Fidelity China Special Situations PLC

Annual Report For the year ended 31 March 2016

Fidelity INTERNATIONAL

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"We have striven successfully to make the Company a cornerstone investment for those seeking Chinese equity exposure… China is now, by some measures, the largest economy in the world, and the Board believes that when building a balanced portfolio, the country is simply too big to ignore. For those investing in a well-balanced global portfolio for the long term, either professionally or privately, a proportion held in China must warrant consideration; and the Board believes that Fidelity China Special Situations PLC is the right vehicle to provide this exposure."

John Owen, Chairman

TO KNOW LOCAL COMPANIES, KEEP LOCAL COMPANY.

Investment Objective and Performance

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

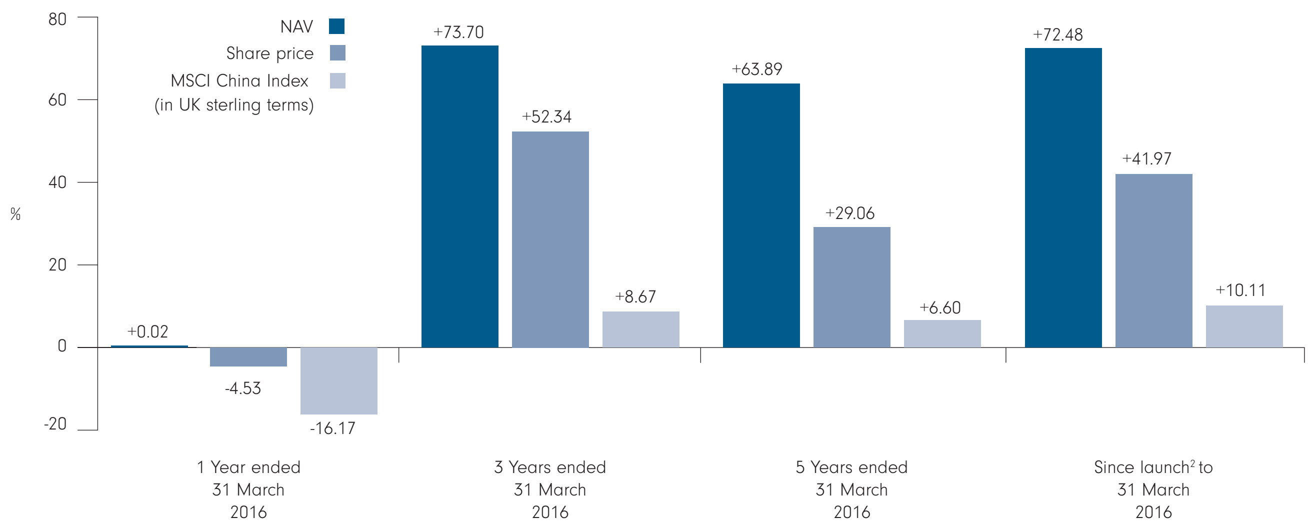
Year to 31 March 2016

Net Asset Value ("NAV") per Share total return	Share Price total return	Benchmark Index – MSCI China Index total return (in UK sterling terms)
+0.02%	**-4.53%**	**-16.17%**
2015: +45.34%	**2015: +39.89%**	**2015: +39.26%**

As at 31 March 2016

Equity Shareholders' Funds	**£908.5m**
Market Capitalisation	**£752.5m**
Capital Structure:	
Ordinary Shares of 1 penny held outside Treasury	**553,339,480**

Standardised Performance Total Return[1] (%)



1 Includes reinvested income
2 The Company launched on 19 April 2010
Sources: Fidelity and Datastream
Past performance is not a guide to future returns

STRATEGY
GOVERNANCE
FINANCIAL
SHAREHOLDER INFORMATION

Summary of Results

	2016	2015
Assets at 31 March		
Gross Asset Exposure	**£1,155.3m**	£1,189.1m
Net Assets	**£908.5m**	£944.1m
Gearing	**27.2%**	25.9%
Net Asset Value per Ordinary Share	**164.18p**	165.27p
Number of Ordinary Shares held outside Treasury	**553,339,480**	571,254,480
Share price data at 31 March		
Share Price at year end	**136.00p**	143.60p
Share Price: year high	**177.00p**	144.00p
Share Price: year low	**111.00p**	97.20p
Discount at year end	**17.2%**	13.1%
Discount: year high	**23.3%**	14.1%
Discount: year low	**10.1%**	5.0%
Earnings for the year ended 31 March		
Revenue earnings per Ordinary Share[1]	**2.07p**	1.41p
Capital (loss)/earnings per Ordinary Share[1]	**(2.24p)**	50.17p
Total (loss)/earnings per Ordinary Share[1]	**(0.17p)**	51.58p
Dividend for the year ended 31 March		
Dividend proposed per Ordinary Share	**1.80p**	1.30p
Ongoing charges for the year to 31 March[2]	**1.20%**	1.29%

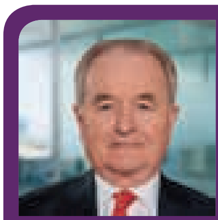
1 Based on the weighted average number of Ordinary Shares held outside Treasury in issue during the year

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

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Chairman's Statement



John Owen – I have pleasure in presenting the sixth Annual Report of Fidelity China Special Situations PLC for the year ended 31 March 2016. This is my final Chairman's report before stepping down at the Annual General Meeting on 22 July 2016.

Over my tenure as Chairman, we have striven successfully to make the Company a cornerstone investment for those seeking Chinese equity exposure, and the Board will continue to do so.

China is now, by some measures, the largest economy in the world, and the Board believes that when building a balanced portfolio, the country is simply too big to ignore. For those investing in a well-balanced global portfolio for the long term, either professionally or privately, a proportion held in China must warrant consideration; and the Board believes that Fidelity China Special Situations PLC is the right vehicle to provide this exposure. The Board continues to work with the Manager to ensure that the Company remains well positioned to meet this need, by focusing on the development of "New China" and the rebalancing of China's economy.

Performance Review

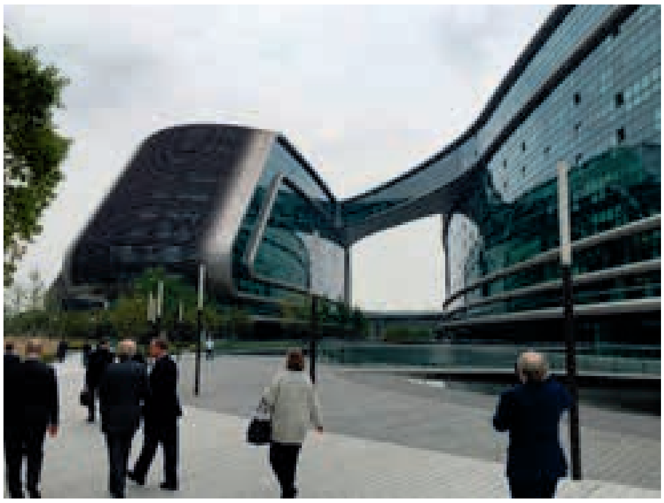
For the year under review, the Company's NAV total return increased by 0.02% while the share price total return fell by 4.53%. However, these numbers do not tell the full story. In a year when the Benchmark Index, MSCI China Index in sterling terms, fell by 16.17%, the portfolio outperformed very strongly in a volatile period for markets, largely through skilful stock selection. I am pleased that the Portfolio Manager has been able to navigate the portfolio successfully through this period. In May 2015, the Company's NAV and share price reached an all-time high, but subsequent market movements have led to a fall back to levels similar to the start of the reporting period.

Negative sentiment towards China, led by concerns over its economic growth, movements in RMB and capital market policy have caused volatility since May 2015. These points are addressed in the Portfolio Manager's Report, but the Board continues to share the Portfolio Manager's positive outlook for structural growth in areas including Chinese consumption and technology. There is a continuing focus on the GDP number reported from China, but we believe that a slowing economy is the natural path for the country as it develops into one of the largest and most sophisticated economies in the world. It is unrealistic to expect an economy as big as China to grow over the next decade at the same pace as during the last decade. Instead, investors should focus their investments in areas that will drive China's next stage of development and play into the structural changes stemming from an increasing middle class and more advanced manufacturing and services sectors. This requires on-the-ground research and careful stock picking, and the Board has been impressed with Dale Nicholls' ability to do this for our investors.

Due Diligence visit to China

In October, the Board carried out its regular due diligence visit to China, visiting Fidelity International's offices and meeting with its analysts. We made several visits to Chinese companies, reviewed Fidelity's investment processes and continued to see at first-hand experience of developments in the country. We were greatly encouraged by what we saw throughout a busy few days and came away with a reinforced view that the rebalancing of China's economy to be more consumer-led will be the engine of its growth for the coming years.

The Board sample products at Foshan Haitian Flavouring.



The Board visit CTRIP Corporation's new offices in Shanghai.

Gearing

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

To achieve further gearing, the Company uses Contracts For Difference ("CFDs") on a number of holdings in its portfolio. Further details are in Note 19 on page 65.

Chairman's Statement continued

At 31 March 2016, the Company's gearing, defined as the Gross Asset Exposure in excess of Net Assets, was 27.2% (2015: 25.9%).

Change in Investment Policy

The Company under its current Investment Policy is permitted to invest 5% of Gross Assets in unlisted securities issued by companies which carry on business, or which have significant interests, in China or Hong Kong. The Board is seeking to revise this limit to 10% of Gross Assets as there are now more potential unlisted investment opportunities and the revised limit would allow the Portfolio Manager to react quickly if investment opportunities occur.

Following the successful initial public offering of Alibaba in which the Company invested from an early stage, there has been a trend for companies to raise capital in private markets and to list on a public stock exchange after their development has progressed.

The proposed change to the Investment Policy is shown in the Appendix in the Notice of Meeting on page 69. A resolution to amend the Investment Policy accordingly is being proposed at the Annual General Meeting on 22 July 2016, as detailed in the section on the Annual General Meeting on page 67.

Dividend

The Board recommends a dividend of 1.80 pence (2015: 1.30 pence) per Ordinary Share for the year ended 31 March 2016 for approval by shareholders at the forthcoming Annual General Meeting. This represents a 38.5% increase on the 1.30 pence paid in respect of the prior year.

The dividend will be payable on 26 July 2016 to shareholders on the register on 24 June 2016 (ex-dividend date 23 June 2016).

Shareholders may choose to reinvest their dividends to purchase more shares in the Company. Details of the Dividend Reinvestment Plan are set out on page 74.

Discount Management and Treasury Shares

During the year, the discount widened which the Board believes reflects a more cautious attitude towards China amongst investors, notwithstanding the excellent performance of the NAV compared to the Benchmark Index. The Board's belief at present is that the discount is best addressed by buying back the Company's Ordinary Shares when appropriate, and during the year, 3.1% of the Ordinary Shares in issue (excluding Treasury Shares) has been repurchased during the year under review, purchased at an average discount of 16.4%. All shares have been repurchased into Treasury. These buybacks will have benefited all shareholders as the NAV per share has been increased by purchasing shares at a discount.

We will be seeking to renew the annual authority to repurchase up to 14.99% of the Company's shares at the forthcoming Annual General Meeting, as we have done each year previously, and assure shareholders that we will keep both the discount and the share repurchase programme under review. The Directors regularly review and discuss the discount and the ways in which it might be reduced so that the shares can trade at a level closer to the NAV. The Directors also monitor market practice amongst peer group trusts and take regular advice from the Company's Broker. Since the year end, a further 575,000 Ordinary Shares have been repurchased into Treasury at an average discount of 18.4%.

Board of Directors

After serving as Chairman of the Company since launch, I will retire at the conclusion of the forthcoming Annual General Meeting. I have enjoyed serving on the Board and would like to thank shareholders, my fellow Directors and the team at Fidelity for all the support I have been given.

I am delighted to say that Nicholas Bull, Senior Independent Director, will succeed me as Chairman. Nicholas, like me, has been on the Board of the Company since its launch in 2010.

The Board was pleased to welcome Vera Hong Wei as a new member of the Board with effect from 24 March 2016. Vera is a Chinese national with 18 years' experience in the Chinese financial industry which spans the central bank, commercial bank and asset management sectors. Further details are included in her biography on page 21.

Andrew Wells will not be seeking re-election at the Annual General Meeting on 22 July 2016 as he is now focusing on a new role within the Fidelity business. I am most grateful to Andrew for his valuable work for the Board, and the shareholders, during his time on the Board. I am pleased to welcome John Ford as a new member of the Board on 22 July 2016; he is FIL's Global Chief Investment Officer for Fixed Income, Solutions and Real Estate. John's biography can be found on page 22.

Vera and John will both be subject to election by shareholders at the forthcoming Annual General Meeting and in accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies, all the other Directors are subject to annual re-election at that time. The Directors' biographies can be found on pages 21 and 22. The Directors have a wide range of appropriate skills and experience to form a balanced Board for the Company.

