cash equal to the Cash Pool FAV per ACIC Share multiplied by the number of ACIC Shares in respect of which such ACIC Shareholder has validly elected, or is deemed to have elected, for the Cash Option. The benefit of the Cash Option Discount will accrue to the Rollover Pool for the benefit of ACIC Shareholders who are deemed to have elected for the Rollover Option.

As noted above, the Cash Option is limited to 33 per cent. of the ACIC Shares in issue (excluding ACIC Shares held in treasury) as at the Calculation Date. Should total elections and deemed elections for the Cash Option exceed 33 per cent. of the ACIC Shares in issue (excluding ACIC Shares held in treasury as at the Calculation Date), Excess Applications for the Cash Option received from Eligible ACIC Shareholders will be scaled back into New Shares in a manner that is, as near as practicable, *pari passu* and *pro rata* among all Eligible ACIC Shareholders who have made such Excess Applications such that the aggregate number of ACIC Shares elected and deemed elected for the Cash Option shall be equal to the Maximum Cash Option Shares.

### 2.5. Rollover Option

The number of New Shares to which each ACIC Shareholder who is deemed to have elected for the Rollover Option will be entitled (subject to the treatment of Excluded ACIC Shareholders set out below) will be calculated by dividing the Rollover FAV per ACIC Share by the FCSS FAV per Share and applying this ratio (which will be calculated to six decimal places, with 0.0000005 rounded down) to the number of ACIC Shares in respect of which that ACIC Shareholder is deemed to have elected for the Rollover Option. For the avoidance of doubt, the Cash Option Discount will be allocated to the Rollover Pool and will be taken into account in calculating the above exchange ratio.

Excluded ACIC Shareholders will be deemed to have elected for their Basic Entitlement in respect of the Cash Option and to receive New Shares in respect of the remainder of their ACIC Shares. Such New Shares will be issued to the Liquidators as nominees for the relevant Excluded ACIC Shareholder and sold by the Liquidators in the market and the net proceeds paid (subject to the terms of the Scheme) to the relevant Excluded ACIC Shareholder, as discussed in paragraph 8 of this Part 4.

### 3. DETAILS OF THE ISSUE

The New Shares are ordinary shares, denominated in Sterling, in the Company and will rank equally in all respects with the existing issued Shares (other than in respect of any dividends which have a record date prior to the Calculation Date). The New Shares will be issued on a non pre-emptive basis.

The number of New Shares to be issued under the Scheme is not known as at the date of this Prospectus as it will be calculated in accordance with the formula stated above as at the Calculation Date and will depend on the elections and deemed elections made under the Scheme. The number of New Shares to be issued will be announced through an RIS announcement on the Effective Date. The Issue is not being underwritten.

*For illustrative purposes only*, had the Calculation Date been 5.00 p.m. on 14 February 2024 and assuming 33 per cent. of the total ACIC Shares in issue (excluding ACIC Shares held in treasury) are elected, or deemed to be elected, for the Cash Option, the Rollover FAV per ACIC Share would have been 438.02 pence and the Cash Pool FAV per ACIC Share would have been 423.73 pence. The Rollover FAV per ACIC Share and the Cash Pool FAV per ACIC Share may be compared with the ACIC Share price and cum-income NAV per ACIC Share as at 14 February 2024 which were 393.00 pence and 438.72 pence, respectively.

*For illustrative purposes only*, and on the basis of the assumptions set out above, the FCSS FAV per Share would have been 206.39 pence, which may be compared with the Share price and cum-income NAV per Share as at 14 February 2024 which were 185.60 pence and 206.39 pence, respectively. On the basis of the above, the Rollover Option would have produced a conversion ratio of 2.122289 and, in aggregate, 60,684,754 New Shares would have been issued under the Scheme, representing approximately 11.43 per cent. of the issued ordinary share capital of the Enlarged Company immediately following the completion of the Scheme.

The Company will notify Shareholders of the results of the Scheme and the Issue, including the calculations of the FCSS FAV per Share, the Cash Pool FAV per ACIC Share, the Rollover FAV per ACIC Share and the number of New Shares to be issued under the Scheme through an RIS as soon as reasonably practicable following the Calculation Date and prior to the Issue.

### 4. CONDITIONS OF THE ISSUE

The Issue is conditional upon:

- the passing of the ACIC Resolutions to approve the Scheme and the winding up of ACIC at the ACIC General Meetings, or any adjournment thereof, any conditions of such ACIC Resolutions being fulfilled and the Scheme becoming unconditional in all respects (including the Transfer Agreement becoming unconditional in all respects);
- the passing of the Resolution to approve the issue of the New Shares at the General Meeting, or any adjournment thereof, and such Resolution becoming unconditional in all respects;
- the FCA agreeing to admit the New Shares to the Official List and the London Stock Exchange agreeing to admit the New Shares to trading on the Main Market, subject only to allotment; and
- the Directors and the ACIC Directors resolving to proceed with the Scheme.

Unless the conditions referred to above have been satisfied or, to the extent permitted, waived by both the Company and ACIC on or before 31 March 2024 (or such later date as may be agreed by the Company and ACIC), no part of the Proposals will become effective and no New Shares will be issued pursuant to the Scheme.

### 5. DILUTION

Unless they are also holders of ACIC Shares, Existing Shareholders are not able to participate in the Issue and will experience a dilution to the percentage of the issued Share capital that their current holding represents based on the actual number of New Shares issued under the Scheme.

*For illustrative purposes only*, if 60,684,754 New Shares were to be issued under the Scheme (being the estimated number of New Shares that will be issued pursuant to the Issue, assuming that (i) 33 per cent. of the total ACIC Shares in issue (excluding ACIC Shares held in treasury) are elected, or deemed

elected, for the Cash Option; and (ii) the ratio between the FCSS FAV per Share and the Rollover FAV per ACIC Share is 2.122289 as outlined in paragraph 3 of this Part 4) then, based on the issued share capital of the Company as at 14 February 2024, and assuming that: (i) an Existing Shareholder is not an ACIC Shareholder and is therefore not able to participate in the Issue; and (ii) there had been no change to the Company's issued Share capital prior to Admission, an Existing Shareholder holding 1.0 per cent. of the Enlarged Company's issued share capital as at 14 February 2024 would then hold approximately 0.89 per cent. of the Company's issued share capital immediately following the Issue. If no ACIC Shares are elected, or deemed elected, for the Cash Option but the assumptions above otherwise remain the same, 89,709,705 New Shares would be issued under the Scheme and an Existing Shareholder holding 1.0 per cent. of the Company's issued share capital as at 14 February 2024 would then hold approximately 0.84 per cent. of the Enlarged Company's issued share capital immediately following the Issue.

## **6. COSTS AND EXPENSES OF THE SCHEME AND THE PROPOSALS**

Subject as noted below, if the Scheme is implemented, the Company and ACIC have each agreed to bear their own costs associated with the Scheme and the Proposals. The fixed direct costs of the Proposals payable by the Company (that is, excluding listing fees) are expected to be approximately £617,000 inclusive of VAT (which is assumed to be irrecoverable) where applicable.

The Liquidators' Retention is estimated at £100,000 and will be retained by the Liquidators to meet any unknown or unascertained liabilities of ACIC. To the extent some or all of the Liquidators' Retention remains when the Liquidators decide to close the liquidation, this will be returned to ACIC Shareholders on the ACIC Register as at the Record Date (save that any such payment in cash to Sanctions Restricted Persons shall be made at the sole and absolute discretion of the Liquidators and will be subject to applicable laws and regulations), provided that if any such amount payable to any ACIC Shareholder is less than £5.00, it shall not be paid to the ACIC Shareholder but instead will be paid by the Liquidators to the Nominated Charity. An amount equal to 0.06 per cent. of the value of the assets held in the ACIC QFII account as at the Calculation Date will be attributed to the Liquidation Pool to meet the costs and expenses of the ACIC QFII account closing process, including any unpaid taxes.

Any costs of realignment and/or realisation of the ACIC Portfolio incurred prior to the Effective Date and any sales or acquisition costs (including any commissions, taxes (including stamp duty), transaction charges and/or market charges) associated with the transfer of the Rollover Pool to the Company will be borne by ACIC. Any listing fees in respect of the listing of the New Shares will be borne by the Company.

In the event that implementation of the Scheme does not proceed, each party will bear its own costs.

The AIFM has agreed to make a material contribution towards the costs of the Proposals. The Fidelity Contribution will constitute a contribution of £500,000 plus an amount equal to eight months of management fees that would otherwise be payable by the Enlarged Company to the AIFM and the Investment Manager under the AIFM Agreement and Investment Management Agreement, respectively, in respect of the assets to be transferred by ACIC to the Company pursuant to the Scheme. The Fidelity Contribution will first be applied to meet the Company's costs in respect of the Proposals up to a maximum of £1 million (the "**FCSS Fidelity Contribution**") with the balance, if any, being applied towards ACIC's costs in respect of the Scheme (the "**ACIC Fidelity Contribution**"). For the avoidance of doubt, the Fidelity Contribution will be reflected in the calculation of the FCSS FAV and the Rollover FAV.

## **7. ADMISSION AND DEALINGS**

Applications will be made by the Company to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium segment of the Official List and to trading on the Main Market, respectively. It is not intended that any class of shares in the Company be admitted to listing or trading in any other jurisdiction. If the Proposals become effective, it is expected that the New Shares will be admitted to the Official List, and dealings on the Main Market will commence, at 8.00 a.m. on 14 March 2024.

The ISIN of the New Shares will be GB00B62Z3C74. The New Shares will be in registered form and may be held in either certificated or uncertificated form. Eligible ACIC Shareholders who are deemed to have elected for the Rollover Option and who hold their relevant ACIC Shares in certificated form at the

Record Date will receive their New Shares in certificated form and at their own risk. Temporary documents of title will not be issued. It is expected that certificates in respect of New Shares to be issued to such Eligible ACIC Shareholders will be despatched within 14 calendar days of the Effective Date.

Eligible ACIC Shareholders who are deemed to have elected for the Rollover Option and who hold their relevant ACIC Shares in uncertificated form as at the Record Date will receive their New Shares in uncertificated form in CREST as soon as is reasonably practicable on 14 March 2024, although the Company reserves the right to issue such securities in certificated form. In normal circumstances, this right is only likely to be exercised by the Company in the event of an interruption, failure or breakdown of CREST or the facilities or system operated by the Company's Registrar in connection with CREST. The Company will procure that instructions are given to credit the appropriate stock accounts in the CREST system with the relevant entitlements to New Shares in uncertificated form.

Fractional entitlements to New Shares will not be issued under the Scheme and entitlements will be rounded down to the nearest whole number of New Shares. No cash payments will be made or returned in respect of any fractional entitlements which will be retained for the benefit of the Company.

## **8. EXCLUDED ACIC SHAREHOLDERS**

The terms of the Scheme, as they relate to Overseas ACIC Shareholders, may be affected by the laws of the relevant jurisdiction. Overseas ACIC Shareholders should inform themselves about, and observe, any applicable legal requirements.

It is the responsibility of Excluded ACIC Shareholders to satisfy themselves (and the Directors) as to the observance of the laws of the relevant jurisdiction in connection with the issue of New Shares, including the obtaining of any governmental or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

Excluded ACIC Shareholders will be deemed to have elected for their Basic Entitlement in respect of the Cash Option and to receive New Shares for the remainder of their ACIC Shares. Such New Shares will be issued to the Liquidators as nominees for the relevant Excluded ACIC Shareholder and sold by the Liquidators as nominees in the market for the relevant Excluded ACIC Shareholder (which shall be done by the Liquidators without regard to the personal circumstances of the relevant Excluded ACIC Shareholder and the value of the ACIC Shares held by the relevant Excluded ACIC Shareholder) and the net proceeds of such sale (after deduction of any costs incurred in effecting such sale) will be paid:

- (a) to the relevant Overseas ACIC Shareholder entitled to them as soon as reasonably practicable and in any event no later than 10 Business Days after the date of sale, save that entitlements of less than £5.00 per Overseas ACIC Shareholder will be paid by the Liquidators to the Nominated Charity; or
- (b) in respect of Sanctions Restricted Persons, at the sole and absolute discretion of the Liquidators and will be subject to applicable laws and regulations.

Overseas ACIC Shareholders who are subject to taxation outside of the United Kingdom should consult their tax adviser as to the tax effect of the Proposals on them.

The relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada, Australia, Japan, New Zealand or the Republic of South Africa. No offer is being made, directly or indirectly, under the Scheme in or into by the use of mails, or by means of instrumentality (including, without limitation, facsimile, transmission, telex or telephone) of interstate or foreign commerce, or of any facility in a national securities exchange, of the United States (subject to certain exceptions described herein), Canada, Australia, Japan, New Zealand or the Republic of South Africa.

**Overseas ACIC Shareholders who wish to participate in the Issue should contact Link Group by no later than 1.00 p.m. on 6 March 2024 if they are able to demonstrate, to the satisfaction of the Directors, that they can be issued New Shares without breaching any relevant securities laws.**

Overseas ACIC Shareholders will not receive a copy of this Prospectus unless they have satisfied the Directors that they are entitled to receive and hold New Shares without breaching any relevant securities laws and without the need for compliance on the part of the Company or ACIC with any overseas laws, regulations, filing requirements or the equivalent.



Sanctions Restricted Persons will not be entitled to receive a copy of this Prospectus in any circumstance.

### **Notice to US ACIC Shareholders**

In connection with the Issue, the New Shares are being offered or sold only: (i) outside the United States in “offshore transactions” to non-US Persons pursuant to Regulation S under the US Securities Act; and (ii) to persons that are both QIBs and Qualified Purchasers pursuant to an exemption from the registration requirements of the US Securities Act, and that, in the case of (ii), have executed a US Investor Representation Letter and returned it to Link Group as receiving agent to FCSS and ACIC.

The Scheme is being implemented subject to United Kingdom disclosure requirements, which are different from certain United States disclosure requirements. In addition, US ACIC Shareholders should be aware that this document has been prepared in accordance with a UK format and style, which differs from the US format and style. In particular, parts of this document contain information concerning the Scheme required by UK disclosure requirements that may be material and may not have been summarised elsewhere in this document. Furthermore, the Scheme will be subject to other procedural requirements, including with respect to withdrawal rights, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.

US ACIC Shareholders should note that the New Shares are not, and will not be, listed on a US securities exchange and the Company is not subject to the periodic reporting requirements of the US Exchange Act and is not required to, and does not, file any reports with the SEC. The Scheme is not subject to the disclosure and other procedural requirements of Regulation 14D under the US Exchange Act.

It may be difficult for US ACIC Shareholders to enforce their rights and any claim arising out of the US federal securities laws, since the Company is located in a foreign country, and all of its officers and directors are residents of a foreign country. US ACIC Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the US securities laws. Further, it may be difficult to compel a foreign company and its affiliates to subject themselves to a US court’s judgement.

Whether located in the United States or elsewhere, US ACIC Shareholders will receive any cash consideration in Sterling.

The New Shares have not been and will not be registered under the US Securities Act, and the New Shares may not be offered, sold, pledged or otherwise transferred within the United States, or to or for the benefit of US Persons, except pursuant to an exemption from the registration requirements of the US Securities Act.

The Company is not, and does not intend to be, registered under the US Investment Company Act and investors in the New Shares are not, and will not be, entitled to the benefits of the US Investment Company Act. There has not been, and there will not be, any public offer of the New Shares in the United States.

There are significant restrictions on the resale of New Shares by persons that are located in the United States, that are US Persons, or hold New Shares for the account or benefit of US Persons and on the resale of New Shares to any person who is located in the United States or to, or for the account or benefit of, a US Person. If in the future the initial purchaser, as well as any subsequent holder, decides to offer, sell, transfer, assign or otherwise dispose of the New Shares, they may do so only: (i) outside the United States in an “offshore transaction” complying with the provisions of Regulation S under the US Securities Act to a person not known by the transferor to be a US Person, by prearrangement or otherwise; or (ii) to the Company or a subsidiary thereof.

## **9. TAXATION**

The attention of ACIC Shareholders is drawn to the summary of UK tax matters set out in Part 6 (UK Taxation) of this Prospectus. ACIC Shareholders should seek tax advice from their own tax adviser about the taxation consequences of acquiring/receiving, holding or disposing of New Shares.



## PART 5

### FINANCIAL INFORMATION

#### 1. INTRODUCTION

The financial information contained in the sections titled “*Historical Financial Information*”, “*Selected Financial Information*” and “*Operating and Financial Review*” of this Part 5 has been extracted without material adjustment from: (i) the annual reports and audited financial statements of the Company for the financial years ended 31 March 2022 (the “**2022 Annual Report**”) and 31 March 2023 (the “**2023 Annual Report**”); and (ii) the report and unaudited financial statements of the Company for the six month periods ended 30 September 2022 (the “**2022 Interim Report**”) and 30 September 2023 (the “**2023 Interim Report**”).

The audited financial statements of the Company for the financial years ended 31 March 2022 and 31 March 2023 (the “**Audited Financial Statements**”) were prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act and interpretations by the IFRS Interpretations Committee. The Audited Financial Statements were audited by Ernst & Young LLP (“**EY**”) whose report in each instance was unqualified and did not contain any statement under section 498(2) or (3) of the Companies Act. EY is registered to carry out audit work in the UK by the Institute of Chartered Accountants in England and Wales.

Copies of the 2022 Annual Report, 2023 Annual Report, 2022 Interim Report and the 2023 Interim Report are available for inspection on the Company’s website at [www.fidelity.co.uk/china](http://www.fidelity.co.uk/china).

#### 2. HISTORICAL FINANCIAL INFORMATION

Historical financial information relating to the Company on the matters referred to below is included in the 2022 Annual Report, the 2023 Annual Report, the 2022 Interim Report and the 2023 Interim Report as set out in the table below and is expressly incorporated by reference into this Prospectus. The non-incorporated parts of these reports of the Company are either not relevant to investors or are covered elsewhere in this Prospectus.

Nature of information	2023 Annual Report Page No.	2022 Annual Report Page No.	2023 Interim Report (unaudited) Page No.	2022 Interim Report (unaudited) Page No.
Financial highlights	v	iv	3	3
Independent auditor’s report	53-60	57-64	—	—
Income statement	61	65	20-21	20-21
Statement of changes in equity	62	66	22-23	22-23
Balance sheet	63	67	24	24
Cash flow statement	64	68	25	25
Notes to the financial statements	65-90	69-94	26-36	26-36

#### 3. SELECTED FINANCIAL INFORMATION

The information regarding the Company in this paragraph 3 has been prepared by the Company and has been extracted directly from the historical financial information referred to in paragraph 2 above. Selected historical audited financial information relating to the Company that summarises the financial position of the Company for the two financial years ended 31 March 2022 and 31 March 2023, and selected historical unaudited financial information relating to the Company that summarises the financial position of the Company for the six month periods ended 30 September 2022 and 30 September 2023 is set out in the tables below.

## Income statement for closed-end funds

Nature of Information	Year ended 31 March 2023			Year ended 31 March 2022			Six months ended 30 September 2023			Six months ended 30 September 2022		
	Revenue (£'000)	Capital (£'000)	Total (£'000)	Revenue (£'000)	Capital (£'000)	Total (£'000)	Revenue (£'000)	Capital (£'000)	Total (£'000)	Revenue (£'000)	Capital (£'000)	Total (£'000)
<b>Revenue</b>												
Investment income	32,704	—	32,704	29,638	—	29,638	22,274	—	22,274	27,786	—	27,786
Derivative income	11,566	—	11,566	11,596	—	11,595	9,709	—	9,709	9,925	—	9,925
Other income	409	—	409	42	—	42	800	—	800	145	—	145
<b>Total income</b>	<b>44,679</b>	<b>—</b>	<b>44,679</b>	<b>41,275</b>	<b>—</b>	<b>41,275</b>	<b>32,783</b>	<b>—</b>	<b>32,783</b>	<b>37,856</b>	<b>—</b>	<b>37,856</b>
Losses on investments at fair value through profit or loss	—	(6,912)	(6,912)	—	(603,831)	(603,831)	—	(119,622)	(119,622)	—	(52,166)	(52,166)
Gains/(losses) on derivative instruments	—	14,971	14,971	—	(160,189)	(160,189)	—	(36,505)	(36,505)	—	(88,129)	(88,129)
Foreign exchange gains	—	8,167	8,167	—	1,429	1,429	—	(1,975)	(1,975)	—	13,614	13,614
Foreign exchange losses on bank loan	—	(4,814)	(4,814)	—	(3,569)	(3,569)	—	(1,013)	(1,013)	—	(13,800)	(13,800)
<b>Total income and gains/(losses)</b>	<b>44,679</b>	<b>11,412</b>	<b>56,091</b>	<b>41,275</b>	<b>(766,160)</b>	<b>(724,885)</b>	<b>32,783</b>	<b>(159,115)</b>	<b>(126,332)</b>	<b>37,856</b>	<b>(140,481)</b>	<b>(102,625)</b>
<b>Expenses</b>												
Investment management fees	(3,012)	(11,715)	(14,727)	(3,984)	(15,659)	(19,643)	(1,293)	(5,056)	(6,349)	(1,544)	(6,002)	(7,546)
Other expenses	(1,097)	(4)	(1,101)	(1,393)	(25)	(1,418)	(669)	(3)	(672)	(486)	—	(486)
<b>Profit/(loss) before finance costs and taxation</b>	<b>40,570</b>	<b>(307)</b>	<b>40,263</b>	<b>35,898</b>	<b>(781,844)</b>	<b>(745,946)</b>	<b>30,821</b>	<b>(164,174)</b>	<b>(133,353)</b>	<b>35,826</b>	<b>(146,483)</b>	<b>(110,657)</b>
Finance costs	(3,956)	(11,869)	(15,825)	(1,663)	(4,989)	(6,652)	(3,426)	(10,279)	(13,705)	(1,256)	(3,770)	(5,026)
<b>Profit/(loss) before taxation</b>	<b>36,614</b>	<b>(12,176)</b>	<b>24,438</b>	<b>34,235</b>	<b>(786,833)</b>	<b>(752,598)</b>	<b>27,395</b>	<b>(174,453)</b>	<b>(147,058)</b>	<b>34,570</b>	<b>(150,253)</b>	<b>(115,683)</b>
Taxation	(1,149)	—	(1,149)	(1,186)	—	(1,186)	(1,177)	383	(794)	(1,476)	433	(1,043)
<b>Profit/(loss) after taxation for the year</b>	<b>35,465</b>	<b>(12,176)</b>	<b>23,289</b>	<b>33,049</b>	<b>(786,833)</b>	<b>(753,784)</b>	<b>26,218</b>	<b>(174,070)</b>	<b>(147,852)</b>	<b>33,094</b>	<b>(149,820)</b>	<b>(116,726)</b>
<b>Earnings/(loss) per Share</b>	<b>7.05p</b>	<b>(2.42p)</b>	<b>4.63p</b>	<b>6.42p</b>	<b>(152.81p)</b>	<b>(146.39p)</b>	<b>5.43p</b>	<b>(36.06p)</b>	<b>(30.63p)</b>	<b>6.45p</b>	<b>(29.22p)</b>	<b>(22.77p)</b>

## Balance sheet for closed-end funds

Nature of Information	Year ended 31 March 2023	Year ended 31 March 2022	Six months ended 30 September 2023	Six months ended 30 September 2022
Net Asset Value (£'000)	1,338,421	1,400,621	1,134,476	1,232,123
Shareholders' funds (£'000)	1,338,421	1,400,621	1,134,476	1,232,123
Net Asset Value per Share (p)	274.08	272.52	238.07	244.47

## 4. OPERATING AND FINANCIAL REVIEW

The 2022 Annual Report and 2023 Annual Report, and the 2022 Interim Report and 2023 Interim Report, included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Portfolio for the relevant period. These sections are expressly incorporated by reference into this Prospectus. The non-incorporated parts of these reports of the Company are either not relevant to investors or covered elsewhere in this Prospectus.

Nature of information	2023 Annual Report Page No.	2022 Annual Report Page No.	2023 Interim Report (unaudited) Page No.	2022 Interim Report (unaudited) Page No.
Chairman's statement	2-6	2-5	—	—
Portfolio Manager's review	7-11	7-13	4-9	4-10
Investment portfolio	15-24	20-29	10-14	11-15

## 5. DOCUMENTS INCORPORATED BY REFERENCE

The following sections of the 2022 Annual Report and 2023 Annual Report, and the 2022 Interim Report and 2023 Interim Report, are deemed relevant to investors for the purposes of this Prospectus and are incorporated by reference into this Prospectus. The non-incorporated parts of these reports of the Company are either not relevant to investors or are covered elsewhere in this Prospectus.

- the sections listed in paragraph 2 “Historical financial information” of this Part 5 (*Financial information*); and
- the sections listed in paragraph 4 “Operating and financial review” of this Part 5 (*Financial information*).

The documents incorporated by reference can be obtained from the Company’s website ([www.fidelity.co.uk/china](http://www.fidelity.co.uk/china)).

## 6. SIGNIFICANT CHANGE

Since 30 September 2023 (being the end of the most recent financial period of the Company for which unaudited financial information has been published), there has been no significant change in the financial position of the Company save for the repayment by the Company of the principal amount outstanding and the accrued interest on the US\$100,000,000 Fixed Loan Facility (carrying a fixed rate of interest at 6.335 per cent. per annum) with The Bank of Nova Scotia, London Branch when it reached maturity on 13 February 2024 (which repayment was funded by the Company using the proceeds from the realisation of £80,758,433 of its Portfolio).

## 7. CAPITALISATION AND INDEBTEDNESS

The following table sets out the capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, and secured and unsecured indebtedness) as at 31 December 2023:

	(£'000)
<b>Total current debt</b>	
– Guaranteed	—
– Secured	—
– Unguaranteed/unsecured	78,493
	<u>78,493</u>
<b>Total non-current debt</b> (excluding current portion of non-current debt)	
– Guaranteed	—
– Secured	—
– Unguaranteed/unsecured	—
	<u>—</u>
<b>Shareholder equity</b>	
– Called-up Share capital	5,559
– Share premium	211,569
– Capital redemption reserve	1,068
– Other reserve	148,055
– Capital reserve	680,966
– Revenue reserve	54,250
	<u>1,101,467</u>
<b>Total</b>	<u><u>1,101,467</u></u>

The information in the table above is unaudited financial information extracted from internal management accounting records as at 31 December 2023.

The following table shows the Company's total financial indebtedness as at 31 December 2023. The information in the following table is unaudited financial information extracted from internal management accounting records as at 31 December 2023.

	(£'000)
A. Cash*	72,879
B. Cash equivalents	—
C. Other current financial assets**	13,927
<b>D. Liquidity (A+B+C)</b>	<b>86,806</b>
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	(78,493)
F. Current portion of non-current financial debt	—
<b>G. Current financial indebtedness (E+F)</b>	<b>(78,493)</b>
<b>H. Net current financial liquidity/(indebtedness) (G-D)</b>	<b>8,313</b>
I. Non-current financial debt (excluding current portion and debt instruments)	—
J. Debt instruments	—
K. Non-current trade and other payables***	(13,529)
<b>L. Non-current financial indebtedness (I+J+K)</b>	<b>(13,529)</b>
<b>M. Total financial liquidity/(indebtedness) (H+L)</b>	<b>(5,216)</b>

\* includes amounts held at the bank and at futures clearing houses and brokers

\*\* includes the unrealised gains on derivative positions and other debtors

\*\*\* includes the unrealised losses on derivative positions and other creditors

#### Contingent indebtedness not recognised in the Capitalisation and Indebtedness Statement

There is no contingent indebtedness not recognised in the Capitalisation and Indebtedness Statement.

As at 31 December 2023, the Company had £78,493,000 current financial indebtedness in the form of the US\$100,000,000 unsecured Fixed Loan Facility with BNS (calculated at the prevailing exchange rate as at 31 December 2023). However, as noted in more detail below, the Company repaid the Fixed Loan Facility, plus £1,270,003 (US\$1,601,347) in interest on 13 February 2024. In the period between 31 December 2023 and 14 February 2024 (being the latest practicable date prior to the publication of this Prospectus), there have been the following material changes to the Company's indebtedness position:

- The Company's current financial indebtedness, which previously represented the amount drawn down from the Company's Fixed Loan Facility has been reduced to £nil as the Company repaid the Fixed Loan Facility on 13 February 2024 and has not renewed or replaced the Fixed Loan Facility with further bank debt.
- The Company realised £80,578,433 from its Portfolio and used these realised funds to repay the Fixed Loan Facility and the interest thereon (and the Company's unaudited Net Asset Value as at 14 February 2024 therefore reflects the same).
- In the light of the above, the Company had no financial indebtedness as at 14 February 2024 (being the latest practicable date prior to the publication of this Prospectus).

#### 8. WORKING CAPITAL

The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements (that is, for at least the next 12 months from the date of this Prospectus).

#### 9. NET ASSET VALUE PER SHARE

The unaudited Net Asset Value per Share as at 14 February 2024 was 206.39 pence, including current income.

## PART 6

### UK TAXATION

#### 1. GENERAL

The information below, which relates only to the UK, summarises advice received by the Board and is applicable to the Company and (except in so far as express reference is made to the treatment of other persons) to persons who are resident in the UK for taxation purposes and who hold Shares as an investment. It is based on current UK taxation law and HMRC published practice, respectively, which law or practice is, in principle, subject to any subsequent changes therein (potentially with retrospective effect). It is not intended to be, nor should it be construed to be, legal or tax advice. Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring/receiving their Shares in connection with their employment may be taxed differently and are not considered. The tax consequences for each Shareholder of investing in the Company may depend upon the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject. The tax legislation of each investor's home country and of the Company's country of incorporation may have an impact on the income received from the Shares.

In particular, the information below does not address the US federal income tax considerations applicable to an investment in the New Shares. Each prospective investor should consult its own tax advisers regarding the US federal income tax consequences of any such investment.

All tax rates and allowances refer to those in force in the UK fiscal year 2023/24. Tax rates and allowances may change in subsequent years.

**If you are in any doubt about your tax position, you should consult your tax adviser.**

#### 2. THE COMPANY

The Company is an investment trust under section 1158 of the Corporation Tax Act. The Board has conducted the affairs of the Company, and intends to conduct the affairs of the Company in the future, so as to enable it to satisfy the conditions necessary for it to continue to be eligible as an investment trust under sections 1158 and 1159 of Chapter 4 of Part 24 of the Corporation Tax Act and the Investment Trust Tax Regulations. However, neither the AIFM nor the Directors can provide assurance that this eligibility will be maintained. One of the conditions for a company to qualify as an investment trust is that it is not a "close company" for UK tax purposes. The Directors consider that the Company is not a close company as at the date of this Prospectus and should not be immediately following Admission.

In respect of each accounting period for which the Company is approved by HMRC as an investment trust, the Company will be exempt from UK taxation on its chargeable gains.

The Company will, however, (subject to the following) be liable to pay UK corporation tax on its income in the normal way. Income and gains arising from overseas investments may be subject to foreign withholding taxes (or foreign capital gains taxes) at varying rates, but double taxation relief may be available. The Company should in practice be exempt from UK corporation tax on dividend income received, provided that such dividends (whether from UK or non-UK companies) fall within one of the "exempt classes" in Part 9A of the Corporation Tax Act 2009.

An investment trust approved under section 1158 and 1159 of Chapter 4 of Part 24 of the Corporation Tax Act is able to elect to take advantage of modified UK tax treatment in respect of its "qualifying interest income" for an accounting period (referred to here as the "streaming" regime). The Company may, if it so chooses, designate as an "interest distribution" all or part of the amount it distributes to Shareholders as dividends out of distributable profits realised in the accounting period, to the extent that it has "qualifying interest income" for that accounting period. Were the Company to designate any dividend it pays in this manner, it should be able to deduct such interest distributions from its taxable income in calculating its taxable profit for the relevant accounting period.