Viability Statement

In accordance with the 2014 UK Corporate Governance Code, the Directors are now required to report on the viability of the Company over a longer period than the twelve month period required by the Going Concern statement which is on page 23. This new statement can be found on pages 13 and 14.

Change of Auditor

As reported in the Half-Yearly Report for the period ended 30 September 2015, and in line with best corporate governance practice and EU regulations on mandatory audit rotation, a formal audit tender process was undertaken by the Company in the reporting year. A number of audit firms were considered and Ernst & Young LLP was selected as the Company's new independent Auditor for the year ending 31 March 2016. The appointment is subject to approval by shareholders at the forthcoming Annual General Meeting.

The Annual General Meeting – 22 July 2016

The Annual General Meeting of the Company will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB on Friday 22 July 2016 at 11.00 am.

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

John Owen CMG MBE DL
Chairman
1 June 2016

Portfolio Manager's Review

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

This year has witnessed significant swings in sentiment as China's stock markets enjoyed and endured both bull and bear market runs. Whilst there were some spectacular stock moves last year, some this year were even more severe. Against this backdrop, the Company's NAV was broadly flat recording a 0.02% total return. The MSCI China Index, by contrast, fell by 16.17%. Unfortunately, negative sentiment towards China weighed on the Company's share price, which fell 4.53%. This means that the share price outperformed the Benchmark although the discount to NAV increased. Taking a three-year view, the numbers remain strong, with the Company's NAV up 73.70% and its share price up 52.34% against the MSCI China Index return of 8.67%. (All figures on a total return basis)

Market View

China's stock markets have been a tough place for investors in the year under review which ended on 31 March 2016. Sentiment was negatively impacted by confusing policy messaging, growth concerns and currency depreciation in the second half of 2015. It is undeniable that some investor concerns are valid. For instance, some of China's old growth drivers are struggling and headline growth is undoubtedly moderating as China's economy matures. Debt levels also continue to expand at a significant pace and, in my view, banks are probably understating the true extent of their non-performing loans. The longer this rapid growth in debt continues the greater the longer term risks for the economy.

Policy and communication have been dominant swing factors for markets over the review period and have had a significant impact on market confidence in China. There is room for improvement here and it will take some time for investors to regain confidence in the authorities' ability to manage China's financial system. In the middle of last year, the government cracked down on margin finance (investor's borrowing money from financial institutions to invest in the market). While it is sensible to regulate margin financing, there were questions as to why it was able to grow to such a level in the market (around10% of market-capitalisation in the middle of 2015 was assumed to be from margin finance) and why the consequent market intervention was so aggressive and wide reaching. In the fourth quarter of 2015, the authorities relaxed the exchange rate mechanism. They went from focusing on a tight band against the US dollar to adopting a broader band against a basket of currencies. While this was a positive step towards liberalising China's foreign exchange markets, the poor communication about this change and its aim left many confused. I hope that these are just 'teething problems' for the authorities as China looks to liberalise its capital markets.

Reform in China will be key to the future success of the economy and markets. Despite the strong blueprint laid out in the third plenum, reform, particularly of state-owned enterprises ("SOEs"), has generally been slower than expected. However, we have seen some steps in the right direction, with improved management incentive schemes to align management and shareholder objectives, and an increase in public listing of assets and merger and acquisition ("M&A") activity among SOEs. Meanwhile, increased policy discussion about addressing "supply side" issues related to excess capacity in industrial sectors is clearly a positive, especially in areas such as steel. Execution, though, needs to be followed closely. Many companies in these industries have heavy debt levels, so the challenge of taking capacity out of these sectors and the non-performing loan problem at banks is closely related.

I spend a lot of time looking for SOEs that could benefit from such reform. I have found some interesting opportunities such as CITIC Telecom, which remains in a strong position to take on the CITIC Group's significant broadband network in China, and Shanghai International Airport, where there is scope for further passenger growth and improved returns.

Shangai Pudong International Airport.

Despite this rather subdued message, what is often lost among the dramatic headlines is the long-term investment potential offered by China's growing middle class and the associated multi-year growth in domestic demand. Indeed, consumption continues to expand at a robust pace and the economy is rebalancing towards a higher quality and more sustainable growth model. This has been reflected in the strength of the so-called "new economy" in areas such as online sales and travel.

Relative to the developed world, many consumer products and services in China remain vastly underpenetrated, which offer significant structural growth potential. In particular, rising internet and mobile usage is redefining the landscape, particularly in rural markets where traditional bricks and mortar enterprises have lagged. This provides a solid backdrop for further growth in consumption, internet penetration and e-commerce in China. The investment opportunities in these areas are reflected in the Company's significant holdings in the consumer and information technology sectors.

Recently, we have also seen some improvement in areas that have been a drag on growth, such as property and trade. There has been improved pricing in some of the "old economy" industries such as steel. While the Company continues to focus primarily on "new economy" sectors, there are some opportunities to be found in more cyclical sectors, especially where we are seeing signs of supply adjustment combined with very low valuations.

Sell-offs in the market often tend to be broad-based and do not discriminate between the companies that are likely to benefit from structural trends and those that are clearly impacted by macro challenges. From an investment perspective, this provides a fertile environment for stock pickers to invest in attractively valued quality companies that are well-positioned to benefit from the ongoing development of China's middle class. This is what the Company aims to do.

Performance Review

Despite the uncertain macro environment, the Company's NAV remained flat over the year, driven mainly by stock selection in areas of the market that still offer excellent growth opportunities and attractive valuations. That said, the Company's share price fell by 4.5% as sentiment reflected the general concerns highlighted above rather than the opportunities that I am seeing on the ground. However, this was a positive result relative to the China market as a whole, as represented by the 16.2% fall of the MSCI China Index. Overall, the Company's focus on smaller and mid-cap companies was beneficial as much of the relative outperformance was from stocks with a market-capitalisation of below £5 billion. The Company benefited from the continued tilt towards consumer discretionary and technology companies. These companies operate in industries with structural growth drivers such as rising incomes, the expanding middle class and ongoing urbanisation.

Several positions in the consumer discretionary sector contributed to positive returns against the MSCI China Index. The position in budget hotel operator China Lodging rallied after it reported improved free cash flow in light of new franchised hotel openings and an increase in pre-paid membership. The exposure to New Oriental Education & Technology Group also proved rewarding as demand for its after-school tutorial services proved resilient. The company's strong brand and emphasis on the quality of teachers supported an improvement in enrolment levels. Rising utilisation levels and the impact of heavy online investment is helping to drive margin improvement. Meanwhile, bakery chain Gourmet Master reported a recovery in its operating margins across geographies – China, Taiwan and US – while ongoing growth in its same store sales also bolstered sentiment towards the stock. Another consumption-led position in Zhejiang Supor Cookware continues to see strong results and is clearly benefiting from the strong technology support offered by its largest shareholder, France's SEB, which continues to support a strong rollout of new products in the Chinese market.

All Seasons Hotel, Huazhu Hotels Group Ltd., (China Lodgings).

Elsewhere, an overweight position in oncology and immunology focused drug innovator Hutchison China MediTech contributed to returns. Investors favoured the drug maker's promising product pipeline and drug-specific partnerships with global healthcare leaders. The company has also now listed in the US which should support further understanding. Online games producer NetEase supported returns given the strong performance of its mobile games. Among industrial holdings, conviction in Shanghai International Airport's prospects proved rewarding, given the solid growth in traffic and emergence as an international travel hub. The increase in its leasable area after the renovation of one of its key terminals also improved the prospects of its non-aeronautical business.

Conversely, China Animal Healthcare was the single largest detractor to relative performance over the year. The company manufactures and markets drugs and vaccines for poultry and other livestock, and there is a clear growth opportunity in this industry. However, during the year, its auditor resigned, accounting records were lost and its listing was suspended. Consequently its position was written down to zero. Elsewhere, CITIC Securities, which provides brokerage, trading and underwriting services suffered a volatile year in line with the market. While the position was reduced, the clampdown on margin finance and swings in market sentiment impacted trading volumes and consequently CITIC Securities' revenue potential.

Positioning

Apart from gearing, the key change in the Company was the reduction in the exposure to A-shares in the middle of last year following a strong run. The overweight stance in the consumer sector was increased, while the exposure to healthcare was lowered. The underweight position in financials was also increased.

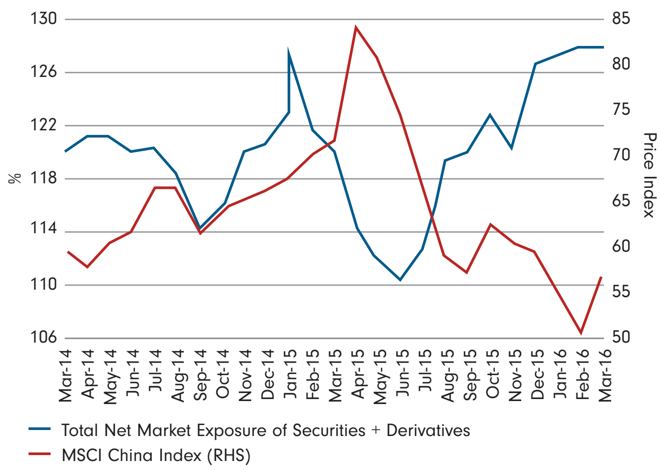
Within the consumer area, the Company took new positions in Dongfeng Motor, Fu Shou Yuan and Shangri-La. Shares in automobile company Dongfeng Motor, which has a joint venture with Peugeot and Nissan, were trading at historically low valuations and should benefit from a refresh of its product cycle. Funeral services firm Fu Shou Yuan has the potential to consolidate in a very fragmented and underdeveloped market. Meanwhile, international hotel chain Shangri-La was also trading at trough valuations. The company is nearing the peak of its recent capital expenditure programme and combined with stabilising fundamentals should see improved cash flows going forward. Overall, I remain a firm believer in the long-term structural consumption story in China. I continue to find some of the most attractive growth opportunities in this segment as many areas of consumption remain under-penetrated compared with other markets.

The Company has a sizeable overweight position in industrials, driven by the holding in Shanghai International Airport. It also owns smaller positions in Shenzhen Airport and Guangzhou Baiyun International Airport as both are located in tier one cities with strong potential for passenger growth and improved returns. Elsewhere, within industrials, the Company has strong market positions related to certain infrastructure spending, such as China State Construction International and Jiangnan Group. More cyclical stocks have been added, as well as selected names in deeper cyclical industries such as cement and paper due to an improvement in demand, supported by increased infrastructure spending, an improvement in the supply picture and low valuations. In the financial sector, I remain concerned about the growth of credit, particularly off balance sheet, and the potential implications this has for banks' non-performing loan exposure. I continue to avoid banking stocks mostly for this reason. Conversely, I remain positive on the life insurance sector given low penetration rates, which are being reflected in strong new business growth, combined with valuations that reflect much lower growth rates. The Company has selected holdings in leasing companies that I believe have strong underwriting skills.

At the end of 2015, the Company bought its first unlisted position since the successful initial public offering of Alibaba in September 2014. Didi Chuxing manages both China's and the world's largest social transportation network. Through its online network and apps, users can hail taxis, private cars and arrange ride-sharing. There is a huge unmet demand in China for more efficient commuting and Didi Kuaizhi aims to position itself as a transportation solution provider. Both Alibaba and Tencent are strategic investors in the company. This position was initiated as part of a round of financing by the company in the third quarter of 2015, which valued the company at around US$16 billion. In a recent new round of financing, Didi's valuation was increased to $20 billion, which has already been reflected in the Company's NAV.

Company's Gearing

The Company's gearing detracted from returns as we were geared in a falling market. Although this was reduced as the market rose over the reporting period, it cost around 2% of performance. However, following the market correction and my view that the sell-off was overdone and that valuations were presenting real value, net gearing was increased closer to the upper limit of 30% in the first quarter of 2016. This was achieved through a combination of closing short stock positions (which added value in a falling market) and adding to existing holdings that had suffered due to broad-based sell-offs driven by broader negative sentiment rather than fundamentals. This level of gearing reflects my confidence that valuations in the Chinese market, particularly in areas like consumer, large-cap A-Shares and small-cap H-Shares, are attractive relative to their fundamentals and growth prospects.



Over the review period, the Company actively used gearing, reducing it when the market rallied as there was a greater risk of a market fall, and adding gearing when markets fell to low valuations, thereby creating more opportunities. This is a strategy that I will continue to pursue – capitalising on opportunities as I see them in the market.

The Company aims to provide shareholders with an exposure to China's growth story to be held over the medium term. I am convinced that the Chinese middle class continues to grow both in wealth and in number and much of the Company is invested in businesses providing goods and services to the rising Chinese consumer market. However, I also look for undervalued opportunities whether in the SOE sector or in oversold parts of the market. Given the investment opportunities in China, I remain confident in our ability to grow the NAV of the Company over the medium-term.

Dale Nicholls
Portfolio Manager
1 June 2016

Fidelity International won the Money Observer's Premier Investment Trust Group of the year.