### 3. SHAREHOLDERS

#### 3.1. Taxation of capital gains

A disposal of Shares (including a disposal on a winding up of the Company) by an individual Shareholder who is resident in the UK for tax purposes, or a disposal by a non-UK resident individual who carries on a trade in the UK through a branch, agency or permanent establishment in connection with which their investment in the Company is used, held or acquired, may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the individual Shareholder's circumstances and subject to any available exemption or relief.

UK-resident and domiciled individual Shareholders have an annual exemption (the "**Annual Exempt Amount**"), such that UK capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The Annual Exempt Amount is £6,000 for the tax year 2023/24. For such individual Shareholders, UK capital gains tax will be chargeable on a disposal of Shares at the applicable rate (currently 10 per cent. (to the extent that the gains fall within a taxpayer's basic rate band after income has been accounted for), or 20 per cent. (to the extent that the gains fall within a taxpayer's higher or additional rate bands)). For Scottish taxpayers, references to income tax that would otherwise be charged at the basic rate, higher rate and additional rate are to be read as if the individual was not a Scottish taxpayer. Shareholders should note that changes to Income Tax rates and bands came into force in England and Wales on 6 April 2023. Taxable income of up to £50,270 is charged at a basic rate of 20 per cent., taxable income in the £50,271 to £125,140 bracket is charged at a higher rate of 40 per cent. and taxable income over £125,140 is charged at an additional rate of 45 per cent. This is subject to a personal allowance of up to £12,570 for taxable income under £125,140. For completeness, Scottish taxpayers would be subject to the same Income Tax rates and bands that are in force in England and Wales on non-earned income and capital gains.

Generally, an individual Shareholder who has ceased to be resident in the UK for tax purposes for a period of five years or less and who disposes of Shares during that period may be liable, on their return to the UK, to UK taxation on any chargeable gain realised (subject to any available exemption or relief) under anti-avoidance legislation relating to temporary non-residents. Special rules apply to individual Shareholders who are subject to tax on a "split-year" basis, and they should seek specific tax advice if they are in any doubt about their position.

Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to UK corporation tax at the rate of UK corporation tax applicable to that Shareholder (currently at a main rate of 25 per cent. for those companies with profits over £250,000 and at a small profits rate of 19 per cent. for those companies with profits under £50,000, with marginal relief available for companies with profits between £50,000 and £250,000 (inclusive)) on chargeable gains arising on a disposal of their Shares.

Individual and corporate Shareholders who are neither resident in the UK, nor temporarily non-resident for the purposes of the anti-avoidance legislation referred to above, and who do not carry on a trade in the UK through a branch, agency or permanent establishment with which their investment in the Company is connected, should not be subject to United Kingdom taxation on chargeable gains on a disposal of their Shares, although such Shareholders may be subject to taxation in their own jurisdiction.

#### 3.2. Taxation of dividends

##### *Individuals*

The following statements summarise the expected UK tax treatment for individual Shareholders who receive dividends from the Company. The statements in the following three paragraphs apply in respect of dividends to which the "streaming" regime does not apply.

UK resident individuals are entitled to a nil rate of income tax on the first £1,000 of dividend income for the tax year 2023/24 (the "**Nil Rate Amount**"). Any dividend income received by a UK resident individual Shareholder in respect of the Shares in excess of the Nil Rate Amount will be subject to income tax at a rate of 8.75 per cent. where such a Shareholder is a basic rate taxpayer; 33.75 per cent. where such a Shareholder is a higher rate taxpayer; and 39.35 per cent. where such a Shareholder is an additional rate taxpayer. For Scottish taxpayers, references to income tax that would otherwise be charged at the basic rate, higher rate and additional rate are to be read as if the individual was not a Scottish taxpayer. Shareholders should note that changes to Income Tax rates and bands came into



force in England and Wales on 6 April 2023. Taxable income of up to £50,270 is charged at a basic rate of 20 per cent., taxable income in the £50,271 to £125,140 bracket is charged at a higher rate of 40 per cent. and taxable income over £125,140 is charged at an additional rate of 45 per cent. This is subject to a personal allowance of up to £12,570 for taxable income under £125,140. For completeness, Scottish taxpayers would be subject to the same Income Tax rates and bands that are in force in England and Wales on non-earned income and capital gains.

Dividend income that is within the Nil Rate Amount counts towards an individual's basic or higher rate limits, and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of the Nil Rate Amount. In calculating which tax band any dividend income over the Nil Rate Amount falls into, savings and dividend income are treated as the highest part of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

The Company will not be required to withhold tax at source when paying a dividend to individuals (including such part of any dividend as may be designated an interest distribution as described above).

To the extent that an election is made by the Company to designate part or all of its dividends as an interest distribution in respect of an accounting period under the "streaming" regime, then the corresponding dividends paid by the Company will be taxed as interest income in the hands of UK resident individual shareholders. To the extent the Shareholder is within the basic rate band, interest received in excess of the savings allowance of £1,000 will be taxed at 20 per cent. To the extent the Shareholder is within the higher rate band, interest received in excess of the savings allowance of £500 will be taxed at 40 per cent. To the extent the Shareholder is within the additional rate band, interest received will be taxed at 45 per cent. The tax free savings income is not available for additional rate taxpayers. For Scottish taxpayers, references to income tax that would otherwise be charged at the basic rate, higher rate and additional rate are to be read as if the individual was not a Scottish taxpayer. For completeness, Scottish taxpayers would be subject to the same Income Tax rates and bands that are in force in England and Wales on non-earned income and capital gains.

#### *Corporations*

The statements in the following four paragraphs apply in respect of dividends to which the "streaming" regime does not apply.

A corporate Shareholder who is tax resident in the UK or carries on a trade in the UK through a permanent establishment in connection with which its Shares are held will be subject to UK corporation tax on the gross amount of any dividends paid by the Company, unless the dividend falls within one of the exempt classes set out in Part 9A of the Corporation Tax Act 2009.

It is anticipated that dividends paid on the Shares held by UK tax resident corporate Shareholders would generally (subject to anti-avoidance rules) fall within one of those exempt classes. However, such Shareholders are advised to consult their tax advisers to determine whether such dividends will be subject to UK corporation tax. If the dividends do not fall within any of the exempt classes, the dividends will be subject to UK corporation tax currently at a main rate of 25 per cent. for those companies with profits over £250,000 and at a small profits rate of 19 per cent. for those companies with profits under £50,000, with marginal relief available for companies with profits between £50,000 and £250,000 (inclusive).

To the extent that an election is made by the Company to designate part or all of its dividends as an interest distribution in respect of an accounting period under the "streaming" regime, then the corresponding dividends paid by the Company will be taxed according to the loan relationship rules in the hands of UK resident corporate Shareholders and subject to UK corporation tax currently at a main rate of 25 per cent. for those companies with profits over £250,000 and at a small profits rate of 19 per cent. for those companies with profits under £50,000, with marginal relief available for companies with profits between £50,000 and £250,000 (inclusive).

The Company will not be required to withhold tax at source when paying a dividend to corporations (including such part of any dividend as may be designated an interest distribution as described above).

## **4. STAMP DUTY AND SDRT**

### **4.1. Issue of New Shares pursuant to the Issue**

The issue of New Shares pursuant to the Issue should not give rise to any stamp duty or SDRT.

### **4.2. Subsequent transfers**

Subsequent transfers of New Shares held in certificated form will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer (rounded up to the nearest £5.00). However, an exemption from stamp duty will be available on an instrument transferring New Shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. The purchaser normally pays the stamp duty.

An unconditional agreement to transfer New Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. However, if a duly stamped or exempt instrument of transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, with interest where the amount is in excess of £25.00, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of New Shares within the CREST system will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system (but in practice the cost will be passed on to the purchaser). Deposits of New Shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration in the form of money or money's worth.

In certain circumstances, the transfer of New Shares will be chargeable to stamp duty or SDRT on the value of the New Shares transferred, rather than the amount or value of the consideration given.

## **5. ISAS**

Shares acquired by a UK resident individual Shareholder may be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits (£20,000 in the tax year 2023/24). Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in shares through an ISA is restricted to certain UK resident individuals aged 18 or over. Junior ISAs are available to children under the age of 18 who are resident in the UK subject to the annual allowance of £9,000 for the 2023/24 tax year.

Individuals wishing to invest in New Shares through an ISA should contact their professional advisers regarding their eligibility.

## **6. INFORMATION REPORTING**

The UK has entered into a number of international arrangements which provide for the exchange of information in order to combat tax evasion and improve tax compliance. These include, but are not limited to, FATCA, CRS, the EU Directive on Administrative Cooperation in Tax Matters, and a number of other arrangements with particular jurisdictions.

In connection with such international agreements and obligations (and UK regulations implementing the same) the Company may, amongst other things, be required to collect and report to HMRC certain information regarding Shareholders and other account holders of the Company and HMRC may pass this information on to tax authorities in other jurisdictions in accordance with such UK regulations and relevant international agreements and obligations.

## **7. PREVENTION OF THE CRIMINAL FACILITATION OF TAX EVASION**

Two United Kingdom corporate criminal offences for failure to prevent the facilitation of tax evasion (referred to generally as “FTP offences”) created by the Criminal Finances Act 2017 impose criminal liability on a company or a partnership (referred to here as a “relevant body”) if it fails to prevent the

criminal facilitation of tax evasion by a person “when acting in the capacity of a person associated” with the relevant body. There is a defence to the charge if the relevant body can show that it had in place reasonable “prevention procedures” at the time the facilitation took place. In order to comply with the Criminal Finances Act 2017, the Company, the AIFM and the Investment Manager may require additional information from Shareholders or prospective investors in the Company regarding their tax affairs.

## PART 7

### GENERAL INFORMATION

#### 1. THE COMPANY

- 1.1. The Company was incorporated in England and Wales on 22 January 2010 with registered number 07133583 as a public company limited by shares under the Companies Act. The Company is registered as an investment company under section 833 of the Companies Act. The Company's LEI is 54930076MSJ0ZW67JB75.
- 1.2. The registered office and principal place of business of the Company is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP, with telephone number 020 7961 4240.
- 1.3. As a listed investment trust, the Company is not regulated as a collective investment scheme by the FCA. However, as a company with its shares admitted to listing on the premium segment of the Official List and to trading on the Main Market, it is subject to the Prospectus Regulation Rules, the Listing Rules, the Disclosure Guidance and Transparency Rules, the Takeover Code, UK MAR and the rules of the London Stock Exchange. The Company is domiciled in England. The Company is an alternative investment fund pursuant to the UK AIFMD Laws. The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder.
- 1.4. The principal activity of the Company is to invest its assets in accordance with the investment objective and policy set out in Part 1 (*Fidelity China Special Situations PLC*) of this Prospectus.
- 1.5. The Company does not have a fixed life. However, subject to the implementation of the Scheme, the Board has committed to hold a continuation vote in 2029 and every five years thereafter.
- 1.6. The Company's accounting period ends on 31 March of each year. The Company's latest financial statements for the year ended 31 March 2023 were published on 8 June 2023 and the Company's latest unaudited financial statements for the six months ended 30 September 2023 were published on 29 November 2023.
- 1.7. The Company has no employees and its day-to-day activities are delegated to third parties.
- 1.8. The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act and the Investment Trust (Approved Company) (Tax) Regulations 2011. In summary, the key conditions that must be met for approval by HMRC for any given accounting period as an investment trust are that:
  - 1.8.1. all, or substantially all, of the business of the Company is investing its funds in shares, land or other assets with the aim of spreading investment risk and giving members the benefit of the results of the management of its funds;
  - 1.8.2. the Company is not a close company at any time during the accounting period for which approval is sought;
  - 1.8.3. the Company is resident in the UK throughout that accounting period;
  - 1.8.4. the Company's ordinary Share capital is admitted to trading on a regulated market (as defined in FSMA) throughout the accounting period;
  - 1.8.5. the Company is not a venture capital trust or a real estate investment trust; and
  - 1.8.6. the Company must not retain in respect of the accounting period an amount greater than the higher of: (i) 15 per cent. of its income for the period; and (ii) the amount of any income which the Company is required to retain in respect of the period by virtue of a restriction imposed by law. However, where the Company has relevant accumulated losses brought forward from previous accounting periods of an amount equal to or greater than the higher of the amounts mentioned in (i) and (ii) above, the Company may retain an amount equal to the amount of such losses.

## 2. THE AIFM AND THE INVESTMENT MANAGER

- 2.1. FIL Investment Services (UK) Limited, a private limited company incorporated in England and Wales under the Companies Act 1985 with registered number 02016555, is the Company's AIFM. The AIFM is authorised and regulated by the FCA. The registered office of the AIFM is at Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP and its telephone number is 01737 836347.
- 2.2. FIL Investment Management (Hong Kong) Limited, a limited liability company incorporated under the laws of Hong Kong with registered number 0097708 is the Company's Investment Manager. The registered office of the Investment Manager is at Level 21, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong and its telephone number is +852 2629 2800.

## 3. THE DEPOSITARY

J.P. Morgan Europe Limited has been appointed as depositary of the Company pursuant to the Depositary Agreement (further details of which are set out in paragraph 13.3 of this Part 7 below). The Depositary is a private limited company incorporated in England and Wales under the Companies Act 1948 with company number 00938937. It is authorised and regulated by the FCA. The registered office of the Depositary is at 25 Bank Street, Canary Wharf, London E14 5JP and its telephone number is 020 7742 4000. The Depositary's LEI is 549300EJYMJS22ND8Y17.

## 4. SHARE CAPITAL

- 4.1. The ISIN of the Shares is GB00B62Z3C74, the SEDOL of the Shares is B62Z3C7 and the ticker symbol is FCSS.
- 4.2. As at 14 February 2024 the issued and fully paid Share capital of the Company (excluding Shares held in treasury) consisted of:

	Nominal value (£)	Number
Shares*	4,697,436.28	469,743,628

\* Excludes any buy backs of Shares that settled subsequent to market close on 14 February 2024.

- 4.3. As at 14 February 2024 the Company held 85,629,548 Shares in treasury. The Shares are admitted to listing on the premium segment of the Official List and to trading on the Main Market. The Company has no authorised Share capital.
- 4.4. *For illustrative purposes only*, had the Calculation Date been market close on 14 February 2024, and assuming that 60,648,754 New Shares are issued (such number being based on the illustration provided in paragraph 3 of Part 4 (*Details of the Scheme and the Issue*) of this Prospectus), the issued and fully paid Share capital of the Company immediately following the Issue (excluding Shares held in treasury) would have been as follows:

	Nominal value (£)	Number
Shares*	5,303,923.82	530,392,382

\* Excludes any buy backs of Shares that settled subsequent to market close on 14 February 2024.

- 4.5. In addition to the ordinary business of the Company, resolutions were passed at the AGM held on 20 July 2023 as follows:

4.5.1. in substitution for all previous unexpired authorities, the Directors were generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot Shares or to grant rights to subscribe for or to convert any securities into Shares (for the purposes of this paragraph 4.5.1, "**relevant securities**") up to an aggregate nominal amount of £568,815 (representing approximately 10 per cent. of the aggregate nominal amount of the issued Share capital of the Company (including treasury Shares) as at 7 June 2023) and so that the Directors may impose any limits or restrictions and make any arrangements that 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 or the date



falling 15 months from 20 July 2023, whichever is the earlier, but so that such authority shall allow the Company to make offers or agreements before the expiry of such authority that would or might require relevant securities to be allotted after such expiry as if the authority conferred by such resolution had not expired;

4.5.2. the Directors were authorised, pursuant to sections 570 – 573 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) for cash pursuant to the authority referred to in paragraph 4.5.1 above and/or to sell Shares held by the Company as treasury Shares for cash, as if section 561 of the Companies Act did not apply to 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 £568,815 (representing approximately 10 per cent. of the aggregate nominal amount of the issued Share capital of the Company (including treasury Shares) as at 7 June 2023); 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 such power shall expire at the conclusion of the next Annual General Meeting or the date falling 15 months from 20 July 2023, whichever is the earlier, save that such authority shall allow the Company to make offers or agreements before the expiry of such authority, and the Directors may allot equity securities in relation to such an offer or agreement as if the authority conferred by such resolution had not expired; and

4.5.3. the Company was generally and unconditionally authorised, in accordance with Section 701 of the Companies Act, to make market purchases (within the meaning of Section 693(4) of the Companies Act) of Shares, provided that:

- (a) the maximum aggregate number of Shares authorised to be purchased is 72,429,600;
- (b) the minimum price that may be paid for a Share is one penny;
- (c) the maximum price (excluding expenses) that may be paid for each Share is the higher of: (i) 5 per cent. above the average of the middle market quotations for the Shares as derived from the London Stock Exchange Official List for the five Business Days preceding the date of purchase; and (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the London Stock Exchange at the time the purchase is carried out; and
- (d) such authority shall expire at the conclusion of the next Annual General Meeting unless such authority is renewed prior to such time; and
- (e) the Company may make a contract to purchase Shares under such authority prior to the expiration 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.

4.6. At the General Meeting, the Directors will seek Shareholder authority to allot New Shares up to an aggregate nominal value of £1,300,000 in connection with the Issue (such authority to expire on 30 June 2024). Such authority will be in addition to the authority referred to in paragraph 4.5.1 above.

4.7. The provisions of section 561 of the Companies Act which, to the extent not disapplied pursuant to section 570 or section 573 of the Companies Act, confer on Shareholders rights of pre-emption in respect of the allotment or sale of equity securities for cash, shall apply to any unissued Share capital of the Company, except to the extent disapplied by the authority referred to in paragraph 4.5.2 above.

4.8. The New Shares will be in registered form and, from Admission, will be capable of being held in uncertificated form and title to such Shares may be transferred by means of a relevant system (as defined in the Uncertificated Securities Regulations). Where the Shares are held in

certificated form, share certificates will be sent to the registered members or their nominated agent (at their own risk) within 14 calendar days of the Effective Date. Where Shares are held in CREST, the relevant CREST stock account of the registered members will be credited as soon as is reasonably practicable on the morning of Admission. The Registrar maintains a register of Shareholders holding their Shares in CREST.

- 4.9. Save as disclosed in this Prospectus, as at 14 February 2024:
- 4.9.1. no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, either for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital;
  - 4.9.2. no share or loan capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option;
  - 4.9.3. no convertible securities, exchangeable securities or securities with warrants have been issued by the Company and remain outstanding; and
  - 4.9.4. save in connection with the Issue, there are no acquisition rights and/or obligations over any of the Company's authorised but unissued capital and no undertakings to increase the Company's capital.
- 4.10. All New Shares will be fully paid on Admission. Subject as provided elsewhere in this Prospectus and in the Articles, Shares are freely transferable.
- 4.11. As at 14 February 2024 there have been no public takeover bids in respect of the Company's equity in the period since 1 April 2022.

## **5. REDEMPTIONS AT THE OPTION OF SHAREHOLDERS**

There is no right or entitlement attaching to the Shares that allows them to be redeemed or repurchased by the Company at the option of a Shareholder.

## **6. ARTICLES OF ASSOCIATION**

The Company's Articles were adopted on 20 July 2021. Below is a summary of the provisions of the Articles relating to the rights attached to the Shares, including any limitation of those rights and procedures for the exercise of those rights.

### **6.1. Shares**

Subject to the Articles and to any resolution passed by the Company and without prejudice to any right attached to existing Shares, the Board may offer, allot, grant options over or otherwise deal with or dispose of Shares in the Company to such persons, at such times and for such consideration and upon such terms as the Board may decide.

### **6.2. Variation of rights**

Subject to the provisions of the Companies Act, all or any of the rights attaching to any existing class of shares may from time to time (whether or not the Company is being wound up) be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

All the provisions of the Articles as to general meetings of the Company shall, with any necessary modifications, apply to any such separate general meeting, but so that the necessary quorum shall be two persons entitled to vote and holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), (but so that at any adjourned meeting one holder entitled to vote and present in person or by proxy (whatever the number of shares held by him) shall be a quorum), and that any holder of shares of the class present in person or by proxy and entitled to vote may demand

a poll. The foregoing provisions shall apply to the variation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class and their special rights were to be varied.

### 6.3. *Alteration of share capital*

Any resolution authorising the Company to sub-divide its shares or any of them may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared with the others.

Whenever as a result of a consolidation, consolidation and sub-division or sub-division of shares any holders of the Company's shares would become entitled to fractions of a share, the board may deal with the fractions as it thinks fit including by aggregating and selling them or by dealing with them in some other way. For the purposes of effecting any such sale, the board may arrange for the shares representing the fractions to be entered in the register as certificated shares. The Board may sell shares representing fractions to any person, including the company and may authorise some person to transfer or deliver the shares to, or in accordance with the directions of, the purchaser. The person to whom any shares are transferred or delivered shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

### 6.4. *Redemption of shares*

Subject to the provisions of the Companies Act and to any rights attaching to existing shares, any share may be issued which is to be redeemed, or is liable to be redeemed at the option of the Company or the holder. The Board may determine the terms, conditions and manner of redemption of any redeemable shares so issued.

### 6.5. *Dividends*

The Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. No dividend shall be payable except out of the profits of the Company and otherwise in accordance with the provisions of the Companies Act.

The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking *pari passu* with or after those shares.

Except in so far as the rights attaching to, or the terms of the issue of, any share otherwise provide: (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; (ii) all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and (iii) dividends may be declared or paid in any currency. The Board may decide the basis of conversion for any currency conversions that may be required and how any costs involved are to be met.

The Board may deduct from any dividend or other moneys payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by the member to the Company on account of calls or otherwise in respect of shares of the Company. Sums so deducted can be used to pay amounts owing to the Company in respect of the shares.

Subject to the rights attaching to, or the terms of issue of, any shares, no dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

6.6. *Distribution of assets on a winding up*

After the payment of all debts and satisfaction of the Company's other liabilities and after satisfying the entitlements of all other classes of share in the Company for the time being, the Shareholders shall be entitled to receive by way of capital any surplus assets of the Company in proportion to their holdings.

6.7. *Reserves*

The Board shall establish a reserve to be called the "capital reserve" and shall either carry to the credit of such reserve from time to time, or apply in providing for depreciation or contingencies, all surpluses arising on the realisation of investments. Any losses arising on the realisation of the investments shall be carried to the debit of the capital reserve except in so far as the Board may in its discretion decide to make good the same out of other funds of the Company.

The Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one and partly the other. The Board may determine whether any cost, liability or expense (including any costs incurred or sums expended in connection with the management of the assets of the company or any interest charge) is to be treated as a cost, liability or expense chargeable to capital or to revenue or partly one and partly the other, having regard, *inter alia*, to the investment objective of the Company, and to the extent the Board determines that any such cost, liability or expense should reasonably and fairly be apportioned to capital the Board may debit or charge the same to the capital reserve.

Any reserve arising on the cancellation of share capital or share premium shall be credited to the capital reserve of the Company.

All sums carried and standing to the capital reserve may be applied for any of the purposes to which sums standing to any reserve of the company are applicable.

6.8. *Voting rights*

Subject to any special terms as to voting upon which any shares may be issued or may at the relevant time be held and to any other provisions of the Articles, members shall be entitled to vote at a general meeting whether on a show of hands or on a poll as provided in the Companies Act. For this purpose, where a proxy is given discretion as to how to vote on a show of hands, this shall be treated as an instruction by the relevant member to vote in the way that the proxy elects to exercise that discretion.

No member shall, unless the Board otherwise decides, be entitled in respect of any share held by them to attend or vote (either personally or by proxy) at any general meeting of the company or upon a poll or to exercise any other right conferred by membership in relation to general meetings unless all calls or other sums presently payable by them in respect of that share have been paid.

6.9. *Transfer of shares*

A share in certificated form may be transferred by an instrument of transfer, which may be in any usual form or in any other form which the Board may approve, executed by or on behalf of the transferor and, in the case of partly paid shares, the transferee. A share in uncertificated form may be transferred by means of the relevant electronic system concerned. The transferor of a share shall be deemed to remain the holder of that share until the name of the transferee is entered into the Register in respect of it.

The Board can decline to register any transfer of any share that is not a fully paid share.

In addition the Board may refuse to transfer a certificated share unless: (i) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the board to be exempt from stamp duty and is left at the office or such other place as the board may from time to time determine accompanied (save in the case of a transfer by a person to whom the company is not required by law to issue a certificate and to whom a certificate has not been issued) by the certificate for the share to which it relates and such other evidence as the board may reasonably require to show the right of the person signing the instrument of transfer to make the transfer and,

if the instrument of transfer is signed by some other person on his behalf, the authority of that person so to do; (ii) the instrument of transfer is in respect of only one class of share; and (iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

In addition, in order to avoid the Company breaching or incurring potentially onerous obligations under certain US securities laws (including ERISA), the Board has the power to impose such restrictions as it may think necessary for the purpose of ensuring that no shares in the Company are acquired or held by, or transferred to, any Non-Qualifying Holder (as defined and further discussed in paragraph 6.11 below), including a power to refuse to register a transfer of shares if the transfer is in favour of any Non-Qualifying Holder.

The Board may decline to register a transfer of an uncertificated share in the circumstances set out in the Companies Act and Uncertificated Securities Regulations, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

For all purposes of the Articles relating to the registration of transfers of shares, the renunciation of the allotment of any shares by the allottee in favour of some other person shall be deemed to be a transfer and the Board shall have the same powers of refusing to give effect to such a renunciation as if it were a transfer.

No fee shall be charged by the Company for registering any transfer, document or instruction relating to or affecting the title to any share or for making any other entry in the Register.

6.10. *Restrictions on rights: failure to respond to a section 793 notice*

When a person is given a section 793 notice and is in default for a period of fourteen days in supplying the Company with the information requested in the section 793 notice or makes a statement in their response that (in the reasonable opinion of the Directors) is false or inadequate in any material way, the Company may decide to restrict the rights relating to the identified shares and give a notice to the relevant member in whose name the identified shares are registered. The restriction notice shall take effect on service. The restriction notice shall state that the identified shares no longer give the member any right to attend or vote either personally or by proxy at a general meeting or to exercise any other right in relation to general meetings and, where those shares represent at least 0.25 per cent. of their class (excluding treasury shares), the Directors may withhold all or any part of a dividend or other moneys payable in respect of those shares and may also refuse to register a transfer of the shares unless the Directors are satisfied that they have been sold outright to an independent third party.

6.11. *Restrictions on rights: ERISA and other US securities laws matters*

In order to avoid the Company breaching or incurring potentially onerous obligations under certain US securities laws and ERISA, under the Articles the Board has the power to impose such restrictions as it may think necessary for the purpose of ensuring that no shares in the Company are acquired or held by, or transferred to (including a power to refuse to register a transfer of shares if the transfer is in favour of), any person to whom a sale or transfer of shares in the Company, or whose direct or beneficial ownership of shares, would or might (in the determination of the Directors) have any of the following effects (any such person being a “**Non-Qualifying Holder**”):

- (i) cause a pecuniary or tax disadvantage to the company or any other holder of shares or other securities of the company or cause or be likely to cause the assets of the company to be considered “plan assets” for the purposes of the ERISA (as amended, and any rules or regulations promulgated thereunder) or the United States Internal Revenue Code; or
- (ii) cause the Company or its shares to be required to register (including, without limitation, as an “investment company”) or to be qualified (or to lose an exemption status to which it may otherwise be entitled) under the US Investment Company Act of 1940 (as amended), the US Securities Exchange Act of 1934 (as amended), the US Securities Act of 1933 (as amended) or any similar legislation (in any jurisdiction); or



- (iii) cause the Company not to be considered a “foreign private issuer” as such term is defined in rule 3b-4(c) under the US Exchange Act; or
- (iv) cause the Company to be a “controlled foreign corporation” for the purposes of the US Tax Code; or
- (v) create a significant legal or regulatory issue for the company under the US Bank Holding Company Act of 1956 (as amended and in force from time to time, and including regulations and interpretations thereunder) or similar legislation in any other jurisdiction; or
- (vi) cause the company to become subject to any withholding tax or reporting obligation under FATCA or the requirements of the Organisation for Economic Co-operation and Development’s common reporting standard and any similar or implementing laws or regulations as may be in force from time to time in any jurisdictions to which the company may be subject (including, without limitation, the International Tax Compliance Regulations 2015) (for the purposes of this paragraph 6.11(vi) “**Other Reporting Laws**”), or to be unable to avoid or reduce any such tax or to be unable to comply with any such reporting obligation (including by reason of the failure of the member concerned to provide promptly to the company any Additional Information), or otherwise cause the company adverse consequences under FATCA or and Other Reporting Laws.

In addition, the Board has the power to give notice in writing to any holder requiring them, within such period as may be specified in the notice, to deliver to the Company such information, representations, certificates, waivers or forms relating to such holder as the Board may require to establish whether such person is a Non-Qualifying Holder or is otherwise qualified to hold shares in the Company. If such information, representations, certificates, waivers or forms are not delivered to the Company within the specified period, or if it comes to the notice of the Board that any shares in the Company are or may be owned directly or beneficially by any Non-Qualifying Holder, the Directors may under the serve a notice upon the relevant shareholder requiring them to transfer their shares to an eligible transferee within 21 days of such notice; and if the obligation to transfer is not met, the Company may compulsorily transfer the shares in a manner consistent with the restrictions set forth in the Articles. Pending such transfer, the rights and privileges attaching to such shares shall be suspended and not capable of exercise.

#### 6.12. *Untraced Shareholders*

Subject to various notice requirements, the Company may sell any of a Shareholder’s shares if, during a period of 12 years at least three cash dividends on such shares have become payable and: (i) no cheque for amounts payable in respect of such shares has been presented and no warrant has been effected; (ii) no communication has been received by the Company from the Shareholder or person concerned; and (iii) the Company has published two newspaper advertisements giving notice of its intention to sell the shares and a period of three months has elapsed from the date of publication of the advertisements (or of the last of the two advertisements to be published if they are published on different dates).

#### 6.13. *General meetings*

A general meeting shall be convened by at least such minimum period of notice as is required or permitted by the Companies Act. The Company may give such notice by any means or combination of means permitted by the Companies Act.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting which shall not be treated as part of the business of the meeting. Save as otherwise provided by the Articles, two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

A Shareholder is entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend and to speak and vote at any general meeting of the Company. The appointment of a proxy shall be in writing signed by the appointor or his duly authorised attorney or, if the appointor is a corporation, shall either be executed under its seal or signed by an officer, attorney or other person authorised to sign it. The appointment of a proxy shall be in any usual

form or in such other form as the Board may approve. The appointment of a proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to, or any other business which may properly come before, the meeting for which it is given as the proxy thinks fit.

The appointment of a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned.

The appointment of a proxy shall, unless the contrary is stated in it, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Each Director shall be entitled to attend and speak at any general meeting of the Company.

A resolution put to a vote at a general meeting also held through one or more electronic platform(s) shall be decided on a poll (which shall be deemed to have been validly demanded at the time fixed for the holding of the meeting to which it relates), which poll votes may be cast by such electronic means as the Board, in its sole discretion, deems appropriate for the purposes of the meeting. Otherwise, a poll on a resolution may be demanded at a general meeting before or on the declaration of the result of the show of hands by the chairman or by those members entitled under the Companies Act to demand a poll.

## **7. THE CITY CODE ON TAKEOVERS AND MERGERS**

### **7.1. Mandatory bid**

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if:

- (a) any person acquires, whether by a series of transactions over a period of time or otherwise, an interest in shares which, when taken together with shares in which they and persons acting in concert with them are interested, carry 30 per cent. or more of the voting rights in the Company; or
- (b) any person, together with persons acting in concert with them, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of the Company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with them, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which they are interested,

such person would be required (except with the consent of the Panel) to make a cash or cash alternative offer for the outstanding shares at a price not less than the highest price paid for any interests in the shares by them or their concert parties during the previous 12 months. Such an offer must only be conditional on:

- (a) the person having received acceptances in respect of shares which (together with shares already acquired or agreed to be acquired) will result in the person and any person acting in concert with them holding shares carrying more than 50 per cent. of the voting rights; and
- (b) no reference having been made in respect of the offer to the Competition and Markets Authority by either the first closing date or the date when the offer becomes or is declared unconditional as to acceptances, whichever is the later.