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. It provides a review of the Company's business and describes the principal risks and uncertainties it faces. The report includes an analysis of the performance of the Company during the financial year and the position at the year end, its objective, strategy and risks and how these are measured using Key Performance Indicators. The Chairman's Statement and Portfolio Manager's Review form part of the Strategic Report.

Business and Status

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

The Company is registered as an investment company under Section 833 of the Companies Act 2006 and operates as such. It is not a close company and has no employees.

Objective

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

Strategy

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

As part of the strategy, the Board has delegated the management of the portfolio and certain other services. The Portfolio Manager aims to achieve a total return in NAV in excess of the equivalent return on the MSCI China Index (the Company's Benchmark Index), as expressed in UK sterling. The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving this objective.

The objective, strategy and principal activity have remained unchanged throughout the year ended 31 March 2016.

The summary of the year's activities and indications of future developments and the factors likely to affect this have been reviewed and supported by the Board. Details can be found in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 9. The Board recognises that investing in equities is a long-term process and that the Company's returns will vary from year to year.

Investment Policy

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

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

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

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

Unlisted Investments

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

As at 31 March 2016, the Company held two unlisted investments with a fair value of £20,317,000 representing 2.0% (2015: nil) of Gross Assets.

As mentioned in the Chairman's Statement on page 4, the Board is seeking shareholder approval to increase the unlisted securities limit from 5% of Gross Assets to 10% of Gross Assets.

Use of Derivative Instruments

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

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

As at 31 March 2016, the Company's exposure to short derivative instruments represented 3.7% (2015: 2.2%) of Gross Assets. The Company's exposure to any single counterparty from all derivative activities was 14.8% (2015: 11.6%) of Gross Assets.

Investment in other Investment Companies

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

As at 31 March 2016, the Company held no investments in other investment companies (2015: nil).

Borrowing and Gearing policy

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

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

During the year, the Gross Asset Exposure of the Company did not exceed the Net Assets of the Company by more than 30%. As at 31 March 2016, Gross Asset Exposure in excess of Net Assets was 27.2% (2015: 25.9%).

Foreign Exchange Hedging Policy

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

Dividend Policy

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

FII's Investment Management Philosophy, Style and Process

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

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

Performance

The Company's performance for the year ended 31 March 2016 and details on future trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 9. The Forty Largest Holdings, the Distribution of the Portfolio, the Attribution Analysis and the Record since Launch are on pages 15 to 20.

Results and Dividends

The Company's results for the year ended 31 March 2016 are set out in the Income Statement on page 43. The net loss after taxation was £0.9 million, of which the revenue profit was £11.6 million.

The Directors recommend that a dividend of 1.80 pence (2015: 1.30 pence) per Ordinary Share be paid on 26 July 2016 to shareholders who appear on the register as at the close of business on 24 June 2016 (ex-dividend date 23 June 2016).

Key Performance Indicators ("KPIs")

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

	Year ended 31 March 2016 %	Year ended 31 March 2015 %
Net Asset Value total return	**+0.02**	+45.34
Share Price total return	**-4.53**	+39.89
MSCI China Index total return	**-16.17**	+39.26
Discount to Net Asset Value	**17.16**	13.11
Ongoing charges	**1.20**	1.29

Sources: Fidelity and Datastream

In addition to the KPIs set out above, the Board also regularly monitors other relevant statistics, such as the various factors contributing to investment results, as set out in the Attribution Analysis on page 19. The principal risks and uncertainties stated on pages 12 and 13 include descriptions of other performance indicators, their monitoring and management which are important to the business of the Company.

Principal Risks and Uncertainties and Risk Management
As required by provision C.2.1 of the 2014 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company and this is reviewed on a regular basis.

The Board is responsible for the Company's system of risk management and of internal controls and for reviewing its effectiveness. It determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. An internal controls report providing an assessment of risks, together with controls to mitigate these risks, is prepared by the Managers and considered by the Audit Committee at each of its meetings.

The Alternative Investment Fund Manager, FIL Investment Services (UK) Limited also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and to ensure that the Board can continue to meet its UK corporate governance obligations.

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

Principal Risks	Description and Risk Mitigation
Market risk	Investing in an emerging market such as the PRC subjects the Company to a higher level of market risk than investment in a more developed market. This is due, among other things, to the existence of greater market volatility, lower trading volumes, the risk of political and economic instability, legal and regulatory risks, risks relating to accounting practices, disclosure and settlement, a greater risk of market shut down, standards of corporate governance and more governmental limitations on foreign investment than are typically found in developed markets. This reporting year has seen considerable market volatility as outlined in the Chairman's Statement and Portfolio Manager's Review on pages 3 to 9. The Board reviews material economic, market and legislative changes at each Board meeting. The Company has exposure to a number of companies with all or part of their business in Variable Interest Entity ("VIE") structures. These are entities where there is a controlling interest that is not based on the majority of voting rights and may result in a risk to investors being unable to enforce their ownership rights in certain circumstances. The proportion of the portfolio invested in companies operating a VIE structure is monitored on a monthly basis by the Manager and holdings are reported to the Board.
Performance risk	The achievement of the Company's performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to underperformance of the Benchmark Index. The Company has a clearly defined strategy and investment remit. There is a clearly defined Management Agreement, and borrowing/derivative limits are also set by the Board. The portfolio is managed by a highly experienced Portfolio Manager. The Board relies on the Portfolio Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the portfolio against the Company's Benchmark Index and that of its competitors and the outlook for the market with the Portfolio Manager at each Board meeting. The emphasis is on long-term investment performance and the Board accepts that by targeting long-term results the Company risks volatility in the shorter-term. Performance improved and was well ahead of its Benchmark Index in the 2015/16 financial year as outlined in the Portfolio Manager's Review above. The Company has also strongly out-performed its Benchmark Index since launch.

Principal Risks	Description and Risk Mitigation
Discount control risk	Due to the nature of investment companies, the Board cannot control the discount at which the Company's share price trades to Net Asset Value. However, it can influence this through its share repurchase policy and through creating demand for shares through good performance and an active investor relations programme. The Company's share price, NAV and discount volatility are monitored daily by the Managers and regularly reported to the Board. Further details are provided in the Chairman's Statement on page 4.
Gearing risk	The Company has the option to invest up to the total of any loan facilities and to use Contracts For Difference ("CFDs") to invest in equities. The principal risk is that while in a rising market the Company should benefit from gearing, in a falling market the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing inappropriate in relation to market conditions. The Company has a US$150,000,000 revolving credit facility agreement with Scotiabank Europe PLC which has been fully drawn down. Additional geared exposure is being achieved through the use of long CFDs. The Board regularly considers gearing and gearing risk.
Currency risk	The functional currency and presentational currency of the Company in which it reports its results, is UK sterling. Most of its assets and its income are denominated in other currencies, mainly Hong Kong dollars, US dollars and Chinese renminbi. Consequently, it is subject to currency risk on exchange rate movements between UK sterling and these other currencies. It is the Company's current policy not to hedge against currency risks. Borrowings are denominated in US dollars and, therefore, the effect of US dollar exchange rate movements on assets denominated in US dollars will be offset by the effect on these loans. Further details can be found in Note 18 to the Financial Statements on pages 57 to 62.

Other risks facing the Company include:

Tax and Regulatory risks
A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in the Company being subject to tax on capital gains. The Board receives regular reports from the Managers confirming tax and regulatory compliance during the year.

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

Operational risks – Service Providers
The Company relies on a number of third party service providers, principally the Managers, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Managers' control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements.

They are all subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal controls reports are received by the Board on an annual basis and any concerns investigated.

Viability Statement
In accordance with provision C.2.2 of the UK Corporate Governance Code, issued by the Financial Reporting Council in September 2014, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" provision. The Company is an investment trust with the objective of achieving long term capital growth and the Board consider five years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period.

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

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

The Company's performance has been strong since launch and the investment policy is kept under review and the Board considers it to be appropriate. Based on the Managers' compliance with the Company's investment objective, its investment strategy and asset allocation and the fact that the portfolio mainly comprises readily realisable securities which can be sold to meet funding requirements if necessary; the Board's discount management policy; and the ongoing processes for monitoring operating costs and income forecasts, the Board have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern statement on page 23.

Board Diversity

The Board carries out any candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender. As at 31 March 2016, there were five male Directors and two female Directors. This will change to four male Directors and two female Directors when John Owen retires from the Board on 22 July 2016.

Employees, Social, Community and Human Rights Issues

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

The Board notes that FIL encourages the Environmental, Social Governance ("ESG") factors in its investment decision making process. FIL has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and submit an annual report detailing how it incorporates ESG into its investment analysis.

The Company has not adopted a policy on human rights as it has no employees and its operational processes are delegated.

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

Greenhouse Gas Emissions

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

Socially Responsible Investment

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

Corporate Engagement

The Board believes that the Company should, where appropriate, take an active interest in the affairs of the companies in which it invests and that it should exercise its voting rights at their general meetings. Unless there are any particularly controversial issues (which are then referred to the Board) it delegates the responsibility for corporate engagement and shareholder voting to the Managers. These activities are reviewed annually.

Future Developments

Some trends likely to affect the Company in the future are common to many investment companies together with the impact of regulatory change. The factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 9.

By order of the Board
FIL Investments International
Secretary
1 June 2016

Forty Largest Holdings

at 31 March 2016

The Gross Asset Exposures shown below measure exposure to market price movements as a result of owning shares, equity linked notes and derivative instruments. The Balance Sheet Value is the actual value of the portfolio. Where a CFD is held, the value reflects the profit or loss on the contract since it was opened and is based on how much the share price of the underlying share has moved.

	Gross Asset Exposure		Balance Sheet Value
	£'000	%[1]	£'000
Long Exposures – shares, equity linked notes and long CFDs			
Tencent Holdings (shares and long CFD) Internet, mobile and telecommunication services provider	92,009	10.1	70,416
China Pacific Insurance (Group) Co (shares and long CFD) Insurance company	49,668	5.5	28,770
Alibaba Group Holdings e-commerce group	36,889	4.1	36,889
CITIC Telecom International Holdings (shares and long CFD) Telecoms company	28,124	3.1	12,039
Shanghai International Airport Co Shanghai's primary international airport operator	25,193	2.8	25,193
Hutchison China MediTech Pharmaceutical and healthcare group	22,467	2.5	22,467
China Petroleum & Chemical Corp (long CFD) Oil and gas company based in Beijing	21,652	2.4	2,786
NetEase, Inc Internet company	20,126	2.2	20,126
New Oriental Education & Technology Group Private educational services provider	18,284	2.0	18,284
Dongpeng Holdings Company Ceramic tile company	18,267	2.0	18,267
Gourmet Master Co Cafe stores chain operator	17,358	1.9	17,358
Zhejiang Supor Cookware Co Cookware manufacturer	16,600	1.8	16,600
Midea Group Co Electrical appliances manufacturer	15,825	1.7	15,825
Sinosoft Technology Group e-Government solutions developer	15,430	1.7	15,430
Vipshop Holdings Online discount retailer	15,139	1.7	15,139
Kweichow Moutai Maotai liquor producer and distributor	14,906	1.6	14,906
CT Environmental Group (long CFD) Wastewater treatment and industrial water supply services	13,837	1.5	(1,430)
Far East Horizon (shares and long CFD) Financial service company	13,688	1.5	10,214
Xiaoju Kuaizhi Inc ("Didi Chuxing") (Unlisted) Mobile taxi booking applications developer	13,363	1.5	13,363
Ctrip.com International Travel services provider	13,064	1.4	13,064

Forty Largest Holdings continued

at 31 March 2016

	Gross Asset Exposure £'000	Gross Asset Exposure %[1]	Balance Sheet Value £'000
China Cinda Asset Management Co (long CFD) Asset managers	12,360	1.4	(7,011)
Brilliance China Automotive Holdings (shares and long CFD) Automobiles, microvans, and automotive components manufacturer	11,857	1.3	(2,467)
Xinyi Glass Holdings Float glass, automobile glass and construction materials producer	10,997	1.2	10,997
Clear Media Advertiser on buses, bus shelters and unipoles	10,924	1.2	10,924
Shangri-La Asia Luxury hotel group	10,705	1.2	10,705
COSCO International Holdings Ship trader and services supplier	10,468	1.2	10,468
Li-Ning Company (shares and long CFD) Sports brand manufacturer	10,279	1.1	9,518
Dah Sing Financial Holdings General banking services, insurance broking and nominee services provider	10,202	1.1	10,202
Best Pacific International Holdings Lingerie materials provider	10,117	1.1	10,117
58.com Online marketplace operator serving local merchants and consumers	9,951	1.1	9,951
Green Dragon Gas Coal Bed Methane (CBM) gas producer and distributor	9,886	1.1	9,886
Goodbaby International Holdings Juvenile products manufacturer and seller	9,797	1.1	9,797
Huayu Automotive Systems Co Automobile components manufacturer and seller	9,719	1.1	9,719
Chaowei Power Holding (shares and long CFD) Battery manufacturer and seller	9,232	1.0	6,248
Formosa Optical Technology Co Spectacles and contact lenses retail and optometry services provider	9,186	1.0	9,186
China State Construction Engineering Corp (long CFD) Housing and infrastructure constructor and property developer	9,031	1.0	(176)
APT Satellite Holdings Satellite telecommunication systems operator and leaser	9,028	1.0	9,028
Weichai Power Co (long CFD) Diesel engines manufacturer and seller	9,002	1.0	(3,019)
SITC International Holdings (shares and long CFD) Shipping logistics company	8,847	1.0	7,810
Huaneng Renewables Corp (long CFD) Wind and solar power generator	8,758	0.9	(2,518)
Forty largest long exposures (2015: 74.6%)	**682,235**	**75.1**	**515,071**