A person not acting, or presumed not to be acting, in concert with any one or more of the directors of a company will not normally incur an obligation to make a mandatory offer under Rule 9 if, as a result of the redemption or repurchase of shares by that company, they come to exceed the percentage limits set out in Rule 9.

The Panel must be consulted in advance in any case where Rule 9 of the Takeover Code might be relevant.

## 7.2. Compulsory acquisition

Under sections 974 to 991 of the Companies Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of a class of shares of a company (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares of that class held by holders that have not assented to the offer. It would do so by sending a notice to the holders of shares of that class indicating that it is desirous of acquiring such outstanding shares whereupon the offeror will become entitled and bound to acquire such shares. At the end of six weeks from the date of such notice it would execute a transfer of such outstanding shares in its favour and pay the consideration to the company, which would hold the consideration on trust for the holders of such outstanding shares subject to the transfer. The consideration offered to the holders whose outstanding shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the Companies Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares of a company (in value and by voting rights, pursuant to a takeover offer that relates to all the shares in the company) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire their shares on the same terms as the takeover offer (“sell-out rights”).

The offeror would be required to give any relevant holder of shares notice of their right to be bought out within one month of that sell-out right arising. Such sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises their sell-out rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 8. DISCLOSURES UNDER UK MAR

The table below sets out a summary of the information disclosed by the Company under UK MAR over the 12 month period preceding the date of this Prospectus and which is relevant as at the date of this Prospectus.

<b>Date</b>	<b>Title of Announcement</b>	<b>Disclosure</b>
28 November 2023	Proposed combination with abrdrn China Investment Company Limited	Announcement of heads of terms in connection with the Proposals
25 October 2023	Compliance with Market Abuse Regulations	Announcement of compliance with UK MAR in relation to the period leading up to the announcement of the results in respect of the six month period ended 30 September 2023
5 May 2023	Compliance with Market Abuse Regulations	Announcement of compliance with UK MAR in relation to the period leading up to the announcement of the annual results in respect of the financial year ended 31 March 2023

## 9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### 9.1. Directors' interests

As at 14 February 2024 and following completion of the Issue, the interests (all of which are or will be beneficial unless otherwise stated) of the Directors (together with their connected persons) in the issued Share capital of the Company are, or are estimated to be, as follows:

Director	Number of Shares as at 14 February 2024	Percentage of issued Share capital as at 14 February 2024 (%)	Estimated number of Shares following completion of the Issue	Estimated percentage of issued share capital following completion of the Issue* (%)
Mike Balfour (Chairman)	65,000	0.014%	65,000	0.012%
Alastair Bruce	43,800	0.009%	43,800	0.008%
Vanessa Donegan	10,000	0.002%	10,000	0.002%
Georgina Field	2,500	0.001%	2,500	0.000%
Gordon Orr	Nil	Nil	Nil	Nil
Edward Tse	Nil	Nil	Nil	Nil

\* Assuming the total issued share capital of the Company following completion of the Issue is 530,392,382 Shares (excluding Shares held in treasury) based on the illustrative calculations set out in paragraph 3 of Part 4 (*Details of the Scheme and the Issue*) of this Prospectus.

As at the date of this Prospectus, save as disclosed above, no Director has any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.

### 9.2. Directors' contracts with the Company

- 9.2.1. No Director has a service contract with the Company, nor are any such contracts proposed. Each Director has been appointed pursuant to a letter of appointment entered into with the Company.
- 9.2.2. The Directors' appointments can be terminated in accordance with the Articles and without compensation or in accordance with the Companies Act or common law. Pursuant to the Articles, each Director must retire and stand for re-election on an annual basis at each Annual General Meeting.
- 9.2.3. There is no notice period specified in the letters of appointment or the Articles for the removal of the Directors. The Articles provide that the office of Director may be terminated by, among other things: (i) resignation; (ii) unauthorised absences from Board meetings for more than six consecutive months; or (iii) notice in writing that the Director's resignation is requested by all of the other Directors (such Directors being not less than three in number).
- 9.2.4. As at the date of this Prospectus, Mike Balfour, as Chairman, is entitled to receive £52,000 per annum, Alastair Bruce, as chair of the Audit and Risk Committee, is entitled to receive £43,500 per annum, Vanessa Donegan, as Senior Independent Director, is entitled to receive £41,000 per annum, and all other Directors are entitled to receive £34,500 per annum for their services as Directors of the Company.
- 9.2.5. No amounts have been set aside or accrued by the Company to provide pension, retirement or similar benefits for the Directors.

### 9.3. Directors' other interests

9.3.1. As at the date of this Prospectus, the Directors are, or have been during the five years preceding the date of this Prospectus, a director, member of the administrative, management or supervisory body or partner of the following companies and partnerships (other than the Company):

	Current directorships/partnerships	Past directorships/partnerships
Mike Balfour ( <i>Chairman</i> )	abrdrn Property Income Trust Limited Schroder BSC Social Impact Trust plc TPT Retirement Solutions Limited	Martin Currie Global Portfolio Trust plc Perpetual Income and Growth Investment Trust plc ( <i>in liquidation</i> ) The Honourable Company of Edinburgh Golfers (Management) Limited
Alastair Bruce	Barings Emerging EMEA Opportunities PLC ICG Enterprise Trust PLC Minicoy Developments Limited Minicoy Investments Limited Minicoy Investments (Stevenage) Limited Pyschesoma Ltd The Stevenage Community Trust	Child's I Foundation Pantheon Ventures (UK) LLP
Vanessa Donegan	Donegan Associates Ltd HIML Holdings Limited Invesco Asia Trust plc JPMorgan Indian Investment Trust plc State Street Global Advisors Luxembourg SICAV	Wooddale Hilland Developments LLP
Georgina Field	White Marble Group Limited	Murray Income Trust plc Perpetual Income and Growth Investment Trust plc ( <i>in liquidation</i> )
Gordon Orr	China-Britain Business Council EQT AB Lenovo Group Limited Meituan Swire Pacific	Naga UK Topco Limited Phynova Group Limited Sondrel (Holdings) plc
Edward Tse	CDIB Capital International China Oriental Group Company Limited China Travel International Investment Hong Kong Limited Gao Feng Advisory Company Gridiron Capital LLC ( <i>USA</i> ) Our Hong Kong Foundation Ping An Life Insurance Company of China, Ltd. The University of Hong Kong (Institute of China Business and HKU SPACE Executive Academy)	—

9.3.2. As at the date of this Prospectus there are no potential conflicts of interest between any of the Directors' duties to the Company and their private interests and/or other duties.

9.3.3. There are no lock-up provisions regarding the disposal by any of the Directors of any Shares.



- 9.3.4. Save as disclosed in this Prospectus, in the five years before the date of this Prospectus, the Directors:
- (a) do not have any convictions in relation to fraudulent offences;
  - (b) have not been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; and
  - (c) do not have any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.
- 9.3.5. Mr Balfour and Ms Field were directors of Perpetual Income and Growth Investment Trust plc. Perpetual Income and Growth Investment Trust plc entered into a members' voluntary liquidation on 17 November 2020 in connection with a scheme of reconstruction and members' voluntary winding up under section 110 of the Insolvency Act 1986 pursuant to which certain of its assets were transferred to Murray Income Trust plc.
- 9.3.6. The Company maintains directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.

#### 9.4. Major Shareholders

- 9.4.1. As at close of business on 14 February 2024, being the latest practicable date prior to the publication of this Prospectus, other than as set out below, there are no persons known to the Company who, directly or indirectly, are interested in three per cent. or more of the Company's issued Share capital or voting rights.

Shareholder	Number of Shares	Percentage of issued Share capital (%)
Fidelity (platform)	102,454,180	21.8
Hargreaves Lansdown	60,037,041	12.8
City of London Investment Management	50,883,200	10.8
Lazard Asset Management	43,120,596	9.2
Allan & Gill Gray Foundation	36,567,104	7.8
Interactive Investor	23,610,199	5.0

- 9.4.2. As at the date of this Prospectus, the Company is not aware of any person who, immediately following the Issue, will directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 9.4.3. None of the Shareholders has or will have voting rights attached to the Shares held by them that are different from the voting rights attached to any other Shares. So far as is known to the Company, as at the date of this Prospectus, the Company will not, immediately following the Issue, be directly or indirectly owned or controlled by any single person or entity and there are no arrangements known to the Company the operation of which may subsequently result in a change of control of the Company.

#### 9.5. Related party transactions

Save for payment of fees and expenses to the AIFM, the Investment Manager and their affiliates pursuant to the AIFM Agreement and the Investment Management Agreement, which is summarised in paragraph 13 below, the Company has not entered into any related party transaction (within the meaning of UK-adopted international accounting standards) at any time during the period from 30 September 2023 to the date of publication of this Prospectus.

## **9.6. Other material interests**

9.6.1. The AIFM and the Investment Manager, any of their respective directors, officers, employees, agents and affiliates and the Directors, and any person or company with whom they are affiliated or by whom they are employed, may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company.

9.6.2. In particular, interested parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, the AIFM and the Investment Manager, any of their respective directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed may (subject to any restrictions contained in any relevant management agreement) acquire on behalf of a client an investment in which the Company may also invest.

## **10. SHARE OPTIONS AND SHARE SCHEME ARRANGEMENTS**

No Share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

## **11. PORTFOLIO**

As at the date of this Prospectus, the Portfolio consists principally of investments in the securities issued by companies in China, both listed and unlisted, as well as Chinese companies listed elsewhere, in accordance with the Company's investment policy. A substantial majority of the Company's assets are currently invested in the shares of listed companies, with the balance being invested in unlisted companies. Further details of the Portfolio are set out in paragraph 5 of Part 2 (*Market Outlook, Investment Strategy And Portfolio*) of this Prospectus.

## **12. OTHER INVESTMENT RESTRICTIONS**

12.1. The Company will at all times invest and manage its assets with the objective of spreading investment risk and in accordance with its published investment policy and the investment restrictions set out therein. The Company's investment policy is set out in paragraph 3 of Part 1 (*Fidelity China Special Situations PLC*) of this Prospectus.

12.2. In the event of a material breach of the investment policy and/or restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Investment Manager via an RIS announcement.

## **13. MATERIAL CONTRACTS**

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Company is a party or which contains any provision under which the Company has any obligation or entitlement which is material to it as at the date of this Prospectus.

### **13.1. AIFM Agreement**

The Company entered into the Original AIFM Agreement with the AIFM on 17 July 2014. The Original AIFM Agreement was amended and restated on 5 June 2017 and 25 July 2018 and was terminated and replaced in its entirety by the AIFM Agreement which came into effect on 1 June 2021. Under the terms of the AIFM Agreement, the AIFM has been appointed to provide to the Company portfolio management and risk management services in accordance with the Company's investment objective and policy, and subject to the overall supervision of the Directors. Pursuant to the Investment Management Agreement, which is summarised at paragraph 13.2 below, the AIFM, with the consent of the Company, has delegated day-to-day management of the Company's Portfolio to the Investment Manager.

The AIFM is also responsible for the provision of general accounting, administrative, company secretarial and marketing services to the Company. The AIFM has sub-delegated the provision of general accounting, administrative and company secretarial services to the Company Secretary pursuant to the Secretarial Services Delegation Agreement. Under the terms of the

Secretarial Services Delegation Agreement, the Company Secretary also assists the AIFM in providing the Company with marketing services.

The AIFM and the Investment Manager are each entitled to be paid a portion of a variable management fee which comprises a fixed base fee and a positive or negative variable element, both of which are calculated based on the Net Asset Value of the Company (the “**Variable Management Fee**”). The base fee is calculated as a tiered percentage of the Company’s Net Asset Value. From 1 April 2021, the base fee was 0.90 per cent. of net assets up to £1.5 billion and 0.70 per cent. of net assets above £1.5 billion. Pursuant to a side letter dated 1 June 2023, the first tier of the base fee reduced from 0.90 per cent. to 0.85 per cent with effect from 1 July 2023. Pursuant to a side letter dated on or around the date of this Prospectus, the AIFM and the Investment Manager have also agreed that, subject to implementation of the Scheme and with effect from Admission, the annual base management fee payable by the Company in respect of the Company’s net assets in excess of £1.5 billion will be reduced from 0.70 per cent. to 0.65 per cent.

The variable element of the fee is calculated based on the Company’s NAV per Share performance against the Benchmark Index and increases or decreases by 0.033 per cent. for each percentage point of the three year NAV per Share outperformance or underperformance compared to the Benchmark Index, subject to a maximum adjustment of +/- 0.20 per cent. Pursuant to the AIFM Agreement, the AIFM is entitled to be paid an amount equal to 0.05 per cent. per annum of the Net Asset Value of the Company.

Pursuant to the AIFM Agreement and the Investment Management Agreement, the base fee is split between the AIFM and the Investment Manager, with the AIFM being entitled to an amount equal to 0.05 per cent. per annum of the Net Asset Value of the Company and the Investment Manager being entitled to the remainder of the base fee. The variable element of the Variable Management Fee is payable to the Investment Manager.

For the purposes of calculating the Variable Management Fee, an amount equal to the proportion of any management fees payable to the AIFM or its associates (including the Investment Manager) in respect of the management of, or advice to, any collective investment schemes and/or investment trusts in which the Company invests is credited to the Company and the Variable Management Fee payable to the AIFM and the Investment Manager is reduced accordingly.

The AIFM has agreed to make a contribution to the costs of the Scheme and the Proposals of £500,000 plus an amount equal to eight months’ management fees that would otherwise be payable by the Enlarged Company to the AIFM and the Investment Manager under the AIFM Agreement and Investment Management Agreement, respectively, in respect of the assets to be transferred by ACIC to the Company pursuant to the Scheme. The Fidelity Contribution will first be applied to meet the Company’s costs in respect of the Proposals up to a maximum of £1 million with the balance, if any, being applied towards ACIC’s costs in respect of the Scheme. For the avoidance of doubt, the Fidelity Contribution will be reflected in the calculation of the FCSS FAV and the Rollover FAV.

The AIFM Agreement is terminable:

- (a) by any of the parties to it on six months’ prior written notice;
- (b) by the Company on not less than two months’ prior written notice, to expire at the end of any calendar month, if the AIFM ceases to be an associate of Fidelity International;
- (c) by the Company immediately by notice in writing if, among other things: (i) the AIFM commits a material breach of its obligations under the AIFM Agreement and, where such breach is capable of remedy, fails to remedy such breach within 30 days of being requested to do so; (ii) the AIFM goes into liquidation (otherwise than a voluntary and solvent liquidation for the purposes of reconstruction or amalgamation) or an administrator or similar officer has been appointed in respect of the AIFM or all or substantially all of the undertaking and assets of the AIFM; and/or (iii) the AIFM ceases to be authorised by the FCA to carry out its duties under the AIFM Agreement; and

- (d) by the AIFM immediately by notice in writing if, among other things: (i) the Company commits a material breach of its obligations under the AIFM Agreement and, where such breach is capable of remedy, fails to remedy such breach within 30 days of being requested to do so; and/or (ii) the Company goes into liquidation (otherwise than a voluntary and solvent liquidation for the purposes of reconstruction or amalgamation) or an administrator or similar officer has been appointed in respect of the Company or all or substantially all of the undertaking and assets of the Company.

The AIFM Agreement contains customary indemnities given by the Company in favour of the AIFM.

The AIFM Agreement is governed by the laws of England and Wales.