	Gross Asset Exposure £'000	%[1]	Balance Sheet Value £'000
Other long exposures (2015: 40.8%)	510,311	56.2	467,224
Total long exposures before hedges (146 holdings)	**1,192,546**	**131.3**	**982,295**
Less: Hedging Exposures			
Hang Seng China Enterprises Index (future)	(20,381)	(2.2)	(514)
iShares FTSE A50 China Index ETF (Short CFD)	(16,818)	(1.9)	(1,710)
Total hedging exposures	**(37,199)**	**(4.1)**	**(2,224)**
Gross Asset Exposure[2]	**1,155,347**	**127.2**	
Portfolio Fair Value[3]			**980,071**
Net current liabilities (excluding derivative assets and liabilities)			(71,593)
Net assets			**908,478**

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

2 Gross Asset Exposure comprises market exposure to shares and equity linked notes of £987,878,000 (per Note 10 Investments on page 54) plus market exposure to derivative instruments of £167,469,000 (per Note 11 Derivative instruments on page 55)

3 Portfolio Fair Value comprises Investments of £987,878,000 plus derivative assets of £20,275,000 less derivative liabilities of £28,082,000 (per the Balance Sheet on page 45)

A full list of the Company's holdings at 31 March 2016 is available on the Company's page of the Manager's website at www.fidelityinvestmenttrusts.com.

Distribution of the Portfolio

as at 31 March 2016

	Gross Asset Exposure %[1]	Benchmark %
Industry		
Consumer Discretionary	37.0	5.9
Information Technology	28.2	23.7
Industrials	17.4	7.3
Financials	15.2	35.7
Consumer Staples	9.2	2.8
Materials	7.3	1.4
Energy	5.1	7.3
Healthcare	5.0	2.2
Telecommunication Services	4.1	9.9
Utilities	2.8	3.8
Index derivatives	(4.1)	–
Total	**127.2**	**100.0**
Share Type		
Listed in Hong Kong	54.3	21.8
Listed in US	18.9	11.3
China "A" Shares	18.3	–
China "H" Shares	15.8	45.1
Red-Chips	11.4	21.4
Listed in Taiwan	4.1	–
Listed in UK	4.1	–
Unlisted	2.3	–
China "B" Shares	0.9	0.4
Listed in Singapore	0.8	–
Listed in Australia	0.3	–
Listed in Canada	0.1	–
Index derivatives	(4.1)	–
Total	**127.2**	**100.0**
Size of Company (Market Cap)		
Large – above £5bn	42.0	81.3
Medium – between £1bn – £5bn	34.2	18.7
Small – below £1bn	55.1	–
Index derivatives	(4.1)	–
Total	**127.2**	**100.0**

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

Attribution Analysis

Analysis of NAV total return for the year ended 31 March 2016	%
Impact of:	
MSCI China Index – UK sterling equivalent	-16.17
Stock Selection	+19.31
Gearing	-1.79
Share Repurchases	+0.47
Other Costs	-2.07
Cash/Currency	+0.27
NAV total return for the year ended 31 March 2016	**+0.02**

Ten Highest contributors and detractors to NAV total return

Contributors	%
CSI 300 Index	+1.1
Haitong International Securities Group	+0.9
Gourmet Master Co	+0.8
New Oriental Education & Technology Group	+0.8
Tencent Holdings	+0.8
China Lodging Group	+0.7
Hutchison China MediTech	+0.7
NetEase, Inc	+0.7
Shanghai International Airport Co	+0.7
Zhejiang Supor Cookware Co	+0.6

Detractors	%
Ping An Insurance (Group) Company of China	-0.9
China Animal Healthcare	-0.8
CITIC Securities	-0.8
China Cinda Asset Management Co	-0.6
China Pacific Insurance (Group) Co	-0.6
Lee's Pharmaceutical Holdings	-0.6
China Sanjiang Fine Chemicals Co	-0.5
Summit Ascent Holdings	-0.5
Wasion Group Holdings	-0.5
Bitauto Holdings	-0.4

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

Record since Launch

For the year ended 31 March	**2016**	2015	2014	2013	2012	2011[1]
Investment Performance						
Net Asset Value per Share total return (%)	**+0.02**	+45.34	+19.50	+15.73	-18.49	+5.24
Share Price total return (%)	**-4.53**	+39.89	+14.07	+15.04	-26.36	+10.00
MSCI China Index total return (%)	**-16.17**	+39.26	-6.91	+12.17	-12.55	+3.30
Assets						
Gross Asset Exposure (£m)	**1,155.3**	1,189.1	806.6	774.2	628.5	746.0
Net Assets (£m)	**908.5**	944.1	656.2	634.2	559.0	684.0
Gearing (%)	**27.2**	25.9	22.9	22.1	23.8	15.8
Net Asset Value per Ordinary Share (pence)	**164.18**	165.27	114.84	97.09	84.72	104.20
Share price data						
Share price (pence)	**136.00**	143.60	103.80	92.00	80.80	110.00
(Discount)/premium (%)	**(17.2)**	(13.1)	(9.6)	(5.2)	(4.6)	5.6
Earnings and dividends paid						
Revenue earnings per Ordinary Share (pence)[2]	**2.07**	1.41	1.18	1.25	0.99	0.47
Capital (loss)/earnings per Ordinary Share (pence)[2]	**(2.24)**	50.17	16.39	11.76	(20.33)	3.67
Total (loss)/earnings per Ordinary Share (pence)[2]	**(0.17)**	51.58	17.57	13.01	(19.34)	4.14
Dividend paid per Ordinary Share (pence)	**1.80**	1.30	1.15	1.00	0.75	0.25
Ongoing charges (%)[3]	**1.20**	1.29	1.45	1.80	1.70	1.93

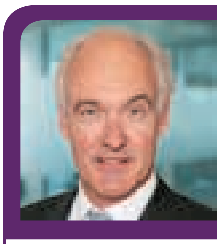
1 From launch on 19 April 2010 to 31 March 2011
2 Based on the weighted average number of Ordinary Shares in issue during the year
3 Ongoing charges (excluding performance fees, finance costs and taxation) as a percentage of average Net Asset Value for the year (prepared in accordance with the methodology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

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

Board of Directors

John Owen CMG MBE DL
Chairman
Appointed 4 February 2010
Member of the:
Audit Committee;
Management Engagement Committee (Chairman);
Nomination and Remuneration Committee;
Investment Committee.

Mr Owen has enjoyed careers in both the diplomatic service and industry. He served in the diplomatic service for 30 years until his retirement in 1999, serving in Indonesia, Vietnam, France, El Salvador, Iran, Brazil, China and London. Mr Owen was British Consul General in Boston, USA from 1992 to 1995, and Governor of the Cayman Islands from 1995 to 1999. He also worked in industry for seven years. Mr Owen is currently Chairman of several companies including Iceman Capital Limited, an investment company specialising in investment in the developing markets of Asia. He has a number of directorships including Queensgate Bank Company Limited. Mr Owen is also Chairman of the Friends of Cayman in London. He is an Honorary Fellow of the University of Aberystwyth and also a Deputy Lieutenant of the County of Isle of Wight.



The Hon. Peter Pleydell-Bouverie DL
Chairman of the Investment Committee
Appointed 4 February 2010
Member of the:
Audit Committee;
Management Engagement Committee;
Nomination and Remuneration Committee;
Investment Committee (Chairman)

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

Nicholas Bull FCA
Senior Independent Director and Chairman of the Nomination and Remuneration Committee
Appointed 4 February 2010
Member of the:
Audit Committee; Management Engagement Committee; Nomination and Remuneration Committee (Chairman); Investment Committee.

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

Elisabeth Scott
Appointed 1 November 2011
Member of the:
Audit Committee;
Management Engagement Committee;
Nomination and Remuneration Committee;
Investment Committee.

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

David Causer FCA
Chairman of the Audit Committee
Appointed 4 February 2010
Member of the:
Audit Committee (Chairman);
Management Engagement Committee;
Nomination and Remuneration Committee;
Investment Committee.

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

Vera Hong Wei
Appointed 24 March 2016
Member of the:
Audit Committee;
Management Engagement Committee;
Nomination and Remuneration Committee;
Investment Committee.

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

Board of Directors continued

Andrew Wells
Appointed 21 May 2012
Member of the:
Nomination and Remuneration Committee;
Investment Committee.

Mr Wells became Vice Chairman for Fidelity Canada in early 2016, prior to which he was Global CIO Fixed Income for FIL from 2007 responsible for developing the fixed income investment process, team and structure and a member of FIL's Global Operating Committee from 2010. Mr Wells has over 20 years of investment experience, particularly in Asia, having worked as a portfolio manager in FIL's Hong Kong office from 2002 becoming FIL's Chief Investment Officer for Asian Fixed Income in 2005. In 2007, Mr Wells became Global CIO Fixed Income for FIL, responsible for developing the fixed income investment process, team and structure, and in 2016, he became the Vice Chairman for Fidelity Canada.

John Ford
Appointed 22 July 2016
Member of the:
Nomination and Remuneration Committee;
Investment Committee.

Mr Ford has been FIL's Global Chief Investment Officer, Fixed Income, Solutions and Real Estate and has been a member of FIL's Global Operating Committee since 2016. Prior to this, he was Chief Investment Officer for FIL's entire Asia Pacific region from 2008. He joined FIL in 2005 as the Hong Kong based Managing Director of its operations in South East Asia before becoming the Chief Investment Officer in 2006 for Japan. He has worked in the asset management industry since 1986, having spent 19 years at Schroders. He was located in Asia for much of that time and worked in a number of different countries in the region including Hong Kong, Japan, Singapore and Malaysia.

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

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 March 2016.

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

Management Company and Fees

FIL Investment Services (UK) Limited ("FISL") was appointed as the Company's Alternative Investment Fund Manager ("AIFM"/Manager) from 17 July 2014. At the same time FISL as the new Manager, delegated investment management (other than in unlisted securities) of the Company to FIL Investment Management (Hong Kong) Limited ("FIMHK") and for unlisted securities and the role of company secretary to FIL Investments International.

The Management Agreements will continue unless and until terminated by either party giving to the other not less than twelve months' notice in writing. The Management Agreements may, however, be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles of Association of the Company. The Management Agreements may also be terminated forthwith as a result of a material breach of the Agreements or on the insolvency of the Managers or the Company. In addition, the Company may terminate the Agreements by not less than two months' notice if the Managers cease to be a subsidiary of FIL Limited or if the Board shall resolve at two successive quarterly meetings that there has been a material and continuing under-performance in the portfolio of assets.

The Board reviews the services provided by the Managers and also the terms of the Management Agreements on a regular basis and details are included in the Corporate Governance Statement on pages 26 to 30.

Fee Arrangements

The respective Management Agreements provide for an annual management fee of 1.0% of the Net Asset Value of the Company, but excluding investment in any fund which is managed by the Manager or an associate of the Manager. The fee is payable quarterly in arrears at a rate of 0.25% per quarter and calculated as at the last business day of March, June, September and December in each year. The investment management fees for the year ended 31 March 2016 totalled £9,138,000 (2015: £8,094,000).

The Investment Managers are also entitled to an annual performance fee of 15% of any change in NAV attributable to performance which is more than 2% above the returns on the MSCI China Index, subject to a maximum performance fee payable in any year equal to 1.0% of the arithmetic mean of the value of assets with valuations calculated at the end of each month during the year. Any out-performance above this cap will not be carried forward. If the Company under-performs, the under-performance must be made good before any further performance fee becomes payable. For the year ended 31 March 2016, the performance fee payable was £9,138,000 (2015: £4,744,000).

In addition, FII provides accounting, administrative and secretarial services to the Company pursuant to a Secretarial Services Agreement for a fee of up to £600,000 per annum, payable quarterly in arrears. The fee paid for the year was £600,000 (2015: £600,000).

The Board

All the Directors served throughout the year ended 31 March 2016 with the exception of Vera Hong Wei who was appointed on 24 March 2016 and John Ford who is proposed to be appointed on 22 July 2016. A brief description of their careers, each of which indicates their qualifications for Board membership, is on pages 21 and 22.