### **13.2. Investment Management Agreement**

The Company, the AIFM and the Investment Manager entered into the Original Investment Management Agreement on 17 June 2014, pursuant to which the AIFM delegated the management of the Company's investments for which a QFII licence was required to the Investment Manager. The Original Investment Management Agreement was amended and restated on 5 June 2017 and 25 July 2018 and was terminated and replaced in its entirety by the Investment Management Agreement which came into effect on 1 June 2021. Pursuant to the Investment Management Agreement, the AIFM, with the consent of the Company, has delegated the day-to-day management of the Company's entire Portfolio to the Investment Manager. The Investment Manager manages the Portfolio in accordance with the Company's investment objective and policy and the laws applicable to the Company, the AIFM and the Investment Manager (including the laws and regulations of Hong Kong), and subject to the overall supervision of the Directors and the overall policy decisions and directions made or given by the Directors from time to time.

Pursuant to the Investment Management Agreement, the Investment Manager is entitled to an annual management fee equal to the Variable Management Fee, as described in paragraph 13.1 of this Part 7 above, less the value of the Variable Management Fee payable by the Company to the AIFM pursuant to the AIFM Agreement. Accordingly, the Investment Manager is entitled to an amount equal to the total Variable Management Fee less an amount equal to 0.05 per cent. per annum of the Net Asset Value of the Company.

As noted above, the Investment Manager has agreed to make the Fidelity Contribution in connection with the Scheme.

The AIFM and Investment Manager have agreed that, subject to implementation of the Scheme and with effect from Admission, the annual base management fee payable by the Company in respect of the Company's net assets in excess of £1.5 billion will be reduced from 0.70 per cent. to 0.65 per cent.

The Investment Management Agreement is terminable by:

- (a) any of the parties to it on six months' prior written notice;
- (b) by the Company immediately by notice in writing if, among other things: (i) the AIFM or the Investment Manager commits a material breach of its obligations under the Investment Management Agreement and, where such breach is capable of remedy, fails to remedy such breach within 30 days of being requested to do so; (ii) the AIFM or Investment Manager goes into liquidation (otherwise than a voluntary and solvent liquidation for the purposes of reconstruction or amalgamation) or an administrator or similar officer has been appointed in respect of the AIFM or the Investment Manager or all or substantially all of the undertaking and assets of the AIFM or the Investment Manager (as applicable); (iii) the Investment Manager ceases to be licenced by the Securities and Futures Commission of Hong Kong to carry out business in the type 9 (asset management) regulated activity; (iv) the Investment Manager ceases to hold a QFII licence; and/or (v) if FISL (or an associate of FISL) ceases to be the Company's alternative investment fund manager; and

- (c) the AIFM and/or the Investment Manager immediately by notice in writing if, among other things: (i) the Company commits a material breach of its obligations under the Investment Management Agreement and, where such breach is capable of remedy, fails to remedy such breach within 30 days of being requested to do so; and/or (ii) the Company goes into liquidation (otherwise than a voluntary and solvent liquidation for the purposes of reconstruction or amalgamation) or an administrator or similar officer has been appointed in respect of the Company or all or substantially all of the undertaking and assets of the Company.

The Investment Management Agreement contains customary indemnities given by the Company in favour of the AIFM.

The Investment Management Agreement is governed by the laws of England and Wales and the courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with the Investment Management Agreement.

### 13.3. Depositary Agreement

The Depositary Agreement is dated 17 July 2014 and entered into between the Company, the AIFM and J.P. Morgan Europe Limited (the “**Depositary**”). Pursuant to the Depositary Agreement, the Depositary is appointed to act as depositary of the Company and oversee transactional activity and safekeeping functions in respect of the Company’s investments. The Depositary performs the customary services of a depositary in accordance with the UK AIFMD Laws. The Depositary may delegate its obligations in respect of the safekeeping of the Company’s investments to third parties, subject to the UK AIFMD Laws and certain conditions within the Depositary Agreement. Pursuant to the Custodian Agreement, which is summarised at paragraph 13.4 below, the Depositary has delegated the provision of custodian services to JPMorgan Chase Bank National Association, London Branch (the “**Custodian**”). The Custodian, with the consent of the Company, has further sub-delegated the provision of custodian services in relation to certain of the Company’s investments in China to HSBC Bank (China) Company Limited.

Subject to compliance with relevant regulatory requirements, the Depositary is entitled to discharge its liabilities under the Depositary Agreement in respect of delegated services where: (i) such services were not delegated with a view to avoiding the requirements of UK AIFMD Laws and there is an objective reason for the delegation of such responsibilities; (ii) the safekeeping of Company’s assets that are traded in markets where custodial and/or settlement systems are not fully developed is delegated in circumstances where such delegation is necessary; and/or (iii) the Depositary delegates its functions to a local entity that does not satisfy the delegation requirements in the UK AIFMD Laws in circumstances in which the assets of the Company are invested in a country in which the law requires certain financial instruments to be held in custody by a local entity and no local entities satisfy the delegation requirements in the UK AIFMD Laws (subject to the Depositary complying with certain conditions before delegating the services). Subject to certain conditions, the Depositary has also discharged its liability in respect of the acts or omissions (other than the loss of financial instruments) or insolvency of any custodial delegate that is not a subsidiary of JP Morgan Chase & Co.

The annual fee payable to the Depositary is based on the Company’s Net Asset Value and is calculated as 0.0095 per cent. of the Company’s net assets up to £250 million, 0.0050 per cent. of the Company’s net assets between £250 million and £500 million, 0.0030 per cent. of the Company’s net assets between £500 million and £1 billion and 0.0010 per cent. of the Company’s net assets over £1 billion. In satisfaction of the services rendered by the Depositary pursuant to the Depositary Agreement for the year ended 31 March 2023, the Company paid to the Depositary a fee of £57,000.

The Depositary Agreement may be terminated by either party on 90 days’ prior written notice. The Depositary Agreement may be immediately terminated by any party in certain circumstances such as where the AIFM or the Depositary ceases to be authorised to carry on its relevant regulated activity by the relevant regulatory authority or if one of the other parties to the Depositary Agreement is subject to certain insolvency events or commits a material breach of the



Custodian Agreement which (if capable of remedy) that party has failed to remedy within 30 days of written notice requiring it to do so.

The Depositary Agreement is governed by the laws of England and Wales.

#### **13.4. Custodian Agreement**

The Custodian Agreement is dated 17 July 2014 and entered into among the Company, the AIFM, the Depositary and the Custodian. Pursuant to the Custodian Agreement, the Custodian has been appointed to provide custodial, settlement and other associated services to the Company.

Under the terms of the Custodian Agreement, the fee payable to the Custodian comprises variable elements (i) for custody charges based on the value and location of the assets to which the custody charge relates; and (ii) for transaction settlement instructions received based on the location of the assets to which the settlement instruction relates. In satisfaction of the services rendered by the Custodian pursuant to the Custodian Agreement for the year ended 31 March 2023, the Company paid a fee of £157,000 to the Custodian.

The Custodian Agreement may be terminated by either party on 90 days' prior written notice. Any party may terminate the Custodian Agreement with immediate effect upon notice if one of the other parties is subject to certain insolvency events or commits a material breach of the Custodian Agreement which (if capable of remedy) that party has failed to remedy within 30 days of written notice requiring it to do so.

The Custodian Agreement is governed by the laws of England and Wales.

#### **13.5. Registrar Agreement**

Link Group has been appointed as the Company's Registrar pursuant to the Registrar Agreement entered into between the Company and the Registrar dated 25 February 2010 to provide registrar and receiving agent services to the Company.

Under the terms of the Registrar Agreement, the Registrar is entitled to a basic registration fee calculated based on the number of Shareholders on the Register. The Registrar charges additional fees for services that are not included in the basic registration fee. The Registrar is entitled to increase these fees annually at the rate of the Retail Price Index prevailing at the time. In satisfaction of the services rendered by the Registrar pursuant to the Registrar Agreement for the year ended 31 March 2023, the Company paid to the Registrar a fee of £69,000.

Either party may terminate the Registrar Agreement by giving not less than six months' notice to the other party. Either party may terminate the Registrar Agreement with immediate effect upon notice if the other party is subject to certain insolvency events or commits a material breach of the Registrar Agreement which (if capable of remedy) that party has failed to remedy within forty-five days of written notice requiring it to do so.

The Company has given certain market standard indemnities in favour of the Registrar in respect of the Registrar's potential losses in carrying on its responsibilities under the Registrar Agreement. The Registrar's liability under the Registrar Agreement is subject to a cap.

The Registrar Agreement is governed by the laws of the England and Wales.

#### **13.6. Receiving Agent Agreement**

Link Group has been appointed as the Company's Receiving Agent in connection with the Proposals pursuant to the Receiving Agent Agreement entered into between the Company and the Receiving Agent dated 16 February 2024.

Under the terms of the Receiving Agent Agreement, the Receiving Agent is entitled to a fee of £37,815. The Receiving Agent is also entitled to reimbursement of reasonable out of pocket expenses incurred in connection with the provision of services under the Receiving Agent Agreement.

Either party may terminate the Receiving Agent Agreement with immediate effect upon written notice if (i) the other party commits a material breach of its obligations under the Receiving Agent Agreement which (if capable of remedy) that party has failed to remedy within 14 days of receipt of written notice from the first party requiring it to do so, or (ii) the other party is subject to certain insolvency events.

The Company has given certain market standard indemnities in favour of the Receiving Agent in respect of the Receiving Agent's potential losses in carrying on its responsibilities under the Receiving Agent Agreement. The Receiving Agent's liability under the Receiving Agent Agreement is subject to a cap.

The Receiving Agent Agreement is governed by the laws of England and Wales.

### **13.7. Sponsor Agreement**

The Company and Dickson Minto W.S. have entered into the Sponsor Agreement dated 4 October 2023 pursuant to which the Company has appointed: (i) Dickson Minto W.S. to act as legal adviser to the Company; and (ii) Dickson Minto W.S., trading as Dickson Minto Advisers, to act as sponsor and financial adviser to the Company, in each case in connection with the Proposals.

The Sponsor Agreement may be terminated by Dickson Minto W.S. in certain customary circumstances, including prior to Admission. The Company will pay Dickson Minto W.S. a sponsor and financial advisory fee and legal advisory fee pursuant to the Sponsor Agreement. Dickson Minto W.S. is also entitled to reimbursement of reasonable out of pocket expenses incurred in connection with the provision of services under the Sponsor Agreement.

The Company has given certain market standard indemnities in favour of Dickson Minto W.S. in respect of Dickson Minto W.S.'s potential losses in carrying on its responsibilities under the Sponsor Agreement. Dickson Minto W.S.'s liability under the Sponsor Agreement is subject to a cap.

The Sponsor Agreement is governed by the laws of England and Wales.

### **13.8. Fixed Loan Facility Agreement**

The Company and SBE entered into the Fixed Loan Facility Agreement, originally dated 14 February 2020, as amended, novated and/or restated from time to time, including, without limitation, as amended and novated from SBE to BNS on 14 February 2023. Pursuant to the Fixed Loan Facility Agreement, BNS provided the Company with the Fixed Loan Facility, a term loan of US\$100,000,000 at an interest rate of 6.335 per cent. The purpose of the Fixed Loan Facility was to finance investments in the ordinary course of the Company's business and for general corporate purposes. The termination date of the Fixed Loan Facility was 13 February 2024. As set out in paragraph 4 of Part 1 of this Prospectus, the Fixed Loan Facility was repaid, in full, by the Company on 13 February 2024 and the Company did not renew or replace that facility.

### **13.9. Transfer Agreement**

If the resolution to be proposed at the Second ACIC General Meeting is passed, the Company, ACIC and the Liquidators will enter into the Transfer Agreement on or around the Effective Date, which is expected to be 13 March 2024, pursuant to which the cash, undertaking and assets of ACIC comprising the Rollover Pool will be transferred to the Company in consideration for the issue by the Company of the New Shares to the Liquidators, as nominees for ACIC Shareholders who are deemed to have elected for the Rollover Option, which the Liquidators have agreed to renounce in favour of Eligible ACIC Shareholders (or otherwise continue to hold as nominees for Excluded ACIC Shareholders in accordance with the terms of the Scheme).

Completion of the transfer of the cash, undertaking and assets of ACIC comprised in the Rollover Pool shall take place on the date of satisfaction of the Scheme Conditions or as soon as practicable thereafter.

Upon or as soon as practicable following completion of the transfer, in respect of the transfer of any undertaking and assets of ACIC pursuant to the Transfer Agreement, ACIC acting by the Liquidators, at the Company's risk, shall:

- (a) deliver to the Company, or as it may direct, duly executed transfers in favour of the Company in respect of all shares, securities and other assets comprised in the Rollover Pool which pass by transfer, together with the relevant certificates or other documents of title relating thereto (to the extent these are in ACIC's possession or control);
- (b) procure and deliver to the Company, or as it may direct, copies of any consents, licences and approvals necessary to transfer the assets comprised in the Rollover Pool (to the extent these are in ACIC's possession or control);
- (c) deliver to the Company, or as it may direct, all bearer instruments and other assets comprised in the Rollover Pool which pass by delivery; and
- (d) promptly give instructions to any person, company or other undertaking holding any part of the assets comprised in the Rollover Pool as nominee or on trust for ACIC or its nominee requiring such person, company or other undertaking to transfer such assets to, or to execute a declaration of nomineehip or trust in favour of, the Company and/or as the Company may direct.

Under the terms of the Transfer Agreement, nothing in the Scheme or in any document executed under or in connection with the Scheme will impose personal liability on the Liquidators or any of them (save for any liability arising out of any negligence, fraud, bad faith, breach of duty or wilful default by the Liquidators in the performance of their duties) and this will, for the avoidance of doubt, exclude any such liability for any action taken by the Liquidators in accordance with the Scheme, the Transfer Agreement or any act which the Liquidators do or omit to do at the request of the Company.

The Transfer Agreement will be governed by the laws of England and Wales.

The parties to the Transfer Agreement have entered into irrevocable undertakings to enter into the Transfer Agreement on the Effective Date.

#### **14. LITIGATION**

During the 12 month period prior to the date of this Prospectus there have been no governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened, which may have, or have had, in the recent past, a significant effect on the Company and/or the financial position or profitability of the Company.

#### **15. THIRD PARTY INFORMATION AND CONSENTS**

- 15.1. Where third-party information has been referenced in this Prospectus, the source of that third-party information has been disclosed. Where information contained in this Prospectus has been so sourced, the Company confirms that such information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 15.2. Dickson Minto Advisers has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which it appears.
- 15.3. The AIFM and the Investment Manager, respectively, have each given and not withdrawn their written consent to the inclusion in this Prospectus of references to their names in the form and context in which they appear.
- 15.4. The AIFM and the Investment Manager respectively, each accept responsibility for the information and opinions contained in this Prospectus relating to them and all statements made by them. In particular, the AIFM and the Investment Manager each accept responsibility for the information and opinions contained in: (a) the risk factors contained under the heading '*Risks relating to the investment policy*' in the Risk Factors section of this Prospectus; (b) paragraph 7

(*Net Asset Value Calculations and Valuation Policy*) of Part 3 of this Prospectus; (c) Part 2 (*Market Outlook, Investment Strategy and Investment Portfolio*) of this Prospectus; (d) paragraph 2.1 (*Managerial arrangements*) of Part 3 of this Prospectus; and (e) any other information or opinion related to or attributed to either of them or to any of their affiliates. To the best of the knowledge of the AIFM and the Investment Manager, as applicable, the information contained in this Prospectus related to or attributed to the AIFM and/or the Investment Manager, as applicable, and their affiliates is in accordance with the facts and those parts of this Prospectus for which they are responsible make no omission likely to affect their import.

- 15.5. The information and opinions contained in this Prospectus relating to the AIFM and the Investment Manager and all statements made by the AIFM and the Investment Manager have been included in this Prospectus with the consent of the AIFM and the Investment Manager, who have authorised the contents of the parts of this Prospectus in which such information, opinions and/or statements appear for the purpose of the Prospectus.

## **16. AUDITOR**

The auditor of the Company is Ernst & Young LLP of 25 Churchill Place, London E14 5EY, which is a member firm of the Institute of Chartered Accountants in England and Wales.