Andrew Wells, a non-executive Director of the Company, is employed by FIL and is therefore not a member of the Audit and Management Engagement Committees. John Ford who will be appointed as a non-executive Director of the Company, is also employed by FIL and will therefore not be a member of the Audit and Management Engagement Committees.

Directors and Officers' Liability Insurance

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

Going Concern

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt a going concern basis for at least 12 months from the date of this Annual report in preparing these Financial Statements.

Auditor's Right to Information

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

a) so far as they are aware, there is no relevant audit information of which the independent Auditor is unaware; and

b) each Director has taken all the steps that ought to have been taken as a Director to make himself/herself aware of any relevant audit information, and to establish that the independent Auditor is aware of that information.

Auditor's Appointment

As reported in the Chairman's Statement on pages 4 and 5 and following a formal tender process, Ernst & Young LLP ("EY") have been appointed as the Company's independent Auditor, replacing Grant Thornton UK LLP, for the year ending 31 March 2016. A resolution to confirm the appointment of EY as Auditor to the Company will be proposed at the Annual General Meeting on 22 July 2016 together with a resolution to authorise the Directors to determine the Auditor's remuneration.

Corporate Governance

Full details are given in the Corporate Governance Statement, which forms part of this Directors' Report, and can be found on pages 26 to 30.

Registrar, Custodian and Depositary Arrangements

The Company employs Capita Asset Services to manage the Company's share register. Fees for their services for the year under review amounted to £72,000 (2015: £73,000).

The Company employs JPMorgan Chase Bank as its Custodian which is primarily responsible for safeguarding the Company's assets. Fees for its custodial services for the year under review amounted to £420,000 (2015: £351,000).

The Company employs J.P. Morgan Europe Limited as its Depositary which is primarily responsible for the oversight of the custody of investment funds and the protection of investors' interests. Fees for its depositary services for the year under review amounted to £62,000 (Date of appointment 17.07.14 to 31.07.15: £51,000).

Share Capital

The Company's share capital comprises Ordinary Shares of 1 penny each and are fully listed on the London Stock Exchange. As at 31 March 2016, the Company's issued share capital was 571,354,480 (2015: 571,354,480) of which 18,015,000 (2015: 100,000) shares are held in Treasury. Each share in issue (excluding Treasury Shares) carries one vote, therefore the total number of voting rights in the Company was 553,339,480. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on pages 67 and 68.

Premium/Discount Management: Enhancing Shareholder Value

The Board recognises the importance of the relationship between the Company's share price and the net asset value per share and monitors this closely. It seeks authority from shareholders each year to issue new shares at NAV per share or in the case of Treasury shares at a premium to NAV. The Board also seeks authority to repurchase shares at a discount to the NAV, either for cancellation or for holding in Treasury. It will only use these authorities to enhance the NAV per share and to protect or improve the premium/discount rating of the shares.

Share Issues

No Ordinary Shares or shares from Treasury were issued during the year to 31 March 2016 (2015: nil) and none has been issued since the year end and as at the date of this report.

The authorities to issue Ordinary Shares and disapply pre-emption rights and to issue shares from Treasury expire at the conclusion of this year's Annual General Meeting and therefore, resolutions renewing these authorities will be put to shareholders for approval at the Annual General Meeting on 22 July 2016.

Share Repurchases

During the year to 31 March 2016, the Company repurchased 17,915,000 Ordinary Shares for holding in Treasury. A further 575,000 Ordinary Shares have been repurchased into Treasury since the year end.

The authority to repurchase Ordinary Shares expires at the conclusion of this year's Annual General Meeting and a special resolution to renew the authority to repurchase Ordinary Shares for cancellation, including the ability to buy them into Treasury, will therefore be put to shareholders for approval at the Annual General Meeting on 22 July 2016.

Substantial Share Interests

As at 31 March 2016 and 30 April 2016, notification had been received that the shareholders listed below held more than 3% of the voting rights of the Company.

Shareholders	**31 March 2016**	30 April 2016
FIL Limited	**33.41%**[1]	32.94%[2]
Hargreaves Lansdowne	**13.11%**	13.06%
Lazard Asset Management	**11.67%**	11.57%
City of London	**4.76%**	5.15%
Wells Capital Management	**3.72%**	3.74%

1 Direct holding on own account (3.81%) and indirect holdings for Fidelity's ISA and Share Plan clients (29.60%)
2 Direct holding on own account (3.51%) and indirect holdings for Fidelity's ISA and Share Plan clients (29.43%)

An analysis of ordinary shareholders as at 31 March 2016 is detailed in the table below.

Ordinary shareholders as at 31 March 2016	**% of voting share capital**
Private shareholders[1]	**59.28**
Institutions and wealth managers	**21.52**
Pension companies	**15.11**
Insurance companies	**3.60**
Other	**0.49**

1 Includes Fidelity Share Plan and ISA investors

Requirements of Listing Rules

Listing rule 9.8.4 requires the Company to include certain information on a single identifiable section of the Annual Report or a cross reference table showing where such information is set out. The Directors confirm that no such disclosures are required to be made.

Annual General Meeting

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold, transferred or otherwise disposed of all your shares in the Company, you should pass this document, together with any accompanying documents (but not the personalised Form of Proxy or Form of Direction) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom you made the sale or transfer was effected, for onward transmission to the purchaser or transferee.

At the Annual General Meeting on 22 July 2016, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 66 and 67, including the items of special business summarised below.

Authority to allot shares

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

Resolution 12 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £552,764. If passed, this resolution will enable the Directors to allot a maximum of 55,276,448 Ordinary Shares which represents approximately 10% of the issued Ordinary Share capital of the Company (including Treasury Shares) as at 1 June 2016 and so that the Directors may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with Treasury Shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at no less than NAV per share, or at a premium to NAV per share.

Authority to disapply pre-emption rights

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

Resolution 13 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury Shares for cash by way of (a) rights issues, normally on a proportionate basis but where necessary taking into account practical considerations, such as fractions and foreign securities laws, and (b) other issues up to an aggregate nominal value of £552,764 (including Treasury Shares) (approximately 10% of the issued Ordinary Share capital of the Company as at 1 June 2016).

Authority to repurchase the Company's shares

Resolution 14 is a special resolution which renews the Company's authority to purchase up to 14.99% of the number of Ordinary Shares in issue (excluding Treasury Shares) on 1 June 2016 either for immediate cancellation or for retention as Treasury Shares at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of Ordinary Shares will be made at the discretion of the Directors and within guidelines set from time to time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

Change to the Investment Policy

Resolution 15 is an ordinary resolution which, if approved, will amend the Company's Investment Policy to increase the unlisted securities limit from 5% of Gross Assets to 10% of Gross Assets.

Details of the proposed change to the Investment Policy is shown in the Appendix in the Notice of Meeting on page 69.

The full text of the resolutions are set out in the Notice of Meeting contained on pages 66 to 69.

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

By Order of the Board

FIL Investments International

Secretary

1 June 2016

Corporate Governance Statement

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

Corporate Governance Codes

The Board follows the principles of the UK Corporate Governance Code ("UK Code") issued by the Financial Reporting Council (the "FRC") in September 2014 and the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies ("AIC") in February 2015. The FRC has confirmed that investment companies which report against the AIC Code and which follow the AIC Guide on Corporate Governance will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

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

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code provisions relating to the role of the chief executive; executive directors' remuneration; and the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, as it is an externally managed investment company and has no executive directors, employees or internal operations.

THE BOARD

Board Composition

The Board, chaired by John Owen, currently consists of seven Directors, six of whom are independent of the Managers. It will revert back to six Directors when Mr Owen steps down at the conclusion of the Annual General Meeting on 22 July 2016. Andrew Wells who is not seeking re-election at this Annual General Meeting will be replaced by John Ford. The Directors believe that, between them, they have good knowledge and wide experience of business in Asia and of investment companies and that the Board has an appropriate balance of skills, experience, independence, knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company.

During the year, Nicholas Bull was the Senior Independent Director fulfilling the role as a "sounding board" for the Chairman and as intermediary for other non-executive Directors where necessary.

Board Responsibilities

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

Other than as previously disclosed in relation to Andrew Wells and John Ford on his appointment, the Directors are considered to be free from any relationship which could materially interfere with the exercise of their independent judgement and all Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

Company Secretary

The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Each Director is entitled to take independent professional advice, if necessary, at the Company's expense.

Board Meetings

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 27 gives the attendance record for the meetings held during the reporting year. The Portfolio Manager and key representatives of the Managers are in attendance at these meetings. The Board also makes an annual due diligence visit to China and meets the investment team and carries out company visits. Between these meetings there is regular contact with the Managers and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them from the Board and the Chairman is in contact with the other Directors regularly without representatives of the Managers being present.

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

1 Appointed on 24 March 2016

Figures indicate those meetings for which each Director was eligible to attend and attended in the year. Regular Board meetings exclude ad hoc meetings for formal approvals.

Changes to the Board

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

Director Training

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

Election and Re-Election

As required by company law, all newly appointed Directors stand for election by the shareholders at the Annual General Meeting following their appointment by the Board. As a constituent member of the FTSE 350 Index, all other Directors are subject to annual re-election by the shareholders and the Nomination and Remuneration Committee ("the Committee") recommend to the Board that all Directors, with the exception of John Owen and Andrew Wells, should seek re-election for the forthcoming year. The names of Directors submitted for election and re-election are accompanied by sufficient biographical details on pages 21 and 22 to enable shareholders to make an informed decision. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the forthcoming Annual General Meeting.

Board Evaluation

An annual process for the evaluation of the Board and its Directors and Committees is in place and undertaken ahead of the Annual General Meetings. It takes the form of written questionnaires and discussions. For the year under review, the performance and contribution to the Company of each Director holding was considered using written questionnaires. The performance of the Chairman was led by the Senior Independent Director. It was concluded that in each case the Chairman and Directors have been effective and that they continue to demonstrate commitment to their roles. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and action is taken on the basis of the results. The Board considers tenure as one of the matters under review during Director evaluations.

As a constituent member of the FTSE 350 Index, and in accordance with Code B.6.2 of the UK Corporate Governance Code, the Company is required to carry out an externally facilitated evaluation of the Board every third year. The next external evaluation will be for the year ending 31 March 2018.

Directors' Remuneration

Full details of the Company's Remuneration Policy and Directors' fees are disclosed in the Directors' Remuneration Report on pages 31 and 32. Directors' share interests are disclosed on page 33.

BOARD COMMITTEES

The Board of Directors discharges certain of its corporate governance responsibilities through four Committees as set out below.

Corporate Governance Statement continued

Terms of reference of the Audit, Nomination and Remuneration, Management Engagement and Investment Committees are available on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

Audit Committee

The Audit Committee is chaired by David Causer and consists of all the Directors, except Andrew Wells and John Ford for reasons stated on page 23. Full details of the Company's Audit Committee have been disclosed in the Report of the Audit Committee on pages 35 and 36.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is chaired by Nicholas Bull and consists of all the Directors. It is charged with nominating new Directors for consideration by the Board, and subsequent approval by shareholders. External consultants, who have no connection with the Company, may be used to identify potential candidates. This was the case in this reporting year when The Inzito Partnership was used to identify candidates and Vera Hong Wei's appointment was through this process. The search for a candidate is carried out against a set of objective criteria, with due regard to the benefits of diversity on the Board including gender. New Directors are appointed on the basis of merit and care is taken to ensure that appointees have enough time to devote to the role.

The Committee also considers the election and re-election of Directors ahead of each Annual General Meeting.

It also concerns itself with the remuneration of the Directors, considering their roles and the responsibilities and the time involved in carrying out their duties effectively. It also makes itself aware of the directors' fees of other investment trust companies and comparable entities. Details of this can be found in The Remuneration Policy on page 31.

The Committee meets at least once a year and makes recommendations to the Board where appropriate.

Management Engagement Committee

The Management Engagement Committee is chaired by John Owen and consists of all the Directors, except Andrew Wells and John Ford for reasons stated on page 23.

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

The criteria taken into consideration in reviewing the performance of the Managers are the quality of the team; commitment of the Managers to the Company and investment company business; investment management skills, experience and track record; administration, accounting and the secretaryship of the Company; shareholder relations and discount management; the Management Agreements, including fees, notice periods and duties; and marketing to secure potential long-term investors.

The Management Engagement Committee has reviewed the performance of the Managers taking into consideration the above items and has concluded that it was in the interests of shareholders that the Management Agreements should continue. Details of the Management Agreements and the current annual management fee and the performance fee are in the Directors' Report on page 23.

The Committee meets at least once a year and makes recommendations to the Board where appropriate.

Investment Committee

The Investment Committee is chaired by Peter Pleydell-Bouverie and consists of all the Directors. A representative of the Unlisted Investment Manager, with the requisite investment experience, attends the Committee meetings on an advisory basis. The Committee collectively has sufficient recent and relevant investment and financial experience to discharge its responsibilities fully.