## **17. PROFILE OF TYPICAL INVESTORS**

The Directors believe that the Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking long-term capital growth through investment in an actively managed portfolio made up primarily of securities issued by companies listed in China and Chinese companies listed elsewhere, and who understand and are willing to accept the risks of exposure to equities and who view their investment in the Company as long term in nature.

## **18. GENERAL MEETING**

The Company will publish the Circular on or around the date of this Prospectus. The Notice of General Meeting which is included in the Circular sets out in full the Resolution to be tabled at the General Meeting of the Company to be held at 3.00 p.m. on 11 March 2024 at the offices of Fidelity International, 4 Cannon Street, London EC4M 5AB.

## **19. DOCUMENTS ON DISPLAY**

- 19.1. The following documents will be available for inspection at the Company's website [www.fidelity.co.uk/china](http://www.fidelity.co.uk/china) from the date of this Prospectus until the date of Admission:

19.1.1. this Prospectus dated 16 February 2024;

19.1.2. the 2023 Annual Report;

19.1.3. the 2022 Annual Report;

19.1.4. the 2023 Interim Report;

19.1.5. the 2022 Interim Report;

19.1.6. the Articles; and

19.1.7. the Circular.

- 19.2. In addition, a copy of this Prospectus has been submitted to the National Storage Mechanism and is available for inspection at <https://data.fca.org.uk/a/nsm/nationalstoragemechanism>.

## DEFINITIONS

In this Prospectus, the words and expressions listed below have the meanings set out opposite them (except where the context otherwise requires):

<b>2022 Annual Report</b>	the annual report and audited financial statements of the Company for the financial year ended 31 March 2022
<b>2022 Interim Report</b>	the report and unaudited interim financial statements of the Company for the six month period ended 30 September 2022
<b>2023 Annual Report</b>	the annual report and audited financial statements of the Company for the financial year ended 31 March 2023
<b>2023 Interim Report</b>	the report and unaudited interim financial statements of the Company for the six month period ended 30 September 2023
<b>ACIC</b>	abrdn China Investment Company Limited, a non-cellular company limited by shares incorporated in Guernsey with registered number 50900 and having its registered office at BNP Paribas House, St Julian's Avenue, St Peter Port GY1 1WA
<b>ACIC Board</b>	the board of directors of ACIC from time to time, including any duly constituted committee thereof
<b>ACIC Directors</b>	the directors of ACIC, from time to time
<b>ACIC Fidelity Contribution</b>	the balance of the Fidelity Contribution, if any, remaining after the payment of the FCSS Fidelity Contribution to be applied towards ACIC's costs in respect of the Scheme
<b>ACIC General Meetings</b>	the First ACIC General Meeting and the Second ACIC General Meeting
<b>ACIC Illiquid Investment</b>	the illiquid investment expected to be held by ACIC as at the Calculation Date
<b>ACIC Portfolio</b>	ACIC's portfolio of investments prior to the Effective Date
<b>ACIC Register</b>	the register of members of ACIC
<b>ACIC Resolutions</b>	the resolutions to be proposed at the ACIC General Meetings
<b>ACIC Shareholders</b>	holders of ACIC Shares whose names are entered on the ACIC Register as at the Record Date
<b>ACIC Shares</b>	ordinary shares of one penny each in the capital of ACIC
<b>Admission</b>	the admission of the New Shares issued pursuant to the Issue to listing on the premium segment of the Official List and to trading on the Main Market
<b>ADR</b>	American Depositary Receipt, a negotiable certificate issued by a US bank representing a specified number of shares in a foreign stock that is traded on a US stock exchange
<b>AGM or Annual General Meeting</b>	an annual general meeting of the Company



<b>AIC</b>	the Association of Investment Companies
<b>AIC Code</b>	the 2019 AIC Code of Corporate Governance, as revised or updated from time to time
<b>AIFM or FISL</b>	FIL Investment Services (UK) Limited, a private limited company incorporated in England and Wales with registered number 02016555 and having its registered office at Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP
<b>AIFM Agreement</b>	the management agreement with an effective date of 1 June 2021, as amended by a side letter dated 25 January 2022, between the Company and the AIFM, as summarised in paragraph 13.1 of Part 7 ( <i>General Information</i> ) of this Prospectus
<b>Annual Exempt Amount</b>	the annual exemption available to UK-resident and domiciled individual Shareholders, such that UK capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of that figure, being £6,000 for the UK tax year 2023/24
<b>Articles</b>	the articles of association of the Company, as amended from time to time
<b>Audit and Risk Committee</b>	the committee of this name established by the Board and having the duties described in paragraph 3.2 of Part 3 ( <i>Directors, Management and Administration of the Company</i> ) of this Prospectus
<b>Audited Financial Statements</b>	the audited financial statements of the Company for the financial years ended 31 March 2022 and 31 March 2023
<b>Auditor or EY</b>	Ernst & Young LLP, a limited liability partnership incorporated in England and Wales with registered number OC300001 and having its place of business at 25 Churchill Place, London E14 5EY
<b>Basic Entitlement</b>	subject to the Scheme becoming effective in accordance with its terms, the entitlement of each ACIC Shareholder to elect for, and have accepted in full an election for, the Cash Option in respect of up to 33 per cent. by number of such ACIC Shareholder's holding of ACIC Shares as at the Calculation Date
<b>Benchmark Index</b>	the MSCI China Index (in Sterling terms)
<b>BNS</b>	The Bank of Nova Scotia, London Branch, the UK establishment of Bank of Nova Scotia with UK establishment number BR010889 and having its UK establishment office address at 201 Bishopsgate, London EC2M 3NS
<b>Board</b>	the board of Directors of the Company from time to time, including any duly constituted committee thereof
<b>Business Day</b>	a day on which the London Stock Exchange and banks in the UK are normally open for business

<b>Calculation Date</b>	the time and date to be determined by the ACIC Board (but expected to be 5.00 p.m. on 6 March 2024) at which the value of ACIC's assets and liabilities will be determined for the purposes of creating the Liquidation Pool, the Cash Pool and the Rollover Pool, and at which the Residual ACIC NAV per ACIC Share, the Rollover FAV, the Rollover FAV per ACIC Share, the FCSS FAV per Share, the Cash Pool FAV and the Cash Pool FAV per ACIC Share will be calculated for the purposes of the Scheme
<b>Cash Option</b>	the option under the Scheme for ACIC Shareholders to elect (or be deemed to have elected) to receive an amount of cash equal to the Cash Pool FAV per ACIC Share multiplied by the number of ACIC Shares so elected (or deemed to have been so elected)
<b>Cash Option Discount</b>	the discount applied to the Residual ACIC NAV per ACIC Share for the purposes of the Cash Option under the Scheme, comprising a discount of 2.0 per cent. to the Residual ACIC NAV
<b>Cash Pool</b>	the fund comprising the pool of ACIC's assets attributable to the Reclassified ACIC Shares with "B" rights, the value of which will be equal to the Cash Pool FAV
<b>Cash Pool FAV</b>	the Cash Pool FAV per ACIC Share multiplied by the total number of Reclassified ACIC Shares with "B" rights
<b>Cash Pool FAV per ACIC Share</b>	the Residual ACIC NAV per ACIC Share less the Cash Option Discount (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down)
<b>certificated or in certificated form</b>	a share or other security which is not in uncertificated form
<b>Chairman</b>	the chairman of the Board
<b>China</b>	the People's Republic of China
<b>China "A" Shares</b>	shares traded on the Shenzhen Stock Exchange, the Shanghai Stock Exchange any other stock exchange located within China from time to time in Chinese renminbi.
<b>China "B" Shares</b>	shares traded on the Shenzhen Stock Exchange and the Shanghai Stock Exchange in Hong Kong dollars and US dollars, respectively.
<b>China "H" Shares</b>	shares in companies incorporated in China and listed, in Hong Kong dollars, on the Hong Kong Stock Exchange
<b>Chinese renminbi</b>	the currency of China
<b>Circular</b>	the circular to be published by the Company in connection with the Proposals on or around the date of this Prospectus
<b>Companies Act</b>	the UK Companies Act 2006, as amended from time to time

<b>Company or FCSS</b>	Fidelity China Special Situations PLC, a public limited company incorporated in England and Wales with registered number 07133583 and having its registered office at Beech Gate, Millfield Lane, Lower Kingswood, Tadworth KT20 6RP
<b>Company Secretary</b>	FIL Investments International, a private unlimited company incorporated in England and Wales with registered number 01448245 and having its registered office at Beech Gate, Millfield Lane, Lower Kingswood, Tadworth KT20 6RP
<b>Contract for Difference or CFD</b>	a derivative instrument comprising a contract between the Company and an investment house at the expiry of which the parties exchange the difference between the opening share price and the closing share price of an underlying asset. The Company agrees to either receive or pay the movement in the underlying share price, allowing the Company to gain access to the movement in the share price without buying or selling the underlying asset
<b>Corporation Tax Act</b>	the UK Corporation Tax Act 2010, as amended from time to time
<b>CREST</b>	the “relevant system” as defined in the Uncertificated Securities Regulations in respect of which Euroclear is operator (as defined in the Uncertificated Securities Regulations), in accordance with which securities may be held in uncertificated form
<b>CREST Account</b>	a member’s account in CREST
<b>CRS</b>	the global standard for the automatic exchange of financial information between tax authorities developed by the OECD
<b>Custodian</b>	JPMorgan Chase Bank National Association, London Branch, being the UK establishment of JPMorgan Chase Bank National Association with UK establishment number BR000746 and having its UK establishment office address at 25 Bank Street, Canary Wharf, London E14 5JP
<b>Custodian Agreement</b>	the agreement dated 17 July 2014 and entered into between the Company, the AIFM, the Depositary and the Custodian, which is summarised in paragraph 13.4 of Part 7 ( <i>General Information</i> ) of this Prospectus
<b>Depositary</b>	J.P. Morgan Europe Limited, a private limited company incorporated in England and Wales with registered number 00938937 and having its registered office at 25 Bank Street, Canary Wharf, London E14 5JP
<b>Depositary Agreement</b>	the agreement dated 17 July 2014 and entered into between the Company, the AIFM and the Depositary, which is summarised in paragraph 13.3 of Part 7 ( <i>General Information</i> ) of this Prospectus
<b>Dickson Minto Advisers</b>	a trading name of Dickson Minto W.S., a Scottish partnership having its business address at 16 Charlotte Square, Edinburgh EH2 4DF and a place of business at Level 4, Dashwood House, 69 Old Broad Street, London EC2M 1QS

<b>Directors</b>	the directors of the Company, from time to time
<b>Disclosure Guidance and Transparency Rules</b>	the UK disclosure guidance and transparency rules made by the FCA under Part VI of FSMA
<b>East Asia Region</b>	the region of Asia which is defined in geographical terms and includes Greater China, Japan, Mongolia and South Korea
<b>EEA</b>	the European Economic Area
<b>EEA Member State</b>	any member state of the EEA from time to time
<b>Effective Date</b>	the date on which the Scheme becomes effective, which is expected to be 13 March 2024
<b>Eligible ACIC Shareholders</b>	ACIC Shareholders excluding Excluded ACIC Shareholders, save where the Company determines otherwise (at its absolute discretion) but including Eligible US Shareholders
<b>Eligible US Shareholders</b>	US ACIC Shareholders that have validly executed a US Investor Representation Letter
<b>Enlarged Company</b>	the Company following completion of the Proposals
<b>ERISA</b>	the US Employment Retirement Income Security Act of 1974, as amended from time to time, and the applicable regulations thereunder
<b>ESG</b>	environmental, social and governance
<b>EU</b>	the European Union
<b>EU AIFM Delegated Regulation</b>	the Commission Delegated Regulation (EU) No. 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision
<b>EU AIFM Directive</b>	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 and the EU AIFM Delegated Regulation
<b>EU Market Abuse Regulation or EU MAR</b>	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing the Directive of the European Parliament and of the Council of 28 January 2003 and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC
<b>EU PRIIPs Regulation</b>	Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (“ <b>PRIIPs</b> ”) and its implementing and delegated acts
<b>EU Prospectus Regulation</b>	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC

<b>Euroclear</b>	Euroclear UK & International Limited, a private limited company incorporated in England and Wales with registered number 02878738 and having its registered office at 33 Cannon Street, London EC4M 5SB, the operator of CREST
<b>Excess Application</b>	that portion of an election by an Eligible ACIC Shareholder for the Cash Option that exceeds that Eligible ACIC Shareholder's Basic Entitlement
<b>Excluded ACIC Shareholder</b>	an ACIC Shareholder who is: (i) an Overseas ACIC Shareholder; and/or (ii) a Sanctions Restricted Person
<b>Existing Shareholders</b>	holders of Shares prior to the Effective Date
<b>FATCA</b>	Sections 1471 to 1474 of the US Tax Code, known as the US Foreign Account Tax Compliance Act (together with any regulations, rules and other guidance implementing such sections and any applicable IGA or information exchange agreement and related statutes, regulations, rules and other guidance thereunder)
<b>FAV</b>	formula asset value
<b>FCA or Financial Conduct Authority</b>	the Financial Conduct Authority of the United Kingdom whose place of business is at 12 Endeavour Square, London E20 1JN, including any replacement or substitute therefor, and any regulatory body or person succeeding, in whole or in part, to the functions thereof
<b>FCSS FAV</b>	the Net Asset Value of the Company as at the Calculation Date (i) less any costs of the Proposals payable by the Company but not accrued in the Company's NAV as at the Calculation Date; (ii) adjusted to exclude any dividends declared by the Company prior to the Calculation Date that have not been paid to Shareholders or accrued in the Company's NAV as at the Calculation Date; and (iii) adjusted to include the benefit of the FCSS Fidelity Contribution
<b>FCSS FAV per Share</b>	the FCSS FAV divided by the number of Shares in issue (excluding treasury shares) as at the Calculation Date, expressed in pence and calculated to six decimal places (with 0.0000005 rounded down)
<b>FCSS Fidelity Contribution</b>	the portion of the Fidelity Contribution, up to a maximum of £1 million, that will be applied to meet the Company's costs in respect of the Scheme and the Proposals
<b>Fidelity Contribution</b>	the contribution by the AIFM to the costs of the Proposals and the Scheme, comprising a contribution of £500,000 plus an amount equal to eight months of management fees that would otherwise be payable by the Enlarged Company to the AIFM and the Investment Manager under the AIFM Agreement and the Investment Management Agreement, respectively, in respect of the assets to be transferred by ACIC to the Company pursuant to the Scheme
<b>Fidelity International</b>	FIL Limited, a company limited by shares incorporated in Bermuda and having its registered office at Pembroke Hall, 42 Crow Lane, Pembroke, HM 19, Bermuda and its subsidiary group of companies



<b>First ACIC General Meeting</b>	the general meeting of ACIC in relation to the reclassification of the ACIC Shares in connection with the Scheme convened for 9.00a.m. on 11 March 2024 or any adjournment of that meeting
<b>Fixed Loan Facility</b>	the term loan of US\$100,000,000 at an interest rate of 6.335 per cent. previously made available by BNS to the Company pursuant to the Fixed Loan Facility Agreement that was repaid in full by the Company when it reached maturity on 13 February 2024
<b>Fixed Loan Facility Agreement</b>	the fixed loan facility agreement between the Company and SBE originally dated 14 February 2020, as amended, novated and/or restated from time to time, including, without limitation, as amended and novated from SBE to BNS on 14 February 2023, as summarised in paragraph 13.8 of Part 7 ( <i>General Information</i> ) of this Prospectus
<b>Form of Proxy</b>	the form of proxy for use in connection with the General Meeting
<b>FSMA</b>	the UK Financial Services and Markets Act 2000, as amended from time to time
<b>GDP</b>	gross domestic product
<b>General Meeting or GM</b>	the general meeting of the Company convened for 3.00 p.m. on 11 March 2024 at the offices of Fidelity International, 4 Cannon Street, London EC4M 5AB or any adjournment of that meeting
<b>Greater China</b>	the area encompassing mainland China, Hong Kong, Macau and Taiwan
<b>Gross Asset Exposure</b>	the value of the Portfolio (or, where the context requires, an investment within 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 held by the Company but excluding forward currency contracts)
<b>HMRC</b>	His Majesty's Revenue & Customs
<b>IFRS</b>	International Financial Reporting Standards
<b>IGA</b>	intergovernmental agreement
<b>Ineligible US Shareholder</b>	a US ACIC Shareholder that does not sign and return a valid US Investor Representation Letter to the Receiving Agent
<b>Investment Management Agreement</b>	the investment management agreement with an effective date of 1 June 2021, as amended by a side letter dated 25 January 2022, between the Company, the AIFM and the Investment Manager, as summarised in paragraph 13.2 of Part 7 ( <i>General Information</i> ) of this Prospectus
<b>Investment Manager or FIL Hong Kong</b>	FIL Investment Management (Hong Kong) Limited, a company incorporated with limited liability under the laws of Hong Kong with registered number 0097708 and having its registered office at Level 21, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong

<b>Investment Trust Tax Regulations</b>	the UK Investment Trust (Approved Company) (Tax) Regulations 2011, as amended from time to time
<b>IRS</b>	the US Internal Revenue Service
<b>ISA</b>	an individual savings account approved in the UK by HMRC
<b>ISIN</b>	international securities identification number
<b>Issue</b>	the issue of New Shares to ACIC Shareholders who are deemed to have elected for the Rollover Option pursuant to the Scheme
<b>KID</b>	key information document
<b>LEI</b>	legal entity identifier
<b>Link Group or Registrar or Receiving Agent</b>	Link Market Services Limited (trading as Link Group), a private limited company incorporated in England and Wales with registered number 02605568 and having its registered office at Central Square, 29 Wellington Street, Leeds LS1 4DL
<b>Liquidation Pool</b>	the pool of cash and other assets of ACIC to be retained by the Liquidators to meet all known and unknown liabilities of ACIC and other contingencies, as further described in paragraph 2.2 of Part 4 ( <i>Details of the Scheme and the Issue</i> ) of this Prospectus
<b>Liquidators</b>	the liquidators of ACIC being, initially, the persons appointed jointly and severally upon the relevant resolution to be proposed at the Second ACIC General Meeting becoming effective
<b>Liquidators' Retention</b>	an amount to be retained by the Liquidators to meet any unknown or unascertained liabilities of ACIC, which is currently estimated by ACIC to be £100,000
<b>Listing Rules</b>	the listing rules made by the FCA under Part VI of FSMA, as amended from time to time
<b>London Stock Exchange</b>	London Stock Exchange plc, a public limited company incorporated in England and Wales with registered number 02075721 and having its registered office at 10 Paternoster Square, London EC4M 7LS
<b>Main Market</b>	the main market for listed securities operated by the London Stock Exchange
<b>Management Engagement Committee</b>	the committee of this name established by the Board and having the duties described in paragraph 3.3 of Part 3 ( <i>Directors, Management and Administration of the Company</i> ) of this Prospectus
<b>Maximum Cash Option Shares</b>	the maximum number of ACIC Shares that can be elected (or deemed to have been elected) for the Cash Option, being 33 per cent. of the total number of ACIC Shares in issue (excluding treasury shares) as at the Calculation Date
<b>MiFID II Product Governance Requirements</b>	has the definition given in the section titled " <i>Information to Distributors</i> " in the Part titled " <i>Important Information</i> " of this Prospectus

<b>Modern Slavery Act</b>	the Modern Slavery Act 2015, as amended from time to time
<b>NAV or Net Assets or Net Asset Value</b>	the net assets attributable to the Shares or the ACIC Shares (as applicable) in issue, calculated in accordance with the relevant company's usual accounting policies
<b>NAV per Share or Net Asset Value per Share</b>	the NAV of the Company divided by the number of Shares in issue (excluding any Shares held in treasury) at the relevant time
<b>Net Assets plus Borrowings</b>	the Company's Net Asset Value plus the value of its outstanding bank loans, as defined for the purposes of the Company's investment objective and policy
<b>Net Equity Exposure</b>	the net positive exposure of the Portfolio to the market with short and hedge positions (and fixed income interests) subtracted from long positions
<b>Net Gearing</b>	the total of all of the Company's long exposures, less its short exposures and less its exposures hedging the Portfolio in excess of Net Assets
<b>New Shares</b>	the Shares to be issued to ACIC Shareholders who are deemed to have elected for the Rollover Option pursuant to the Scheme
<b>Nominated Charity</b>	Médecins Sans Frontières
<b>Nomination and Remuneration Committee</b>	the committee of this name established by the Board and having the duties described in paragraph 3.4 of Part 3 ( <i>Directors, Management and Administration of the Company</i> ) of this Prospectus
<b>Notice of General Meeting</b>	the notice of General Meeting, as set out at the end of the Circular
<b>OECD</b>	the Organisation for Economic Co-operation and Development
<b>Official List</b>	the official list maintained by the FCA
<b>Original AIFM Agreement</b>	the management agreement dated 17 July 2014, as amended and restated on 5 June 2017 and 25 July 2018, between the Company and the AIFM, which was replaced by the AIFM Agreement on 1 June 2021
<b>Original Investment Management Agreement</b>	the investment management agreement dated 17 July 2014, as amended and restated on 5 June 2017 and 25 July 2018, between the Company, the AIFM and the Investment Manager, which was replaced by the Investment Management Agreement on 1 June 2021
<b>Overseas ACIC Shareholder</b>	an ACIC Shareholder (excluding any Eligible US Shareholder) who has a registered address outside of, or who is a resident in, or citizen, resident or national of, any jurisdiction outside the United Kingdom, the Channel Islands or the Isle of Man
<b>Panel</b>	the UK Panel on Takeovers and Mergers
<b>personal data</b>	has the meaning given in the subsection titled " <i>Data protection</i> " in the section titled " <i>Important Information</i> " of this Prospectus

<b>Portfolio</b>	the portfolio of investments in which the funds of the Company are invested from time to time
<b>Portfolio Manager</b>	Dale Nicholls, the appointed portfolio manager of the Company
<b>Proposals</b>	the proposals for the Company's participation in the Scheme and the Issue, as set out in further detail in this Prospectus and the Circular
<b>Prospectus</b>	this document
<b>Prospectus Regulation Rules</b>	the UK prospectus regulation rules made by the FCA under Part VI of FSMA, as amended from time to time
<b>QFII</b>	a Qualified Foreign Institutional Investor
<b>QIB</b>	a "qualified institutional buyer" as defined in Rule 144A of the US Securities Act
<b>Qualified Purchaser or QP</b>	a "qualified purchaser" as defined in Section 2(a)(51)(A) of the US Investment Company Act
<b>Receiving Agent Agreement</b>	the agreement dated 16 February 2024, between the Company and the Receiving Agent, as summarised in paragraph 13.6 of Part 7 ( <i>General Information</i> ) of this Prospectus
<b>Reclassified ACIC Shares</b>	the ACIC Shares reclassified under the Scheme as ACIC Shares with "A" rights or "B" rights
<b>Record Date</b>	the record date for entitlements of ACIC Shareholders to New Shares pursuant to the Scheme, being 6.00 p.m. on 6 March 2024 (or such other date as determined at the sole discretion of the ACIC Board)
<b>Red Chips</b>	shares in companies that are (i) based in mainland China but incorporated outside of China; and (ii) listed on the Hong Kong Stock Exchange
<b>Register</b>	the register of members of the Company
<b>Registrar Agreement</b>	the agreement dated 25 February 2010, between the Company and the Registrar, as summarised in paragraph 13.5 of Part 7 ( <i>General Information</i> ) of this Prospectus
<b>Regulation S</b>	Regulation S under the US Securities Act
<b>Regulatory Information Service or RIS</b>	a service authorised by the FCA to release regulatory announcements to the London Stock Exchange
<b>Residual ACIC NAV</b>	the gross assets of ACIC as at the Calculation Date: (i) less the value of the cash and other assets and liabilities appropriated to the Liquidation Pool; and (ii) adjusted for any dividends declared but unpaid by ACIC prior to the Effective Date
<b>Residual ACIC NAV per ACIC Share</b>	the Residual ACIC NAV divided by the number of ACIC Shares in issue (excluding any ACIC Shares held in treasury) as at the Calculation Date (expressed in pence) calculated to six decimal places (with 0.0000005 rounded down)

<b>Resolution</b>	the ordinary resolution to authorise the issue of New Shares pursuant to the Scheme to be proposed for approval by Shareholders at the General Meeting
<b>Rollover FAV</b>	an amount equal to the difference between the Residual ACIC NAV and the Cash Pool FAV adjusted to include the benefit of the ACIC Fidelity Contribution (if any)
<b>Rollover FAV per ACIC Share</b>	the Rollover FAV divided by the total number of Reclassified ACIC Shares with “A” rights (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down)
<b>Rollover Option</b>	the terms of the Scheme under which ACIC Shareholders are deemed to elect to receive such number of New Shares as have a value (at the FCSS FAV per Share) equal to the Rollover FAV per ACIC Share attributable to the number of ACIC Shares deemed to have been so elected
<b>Rollover Pool</b>	the pool of cash, undertaking and other assets established under the Scheme to be transferred from ACIC to the Company pursuant to the Transfer Agreement
<b>Sanctions Authority</b>	<p>each of:</p> <ul style="list-style-type: none"> <li>(i) the United States government;</li> <li>(ii) the United Nations;</li> <li>(iii) the United Kingdom;</li> <li>(iv) the European Union (or any of its member states);</li> <li>(v) any other relevant governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; or</li> </ul> <p>the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the US Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty’s Treasury</p>
<b>Sanctions Restricted Person</b>	<p>each person or entity:</p> <ul style="list-style-type: none"> <li>(i) that is organised or resident in a country or territory which is the target of comprehensive country sanctions administered or enforced by any Sanctions Authority; or</li> <li>(ii) that is, or is directly or indirectly owned or controlled by a person or entity that is, described or designated in (a) the current “Specially Designated Nationals and Blocked Persons” list (which as of the date of this Prospectus can be found at: <a href="https://www.treasury.gov/ofac/downloads/sdnlist.pdf">https://www.treasury.gov/ofac/downloads/sdnlist.pdf</a>); and/or (b) the current “Consolidated list of persons, groups and entities subject to EU financial sanctions” (which as of the date of this Prospectus can be found at: <a href="https://data.europa.eu/data/datasets/consolidatedlistof-persons-groups-and-">https://data.europa.eu/data/datasets/consolidatedlistof-persons-groups-and-</a></li> </ul>



[entities-subject-to-eufinancialsanctions?locale=en](#)); or the current “Consolidated list of financial sanctions targets in the UK” (which as of the date of this Prospectus can be found at: <https://ofsistorage.blob.core.windows.net/publishlive/2022format/ConList.pdf>); or

- (iii) that is otherwise the subject of or in violation of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of their inclusion in: (a) the current “Sectoral Sanctions Identifications” list (which as of the date of this Prospectus can be found at: <https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf>) (the “**SSI List**”), (b) Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the “**EU Annexes**”), or (c) any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes

<b>SBE</b>	Scotiabank Europe plc, a public limited company incorporated in England and Wales with registered number 00817692 and having its registered office at 201 Bishopsgate, London EC2M 3NS
<b>Scheme</b>	the proposed scheme of reconstruction and members’ voluntary winding up of ACIC, pursuant to which the Issue shall be undertaken
<b>Scheme Conditions</b>	the conditions upon which the implementation of the Scheme is conditional
<b>SDRT</b>	stamp duty reserve tax imposed under Part IV of the UK Finance Act 1986
<b>SEC</b>	the US Securities and Exchange Commission
<b>Second ACIC General Meeting</b>	the second general meeting of ACIC in relation to the Scheme convened for 9.00 a.m. on 13 March 2024 or any adjournment of that meeting
<b>Secretarial Services Delegation Agreement</b>	the secretarial services delegation agreement with an effective date of 1 June 2021 between the AIFM and the Company Secretary
<b>SEDOL</b>	the Stock Exchange Daily Official List
<b>Shareholder</b>	a holder of Shares, including a holder of New Shares if the context so requires
<b>Shares</b>	ordinary shares with a nominal value of one penny each in the capital of the Company, including the New Shares following their issue if the context so requires
<b>Sponsor Agreement</b>	the sponsor agreement entered into between the Company and Dickson Minto W.S. on 4 October 2023, as summarised in paragraph 13.7 of Part 7 ( <i>General Information</i> ) of this Prospectus
<b>Sterling, £ or GBP</b>	pounds sterling, the lawful currency of the UK

<b>Sustainable Investing Team</b>	the team at Fidelity International that is responsible for consolidating its approach to stewardship, engagement, ESG integration and for the exercise of its votes at general meetings
<b>Takeover Code</b>	the UK City Code on Takeovers and Mergers
<b>Target Market Assessment</b>	has the meaning given in the subsection titled “ <i>Information to distributors</i> ” in the section titled “ <i>Important Information</i> ” of this Prospectus
<b>Transfer Agreement</b>	the agreement for the transfer of assets from ACIC to the Company pursuant to the Scheme to be dated on or around the Effective Date between the Company, ACIC and the Liquidators, with the terms of the agreed form of such agreement being summarised in paragraph of 13.9 of Part 7 ( <i>General Information</i> ) of this Prospectus
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UK AIFMD Laws</b>	<ul style="list-style-type: none"> <li>(i) the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) and any other implementing measure which operated to transpose the EU AIFM Directive into UK law before 31 January 2020 (as amended from time to time); and</li> <li>(ii) the UK versions of the EU AIFM Delegated Regulation and any other delegated regulations in respect of the EU AIFM Directive, each being part of UK law by virtue of the European Union (Withdrawal) Act 2018, as further amended and supplemented from time to time</li> </ul>
<b>UK Code</b>	the UK Corporate Governance Code published by the Financial Reporting Council in July 2018
<b>UK MAR</b>	the UK version of the EU Market Abuse Regulation which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time
<b>UK MiFID II</b>	the UK’s implementation of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (“ <b>MiFID</b> ”), together with the UK version of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (“ <b>MiFIR</b> ”), which forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time
<b>UK PRIIPs Laws</b>	the UK version of the EU PRIIPs Regulation which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time
<b>UK Prospectus Regulation</b>	the UK version of the EU Prospectus Regulation which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (as amended and supplemented from time to time (including by the Prospectus (Amendment etc.) (EU Exit) Regulations 2019/1234))

<b>uncertificated or in uncertificated form</b>	a share recorded on the register of members of a company as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST
<b>Uncertificated Securities Regulations</b>	any provision of the Companies Act relating to uncertificated shares (including the holding, evidencing of title to, or transfer of uncertificated shares) and any legislation, rules or other arrangements made under or by virtue of such provision, including without limitation the Uncertificated Securities Regulations 2001, as amended from time to time
<b>US ACIC Shareholder</b>	an ACIC Shareholder that is in the United States or is a US Person
<b>US Exchange Act</b>	the US Securities Exchange Act of 1934, as amended from time to time
<b>US Investment Company Act</b>	the US Investment Company Act of 1940, as amended
<b>US Investor Representation Letter</b>	a representation letter that must be completed by US ACIC Shareholders in order to participate in the Scheme
<b>US Person</b>	a “U.S. person” as such term is defined under Regulation S
<b>US Securities Act</b>	the US Securities Act of 1933, as amended
<b>US Tax Code</b>	the US Internal Revenue Code of 1986, as amended
<b>US-UK IGA</b>	the IGA between the UK and the US pursuant to which parts of FATCA have effectively been incorporated into UK law
<b>Variable Management Fee</b>	the variable management fee, comprised of a fixed base fee and a positive or negative variable element, both of which are calculated based on the Net Asset Value of the Company, a portion of which is payable to each of the AIFM and the Investment Manager by the Company pursuant to the AIFM Agreement and the Investment Management Agreement, respectively
<b>VAT</b>	value added tax