The Committee is charged with reviewing and monitoring the ongoing performance of the investments; discussing with the Investment Managers the strategy for the investment portfolios; reviewing all investments including pre-IPO opportunities; and reporting to the Board on a periodic basis.

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

Set out on page 34 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report on pages 37 to 42.

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

Risk Management and Internal Controls

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

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

The Board confirms that there is an effective ongoing process for identifying, evaluating and managing the principal risks faced by the Company, and that it has been in place throughout the year ended 31 March 2016 and up to the date of this report. This process is in accordance with the Financial Reporting Council's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Managers provide sufficient assurance that a sound system of internal controls is maintained to safeguard shareholders' investments and the Company's assets. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee meets the Managers' internal audit representative at least three times a year.

Whistle-Blowing Procedure

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

Bribery Act 2010

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

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

Responsibility as an Institutional Shareholder

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

Relations with Shareholders

Communication with shareholders is given a high priority by both the Board and the Managers. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and other Directors are available to meet with major shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and liaises with the Managers and the Company's broker to canvass shareholder opinion and communicate its views to shareholders. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. It believes that the Company's institutional shareholders have proper access to the Managers at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on page 75.

All shareholders are encouraged to attend the Annual General Meeting on 22 July 2016 at which there will be a presentation by Dale Nicholls, the Portfolio Manager, of the past year's results and prospects for the forthcoming year. There will be an opportunity to meet the Board, Portfolio Manager and representatives of the Managers. The Board is looking forward to having the opportunity to speak to shareholders.

The Notice of Meeting on pages 66 and 67 sets out the business of the Annual General Meeting. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Chairman and the other members of the Board will be available to answer questions at the Annual General Meeting. The Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the Meeting.

Corporate Governance Statement continued

Voting rights in the Company's shares

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

Articles of Association

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

On behalf of the Board

John Owen
Chairman
1 June 2016

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 March 2016 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

An ordinary resolution to approve the Directors' Remuneration Report will be put to shareholders at the Annual General Meeting on 22 July 2016. The Company's independent Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 37 to 42.

Directors Remuneration

The level of Directors' fees is determined by the Nomination and Remuneration Committee within the limit set out in the Articles of Association. The fee structure with effect from 1 April 2015 is as follows: Chairman - £42,000; Senior Independent Director – £31,500; Chairman of the Audit Committee: £32,000; Chairman of the Investment Committee: £31,500 and Directors: £26,500. Levels of remuneration are competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Remuneration Policy

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

The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum. Subject to this overall limit, and based on the recommendations of the Nomination and Remuneration Committee, it is the Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs; the level of fees payable to non-executive directors in the industry generally; the requirement to attract and retain individuals with suitable knowledge and experience; and the role individual Directors fulfil. Other than fees and reasonable travel expenses, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, or long-term incentive schemes or other taxable benefits. No other payments are made to Directors other than reasonable out-of-pocket expenses which have been incurred as a result of attending to the affairs of the Company. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

The level of Directors' fees is determined by the whole Board. Directors do not vote on their own individual fees. The Nomination and Remuneration Committee reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Managers and research from third parties and it includes information on the fees of other similar investment companies. Every third year, in accordance with Code B.6.2 of the UK Corporate Governance Code, as a FTSE 350 company, the Board is required to carry out an externally facilitated evaluation of its performance. This evaluation process also provides input into the appropriate level of Directors' fees from an independent source. The last external evaluation was for the year ended 31 March 2015 and the next such evaluation will take place during the year ending 31 March 2018.

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

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

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

Report on the implementation of the Remuneration Policy

The Remuneration Policy was formalised for the first time at the Company's Annual General Meeting held on 18 July 2014 and the next vote will be put to shareholders in 2017. The policy has been followed throughout the year ended 31 March 2016.

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

Voting at the Company's last Annual General Meeting

At the Annual General Meeting held on 22 July 2015, 99.42% of votes were cast in favour (or granted discretion to the Chairman of the meeting who cast them in favour) of the Directors' Remuneration Report for the year ended 31 March 2015, 0.35% of votes were cast against and 0.42% of votes were withheld. At the Annual General Meeting to be held on 22 July 2016, the Directors' Remuneration Report will be put to shareholders and the votes cast will be disclosed on the Manager's pages of the Company's website at www.fidelityinvestmenttrusts.com.

The Company's Remuneration Policy was approved by shareholders at the Annual General Meeting on 18 July 2014, with 98.87% of the votes cast in favour, 0.73% votes against and 0.40% votes withheld.

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £164,496 (2015: £156,457). Information on individual Directors' fees is shown below. In addition, following HMRC regulations, the Company is required to disclose expenses incurred by Directors in attending to the affairs of the Company. These are considered to be a taxable benefit and are disclosed in the table below for the current and prior period.

Directors' Remuneration Report continued

Remuneration of Directors	2017 Projected Total (£)	**2016 Fees (Audited) (£)**	**2016 Taxable Benefits (Audited) (£)**	**2016 Total (Audited) (£)**	2015 Fees (Audited) (£)	2015 Taxable Benefits (Audited) (£)	2015 Total (Audited) (£)
John Owen	13,003	**42,000**	**–**	**42,000**	40,000	–	40,000
Nicholas Bull	38,749	**31,500**	**–**	**31,500**	30,000	–	30,000
David Causer	32,000	**32,000**	**–**	**32,000**	30,000	–	30,000
Peter Pleydell-Bouverie	31,500	**31,500**	**415**	**31,915**	30,000	1,457	31,457
Elisabeth Scott	26,500	**26,500**	**–**	**26,500**	25,000	–	25,000
Vera Hong Wei[1]	26,500	**581**	**–**	**581**	n/a	n/a	n/a
Andrew Wells[2]	–	**–**	**–**	**–**	–	–	–
Total	168,252	**164,081**	**415**	**164,496**	155,000	1,457	156,457

1 Appointed 24 March 2016
2 Waives his Directors' fees

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

Expenditure on Remuneration and Distributions to Shareholders

The table below shows the total amount paid out in remuneration and distribution to shareholders for the financial years 31 March 2015 and 31 March 2016.

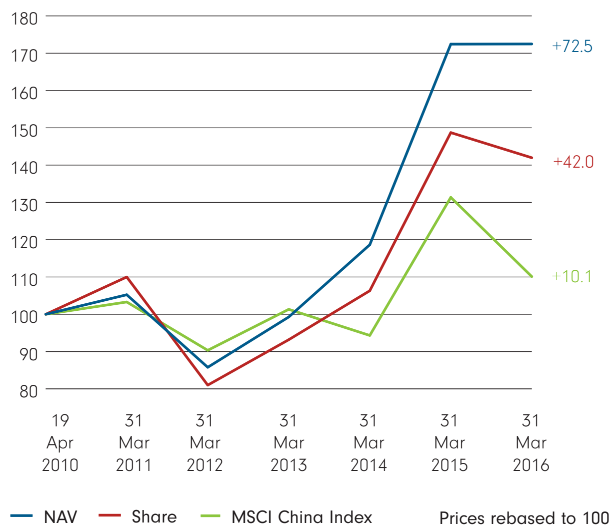
	31 March 2016 £	31 March 2015 £
Expenditure on Remuneration:		
Aggregate of Directors' Fees	**164,496**	156,457
Distribution to Shareholders:		
Dividend payments	**7,306,000**	6,571,000
Shares repurchased	**27,412,000**	121,000

Performance

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

The Company's performance is measured against the return of the MSCI China Index (in UK sterling terms) as this is the most appropriate Benchmark in respect of its asset allocation. The graph below shows performance since launch to 31 March 2016.

Total return performance for six years to 31 March 2016



Prices rebased to 100
Sources:
Fidelity and Datastream

Directors' Interest in Ordinary Shares

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

Directors' Shareholdings (Audited)

	31 March 2016	31 March 2015	Change during year
John Owen	**55,022**	54,658	364[1]
Nicholas Bull	**65,804**	65,804	–
David Causer	**65,804**	65,804	–
Peter Pleydell-Bouverie	**78,683**	59,224	19,459[2]
Elisabeth Scott	**19,819**	12,319	7,500[2]
Vera Hong Wei[3]	**nil**	n/a	–
Andrew Wells	**nil**	nil	–

1 Shares acquired through dividend re-investments
2 Purchase of shares
3 Appointed on 24 March 2016

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

On behalf of the Board

John Owen
Chairman
1 June 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the loss for the period.

In preparing these Financial Statements the Directors are required to:

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

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

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

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

We confirm that to the best of our knowledge the Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces. We confirm that we consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board on 1 June 2016 and signed on its behalf.

John Owen
Chairman

Report of the Audit Committee

As Chairman of the Audit Committee (the "Committee"), I am pleased to present the formal report of the Committee to shareholders on the role and responsibilities and the effectiveness of the external audit process and how this has been assessed for the year ended 31 March 2016.

Composition

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

Role and Responsibilities

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

- Discussing with the Company's independent Auditor the nature and scope of the audit and reviewing the independent Auditor's quality control procedures, reviewing and monitoring the effectiveness of the audit process and the Auditor's independence and objectivity with particular regard to the provision of non-audit services, taking into consideration relevant UK professional and regulatory requirements and by seeking appropriate disclosures and comfort from the Auditor;
- Responsibility for making recommendations on the appointment, reappointment and removal of the Company's independent Auditor;
- Considering the scope of work undertaken by the Managers internal audit department; reviewing the Company's procedures for detecting fraud; and reviewing the effectiveness of the internal control systems (including financial, operational and compliance controls and risk management);
- Monitoring the integrity of the Company's half-yearly and annual financial statements to ensure they are fair, balanced and understandable;
- Reviewing the existence and performance of all controls operating in the Company, including the control reporting of its service providers; and
- Reviewing the relationship with and the performance of third party service providers (such as the registrar, custodian and depositary) and the risks associated with audit firms withdrawing from the market.

Meetings and Business

The Committee met three times during the reporting year and the Company's independent Auditor attended two of these meetings. Attendance by each independent Director is shown in the table on page 27.

The following matters are dealt with at each Committee meeting:

- Review of the Company's risk management and internal controls framework
- Review of the performance fee calculations
- Review of the Company's compliance with its investment policy limits
- Review of the fair value process of investments
- Review of the Depositary's Oversight Report

In addition, the following matters were also dealt with at these meetings:

June 2015	• Consideration of the Auditor's findings • Review of the Auditor's performance, independence and reappointment • Review of compliance with Corporate Governance and regulatory requirements • Review of the Annual Report and Financial Statements and recommendation of its approval to the Board • Recommendation of the final dividend payment to the Board • Review of the Committee's Terms of Reference
November 2015	• Review of the Half-Yearly Report and recommendation of its approval to the Board • Carrying out an audit tender process
February 2016	• Review of Cybersecurity • Review of the independent Auditor's engagement letter and audit plan for the Company's year ending 31 March 2016 • Review of the Committee's Terms of Reference

Report of the Audit Committee continued

Annual Report and Financial Statements

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 34. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement. Committee members apply their expertise and knowledge in reviewing disclosures made in order to ensure that the Financial Statements are fair, balanced and understandable.

Significant Issues considered by the Audit Committee during the Year

Summarised below are the most significant issues considered by the Committee in relation to these Financial Statements and how they were addressed.

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

Appointment of the Independent Auditor

As explained in the Chairman's Statement and following an audit tender, Ernst & Young LLP ("EY") were appointed as the Company's independent Auditor for the year ended 31 March 2016. Prior to the appointment, EY resigned from the provision of non-audit services in relation to taxation services to the Company. The Committee is satisfied with the effectiveness of the audit provided and that EY is independent of the Company. A resolution to confirm the appointment of EY as the Company's independent Auditor will be proposed at the Annual General Meeting on 22 July 2016. The Committee will continue to review the Auditor's appointment each year. There are no contractual obligations that restrict the Company's choice of auditor.

Independence and Effectiveness of the Audit Process

The Committee reviewed the independence of the Auditor and the effectiveness of the audit process prior to recommending their appointment to the Board and prior to the Board's proposal to appoint Ernst & Young LLP at the forthcoming Annual General Meeting.

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

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

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

- the fulfilment by the independent Auditor of the agreed audit plan;
- the audit findings report issued by the independent Auditor on the audit of the Annual Report and Financial Statements for the year ending 31 March 2016; and
- feedback from the Managers.

David Causer
Chairman of the Audit Committee
1 June 2016

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

Our opinion on the financial statements

In our opinion the Financial Statements:

- Give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

We have audited the financial statements of Fidelity China Special Situations PLC for the year ended 31 March 2016 which comprise:

- The Income Statement for the year ended 31 March 2016;
- Statement of Changes in Equity for the year ended 31 March 2016;
- Balance Sheet as at 31 March 2016;
- Cash Flow Statement for the year ended 31 March 2016; and
- The related notes 1 to 20 to the Financial Statements.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Overview of our audit approach

Materiality	**Overall materiality is £9.1m which represents 1% of Net Assets Value**
Audit scope	• We performed the audit of the financial statements at Fidelity Investments Limited to which the Board has delegated the provision of company secretarial and administrative services; • Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company; and • The Company is a single component and we perform a full scope audit on this entity.
Risks of material misstatement	• Valuation and existence of listed investments and derivatives; • Incomplete or inaccurate income recognition; (Significant risk and Fraud risk) • Valuation and existence of unlisted investments; (Significant risk and Fraud risk); and • Incorrect performance fee calculation (Significant risk)

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	**Our response to the risk**	**What we concluded to the Audit Committee**
Valuation and existence of listed investments and derivatives *Refer to the Report of the Audit Committee (page 36); Accounting policies (pages 48 and 49); and Notes 10 and 11 of the Financial Statements (pages 54 and 55)* The valuation of the listed equities portfolio and derivatives at 31 March 2016 was £959.8m (2015: £1,042.7m) comprising £967.6m (2015: £1,000.9m) of listed equities and -£7.8m (2015: £41.8m) of derivatives. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	We performed the following procedures: • Independently revalued all listed investment and derivatives in the portfolio at the year-end using our proprietary pricing tool, EY Visual Portfolio ('EYVP'); • EYVP obtained pricing data from multiple market sources (Bloomberg, Datalink, Standard & Poors and Markit) in order to identify the most appropriate market price for a particular security; • Compared EYVP pricing reports at the year end to the Company's valuation and investigated differences outside of our tolerable variance; • Agreed 100% of exchange rates to a relevant independent source; and • Agreed 100% of the holdings in the listed equity portfolio and derivatives to third party confirmation received from the Custodian, Brokers and Depository.	For all listed investments and derivatives, we noted no material differences in market value or exchange rates. We noted no unreconciled differences between the Custodian, Brokers or Depository confirmations and the Company's underlying financial records.

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

Risk	Our response to the risk	What we concluded to the Audit Committee
Incomplete or inaccurate income recognition *Refer to the Report of the Audit Committee (page 36); Accounting policies (page 47); and Note 3 of the Financial Statements (page 50)* The Company has reported revenue of £20.0m (2015: £15.4m) We focused on the recognition of revenue and its presentation in the financial statements given the importance of the total return to shareholders. We identified the incomplete or inaccurate income recognition to be a significant risk and a potential fraud risk due to the scope for reduced transparency and availability of reliable information in emerging markets.	We performed the following procedures: • Walkthrough of processes to obtain an understanding and evaluate design effectiveness of controls; • Agreed a sample of dividends received on investments held from an independent pricing source to the income report and bank statements; • Agreed a sample of dividends declared during the year by some of the largest listed investments held by the Company as at the year end to an independent pricing source, income report and bank statements; • Agreed 100% of accrued dividends at the beginning of the year and at the end of the year to an independent source and to the cash received post year end; • Agreed 100% of dividends received and accrued from suspended and unlisted securities to an independent source and to the bank statement; and • Agreed the exchange rates used to translate a sample of income received in foreign currencies during the year.	We noted no issues in agreeing the sample of dividend income from equity and derivative securities to and from the independent source and to the bank statements. We noted no issues in agreeing the accrued dividend to an independent source.
Valuation and existence of unlisted investments *Refer to the Report of Audit Committee (page 36); Accounting policies (page 48); and Note 10 of the Financial Statements (page 54)* The Company has an unlisted investments balance at the year end of £20.3m (2015: £0.16m). The degree of subjectivity, reliance on the fund manager for certain information and the level of management judgement potentially required in our view imposes a significant and fraud risk.	We performed the following procedures: • Walkthrough of processes to obtain an understanding and evaluate design effectiveness of controls; • Verified the valuation methodology used by the FIL Fair Value Committee and confirmed that this was consistent with IFRS and International Private Equity and Venture Capital Valuation Guidelines; • Evaluated the assumptions and judgments made by the FIL Fair Value Committee in determining the fair value of the unlisted securities held by the Company; • Obtained third party supporting evidence to corroborate the recent transactions used to assign a fair value price to the Company's unlisted holdings; • Investigated any price differences outside of our tolerable variance • Agreed 100% of exchange rates to a relevant independent source; and • Agreed 100% of unlisted investment holdings in the portfolio to third party confirmations received from the Custodian or Depositary.	For all unlisted investments we noted no issues in agreeing the number of shares acquired and the transaction price to a shares purchase agreement or share transfer agreement and to the bank statement. Based on the work performed we reported to the Audit Committee that the valuation ascribed to the Company's unlisted securities were appropriate.

Risk	Our response to the risk	What we concluded to the Audit Committee
Incorrect performance fee calculation *Refer to the Report of the Audit Committee (page 36); Accounting policies (page 48); and Note 4 of the Financial Statements (page 50)* The Company has reported performance fee expense of £9.1m (2015: £4.7m). We focused on this area due to the importance shareholders attribute to this profit related expense. We identified Incorrect Performance Fees as a significant risk due to the complexity of the calculation with a number of variables and market inputs performed and sourced by FIL.	We performed the following procedures: • Walkthrough of processes to obtain an understanding and evaluate design effectiveness of controls; • Recalculated the performance fees payable and ensured the calculations are in line with the Investment Management Agreement; • Validated all key external inputs used in the calculations to third party source data; • Discussed any areas of interpretation of the performance fee calculation methodology with representatives of FIL and the Audit Committee; and • Inquired and obtained an understanding of the Managers and the Administrator's systems and controls with respect to the net asset value (NAV) and NAV return calculations used as the basis for calculating the performance fees.	We noted no issues in recalculating the performance fee in accordance with the Investment Management Agreement. We noted no issues in validating all key external inputs to an independent source. We confirmed to the audit committee that our own recalculation concluded that the 1% cap was triggered and determines the performance fee for the current year, which was consistent with the result of the calculations performed by FIL.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls at the Investment Manager, Administrator and Custodian and changes in the business environment when assessing the level of work to be performed. The Company is a single component and we perform a full scope audit on this Company.

Our application of materiality

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

Materiality	£9.1m
Basis	1% of Net Asset Value
Rational	We applied this basis as it is a generally accepted auditing practice for investment trust audits.
Performance materiality for the financial statements as a whole	£4.55m
Specific performance materiality for the income statement column	£0.3m
Reporting Threshold	£0.45m

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

Materiality

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

We determined materiality for the Company to be £9.1m, which is 1% of the Company's Net Asset Value. We believe that Net Asset Value provides the most important financial metric on which shareholders would judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

Performance materiality

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

- We set performance materiality at 50% of materiality, namely £4.55m, to reflect that this is our first year as auditor of Fidelity China Special Situations PLC.

- Given the importance of the revenue/capital distinction for the Company, we also applied a lesser testing threshold of £0.3m for the revenue column of the Income Statement, being 2.5% of profit before taxation.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.45m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

Matters on which we are required to report by exception

International Standards on Auditing (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • Materially inconsistent with the information in the audited financial statements; or • Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or • Otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	We are required to report to you if, in our opinion: • Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • The financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • Certain disclosures of directors' remuneration specified by law are not made; or • We have not received all the information and explanations we require for our audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • The directors' statement in relation to going concern, set out on page 23, and longer-term viability, set out on pages 13 and 14; and • The part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

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

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

International Standards on Auditing (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • The directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • The disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • The directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Matthew Price
(Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
1 June 2016

Notes:

- The maintenance and integrity of the Fidelity International web site is the responsibility of Fidelity International; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 revenue £'000	Year ended 31 March 2016 capital £'000	Year ended 31 March 2016 total £'000	Year ended 31 March 2015 revenue £'000	Year ended 31 March 2015 capital £'000	Year ended 31 March 2015 total £'000
Revenue							
Investment income	3	**17,571**	**–**	**17,571**	14,613	–	14,613
Derivative income	3	**2,345**	**–**	**2,345**	796	–	796
Other income	3	**118**	**–**	**118**	29	–	29
Total income		**20,034**	**–**	**20,034**	15,438	–	15,438
(Losses)/gains on investments held at fair value through profit or loss	10	**–**	**(5,445)**	**(5,445)**	–	273,943	273,943
Gains on derivative instruments	11	**–**	**6,832**	**6,832**	–	32,136	32,136
Foreign exchange (losses)/gains on other net assets		**(42)**	**3,281**	**3,239**	14	2,102	2,116
Foreign exchange losses on bank loans		**–**	**(3,301)**	**(3,301)**	–	(11,051)	(11,051)
Total income and gains		**19,992**	**1,367**	**21,359**	15,452	297,130	312,582
Expenses							
Investment management and performance fees	4	**(4,569)**	**(13,707)**	**(18,276)**	(4,047)	(8,791)	(12,838)
Other expenses	5	**(1,911)**	**–**	**(1,911)**	(1,763)	–	(1,763)
Profit/(loss) before finance costs and taxation		**13,512**	**(12,340)**	**1,172**	9,642	288,339	297,981
Finance costs	6	**(1,499)**	**(1,499)**	**(2,998)**	(1,064)	(1,064)	(2,128)
Profit/(loss) before taxation		**12,013**	**(13,839)**	**(1,826)**	8,578	287,275	295,853
Taxation	7	**(413)**	**1,300**	**887**	(515)	(663)	(1,178)
Net profit/(loss) after taxation for the year		**11,600**	**(12,539)**	**(939)**	8,063	286,612	294,675
Earnings/(loss) per Ordinary Share	8	**2.07p**	**(2.24p)**	**(0.17p)**	1.41p	50.17p	51.58p

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

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

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

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

The Notes on pages 47 to 65 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2016

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Total equity at 31 March 2015		**5,713**	**211,569**	**914**	**366,249**	**346,743**	**12,947**	**944,135**
Repurchase of Ordinary Shares	15	**–**	**–**	**–**	**(27,412)**	**–**	**–**	**(27,412)**
Net (loss)/profit after taxation for the year		**–**	**–**	**–**	**–**	**(12,539)**	**11,600**	**(939)**
Dividend paid	9	**–**	**–**	**–**	**–**	**–**	**(7,306)**	**(7,306)**
Total equity at 31 March 2016		**5,713**	**211,569**	**914**	**338,837**	**334,204**	**17,241**	**908,478**
Total equity at 31 March 2014		5,713	211,569	914	366,370	60,131	11,455	656,152
Repurchase of Ordinary Shares	15	–	–	–	(121)	–	–	(121)
Net profit after taxation for the year		–	–	–	–	286,612	8,063	294,675
Dividend paid	9	–	–	–	–	–	(6,571)	(6,571)
Total equity at 31 March 2015		5,713	211,569	914	366,249	346,743	12,947	944,135

The Notes on pages 47 to 65 form an integral part of these Financial Statements.

Balance Sheet

as at 31 March 2016
Company number 7133583

	Notes	2016 £'000	2015 £'000
Non current assets			
Investments held at fair value through profit or loss	10	**987,878**	1,001,043
Current assets			
Derivative instruments	11	**20,275**	43,907
Amounts held at futures clearing houses and brokers		**12,740**	1,383
Other receivables	12	**3,531**	3,388
Cash and cash equivalents		**30,266**	14,932
		66,812	63,610
Current liabilities			
Derivative instruments	11	**(28,082)**	(2,134)
Bank loans	13	**(104,315)**	(101,014)
Overseas capital gains tax payable		**–**	(1,300)
Other payables	14	**(13,815)**	(16,070)
		(146,212)	(120,518)
Net current liabilities		**(79,400)**	(56,908)
Net assets		**908,478**	944,135
Equity attributable to equity shareholders			
Share capital	15	**5,713**	5,713
Share premium account	16	**211,569**	211,569
Capital redemption reserve	16	**914**	914
Other reserve	16	**338,837**	366,249
Capital reserve	16	**334,204**	346,743
Revenue reserve	16	**17,241**	12,947
Total equity		**908,478**	944,135
Net asset value per Ordinary Share	17	**164.18p**	165.27p

The Financial Statements on pages 43 to 65 were approved by the Board of Directors and authorised for issue on 1 June 2016 and were signed on its behalf by:

John Owen
Chairman

The Notes on pages 47 to 65 form an integral part of these Financial Statements.

Cash Flow Statement

for the year ended 31 March 2016

	2016 £'000	2015 £'000
Operating activities		
Cash inflow from investment income	**17,375**	13,466
Cash inflow from derivative income	**2,345**	796
Cash inflow from other income	**118**	29
Cash outflow from Directors' fees	**(164)**	(155)
Cash outflow from other payments	**(15,757)**	(15,620)
Cash outflow from the purchase of investments	**(628,799)**	(565,796)
Cash outflow from the purchase of derivatives	**(9,340)**	(3,261)
Cash inflow from the sale of investments	**628,999**	579,499
Cash inflow/(outflow) from the settlement of derivatives	**65,752**	(1,630)
Cash outflow from amounts held at futures clearing houses and brokers	**(11,357)**	(1,383)
Net cash inflow from operating activities	**49,172**	5,945
Financing activities		
Cash outflow from loan interest paid	**(1,533)**	(1,376)
Cash outflow from CFD interest paid	**(992)**	(546)
Cash outflow short CFD dividends paid	**(384)**	(178)
Cash outflow from the repurchase of Ordinary Shares	**(26,904)**	(1,106)
Cash outflow from dividends paid to shareholders	**(7,306)**	(6,571)
Cash outflow from financing activities	**(37,119)**	(9,777)
Increase/(decrease) in cash and cash equivalents	**12,053**	(3,832)
Cash and cash equivalents at the start of the year	**14,932**	16,662
Effect of foreign exchange movements	**3,281**	2,102
Cash and cash equivalents at the end of the year	**30,266**	14,932

The Notes on pages 47 to 65 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Principal Activity

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

2 Accounting Policies

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

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

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

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

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases

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

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

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

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

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

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

2 Accounting Policies continued

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

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

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

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

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

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

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

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

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

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

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

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

2 Accounting Policies continued

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

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

n) Amounts held at futures clearing houses and brokers

Amounts held at futures clearing houses and brokers are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

o) Other receivables

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

p) Cash and cash equivalents

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

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

r) Other payables

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

s) Share premium account and other reserve

The full cost of shares repurchased and held in treasury is charged to other reserve. Where treasury shares are subsequently reissued, any surplus is taken to the share premium account.

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

- Gains and losses on the disposal of investments and derivatives instruments;
- Changes in the fair value of investments and derivative instruments, held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Performance fees;
- 50% of investment management fees;
- 50% of finance costs;
- Dividends receivable which are capital in nature; and
- Taxation charged or credited relating to items which are capital in nature.

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash, with the exception of level 3 investments with a fair value of £20,317,000 (2015: £160,000).

Notes to the Financial Statements continued

3 Income

	Year ended 31.03.16 £'000	Year ended 31.03.15 £'000
Investment income		
Overseas dividends	**17,546**	14,548
Overseas scrip dividends	**25**	65
	17,571	14,613
Derivative income		
Dividends on long CFDs	**2,340**	796
Interest on short CFDs	**5**	–
	2,345	796
Other income		
Deposit interest	**118**	29
Total income	**20,034**	15,438

4 Investment Management and Performance Fees

	Year ended 31 March 2016			Year ended 31 March 2015		
	revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Investment management fee	**4,569**	**4,569**	**9,138**	4,047	4,047	8,094
Performance fee	**–**	**9,138**	**9,138**	–	4,744	4,744
	4,569	**13,707**	**18,276**	4,047	8,791	12,838

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

In addition, the Investment Managers are entitled to an annual performance fee of 15.0% of any change in the NAV per Ordinary Share attributable to performance which is more than 2% above the return on the MSCI China Index, subject to a maximum performance fee payable in any year equal to 1.0% of the arithmetic mean of the NAV calculated at the end of each month during the year. The performance fee payable this year is capped at 1% (2015: the fee was below the cap). Any out-performance above the cap is lost. If the Company's NAV performance in any year is less than 2% above the return on the MSCI China Index, the under-performance must be made good before any further performance fee becomes payable. Both the NAV per Ordinary Share and the MSCI China Index are calculated on a total return basis.

5 Other Expenses

	Year ended 31.03.16 £'000	Year ended 31.03.15 £'000
AIC fees	**20**	21
Custody fees	**420**	351
Depositary fees	**62**	51
Directors' expenses	**62**	54
Directors' fees[1]	**164**	156
Legal and professional fees	**76**	92
Marketing expenses	**230**	174
Printing and publication expenses	**122**	114
Registrars' fees	**72**	73
Secretarial and administration fees payable to the Investment Managers	**600**	600
Other expenses	**55**	47
Fees payable to the Independent Auditor for the audit of the Financial Statements	**28**	30
	1,911	1,763

1 Details of the breakdown of Directors' fees are provided within the Directors' Remuneration Report on page 32.

6 Finance Costs

	Year ended 31 March 2016			Year ended 31 March 2015		
	revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Interest on bank loans and overdrafts	**794**	**794**	**1,588**	693	693	1,386
Interest paid on CFDs	**513**	**513**	**1,026**	282	282	564
Dividends paid on short CFDs	**192**	**192**	**384**	89	89	178
	1,499	**1,499**	**2,998**	1,064	1,064	2,128

7 Taxation

	Year ended 31 March 2016 revenue £'000	capital £'000	total £'000	Year ended 31 March 2015 revenue £'000	capital £'000	total £'000
a) Analysis of the taxation (credit)/charge for the year						
Overseas taxation charge	**413**	**–**	**413**	515	–	515
Overseas capital gains tax (credit)/charge[1]	**–**	**(1,300)**	**(1,300)**	–	663	663
Total taxation (credit)/charge for the year (see Note 7b)	**413**	**(1,300)**	**(887)**	515	663	1,178

1 The Chinese capital gains tax provision has been released following the ratification of a new tax treaty between the UK and China.

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

The taxation (credit)/charge for the year is higher/lower than the standard rate of UK corporation tax for an investment trust company of 20% (2015: 21%). A reconciliation of the standard rate of UK corporation tax to the taxation (credit)/charge for the year is shown below:

	Year ended 31 March 2016 revenue £'000	capital £'000	total £'000	Year ended 31 March 2015 revenue £'000	capital £'000	total £'000
Profit/(loss) before taxation	**12,013**	**(13,839)**	**(1,826)**	8,578	287,275	295,853
Profit/(loss) before taxation multiplied by the standard rate of UK corporation tax of 20% (2015: 21%)	**2,403**	**(2,768)**	**(365)**	1,801	60,328	62,129
Effects of:						
Gains on investments not taxable[2]	**–**	**(150)**	**(150)**	–	(62,397)	(62,397)
Income not taxable	**(3,374)**	**–**	**(3,374)**	(2,999)	–	(2,999)
Excess expenses	**971**	**2,918**	**3,889**	1,204	2,069	3,273
Overseas taxation expensed	**–**	**–**	**–**	(6)	–	(6)
Overseas taxation	**413**	**–**	**413**	515	–	515
Overseas capital gains tax	**–**	**(1,300)**	**(1,300)**	–	663	663
Total taxation (credit)/charge (Note 7a)	**413**	**(1,300)**	**(887)**	515	663	1,178

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

c) Deferred taxation

A deferred tax asset of £14,870,000 (2015: £12,475,000), in respect of excess management expenses of £78,771,000 (2015: £59,328,000) and excess loan interest of £3,842,000 (2015: £3,049,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 Earnings/(loss) per Ordinary Share

	Year ended 31 March 2016			Year ended 31 March 2015		
	revenue	**capital**	**total**	revenue	capital	total
Earnings/(loss) per Ordinary Share – basic and diluted	**2.07p**	**(2.24p)**	**(0.17p)**	1.41p	50.17p	51.58p

Earnings/(loss) per Ordinary Share is based on the revenue net profit after taxation for the year of £11,600,000 (2015: £8,063,000), the capital net loss after taxation for the year of £12,539,000 (2015: net profit £286,612,000) and the total net loss after taxation for the year of £939,000 (2015: net profit £294,675,000) and on 559,532,936 (2015: 571,313,658) Ordinary Shares, being the weighted average number of Ordinary Shares held outside Treasury in issue during the year. Basic and diluted earnings per share are the same as the Company has no dilutive financial instruments.

9 Dividends paid

	Year ended 31.03.16 £'000	Year ended 31.03.15 £'000
Dividend paid		
Dividend paid of 1.30 pence per Ordinary Share for the year ended 31 March 2015	**7,306**	–
Dividend paid of 1.15 pence per Ordinary Share for the year ended 31 March 2014	**–**	6,571
	7,306	6,571
Dividend proposed		
Dividend proposed of 1.80 pence per Ordinary Share for the year ended 31 March 2016	**9,950**	–
Dividend proposed of 1.30 pence per Ordinary Share for the year ended 31 March 2015	**–**	7,332
	9,950	7,332

The Directors have proposed the payment of a dividend for the year ended 31 March 2016 of 1.80 pence per Ordinary Share which is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The dividend will be paid on 26 July 2016 to shareholders on the register at the close of business on 24 June 2016 (ex dividend date 23 June 2016).

10 Investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Total investments*	**987,878**	1,001,043
Opening book cost	**817,499**	656,421
Opening investment holding gains	**183,544**	78,898
Opening fair value and gross asset exposure of investments	**1,001,043**	735,319
Movements in the year		
Purchases at cost	**621,679**	573,916
Sales – proceeds	**(629,399)**	(582,135)
Sales – gains in the year	**134,318**	169,297
Movement in investment holding (losses)/gains in the year	**(139,763)**	104,646
Closing fair value and gross asset exposure of investments	**987,878**	1,001,043
Closing book cost	**944,097**	817,499
Closing investment holding gains	**43,781**	183,544
Closing fair value and gross asset exposure of investments	**987,878**	1,001,043

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

	Year ended 31.03.16 £'000	Year ended 31.03.15 £'000
(Losses)/gains on investments		
Gains on sales of investments	**134,318**	169,297
Investment holding (losses)/gains	**(139,763)**	104,646
	(5,445)	273,943

Investment transaction costs

Transaction costs incurred in the acquisition and disposal of investments, which are included in the (losses)/gains on investments held at fair value through profit or loss in the capital column of the Income Statement, were as follows:

	Year ended 31.03.16 £'000	Year ended 31.03.15 £'000
Purchases transaction costs	**1,429**	1,375
Sales transaction costs	**1,254**	1,169
	2,683	2,544

The portfolio turnover rate for the year was 63.9% (2015: 68.3%).

Substantial interest

As at 31 March 2016 the Company held 8,435,776 ordinary shares of 10 pence each in DJI Holdings PLC, a company listed on AIM and incorporated in the UK. This holding represented 5.8% of the issued share capital of DJI Holdings PLC which, in the opinion of the Directors, did not represent a participating interest.

11 Derivative instruments

Net gains on derivative instruments	Year ended 31.03.16 £'000	Year ended 31.03.15 £'000
Realised gains/(losses) on CFDs	**34,593**	(3,155)
Realised gains on futures	**12,865**	–
Realised gains/(losses) on options	**7,688**	(2,005)
Realised losses on warrants	**(2)**	–
Movement on investment holding (losses)/gains on CFDs	**(47,305)**	36,703
Movement on investment holding losses on futures	**(514)**	–
Movement on investment holding (losses)/gains on options	**(355)**	874
Movement on investment holding losses on warrants	**(138)**	(281)
	6,832	32,136

Fair value of derivative instruments recognised on the Balance Sheet	2016 fair value £'000	2015 fair value £'000
Derivative assets held at fair value through profit or loss	**20,275**	43,907
Derivative liabilities held at fair value through profit or loss	**(28,082)**	(2,134)
	(7,807)	41,773

At the year end the Company held the following derivative instruments	2016 fair value £'000	2016 gross asset exposure £'000	2015 fair value £'000	2015 gross asset exposure £'000
Long CFDs	**(5,583)**	**204,668**	40,691	137,324
Short CFDs	**–**	**–**	(679)	22,757
Short CFD (hedging exposure)	**(1,710)**	**(16,818)**	–	–
Futures (hedging exposure)	**(514)**	**(20,381)**	–	–
Call options	**–**	**–**	1,623	27,854
Warrants	**–**	**–**	138	140
	(7,807)	**167,469**	41,773	188,075

12 Other Receivables

	2016 £'000	2015 £'000
Securities sold for future settlement	**3,171**	2,771
Accrued income	**296**	581
Other debtors and pre-payments	**64**	36
	3,531	3,388

Notes to the Financial Statements continued

13 Bank Loans

	2016 £'000	2015 £'000
Variable rate unsecured US dollar loan		
US dollar 150,000,000 @ 1.82% (2015:1.46%), repayable on 18 May 2016	**104,315**	101,014

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

14 Other Payables

	2016 £'000	2015 £'000
Securities purchased for future settlement	**1,035**	8,180
Amount payable on share repurchases	**508**	–
Performance fee	**9,138**	4,744
Investment management, secretarial and administration fees	**2,407**	2,509
Other creditors and accrued expenses	**727**	637
	13,815	16,070

15 Share Capital

	2016 Number of shares	2016 £'000	2015 Number of shares	2015 £'000
Issued, allotted and fully paid				
Ordinary Shares of 1 penny – held outside Treasury				
Beginning of the year	**571,254,480**	**5,712**	571,354,480	5,713
Ordinary Shares repurchased into Treasury	**(17,915,000)**	**(179)**	(100,000)	(1)
End of the year	**553,339,480**	**5,533**	571,254,480	5,712
Ordinary Shares of 1 penny – held in Treasury				
Beginning of the year	**100,000**	**1**	–	–
Ordinary Shares repurchased into Treasury	**17,915,000**	**179**	100,000	1
End of the year	**18,015,000**	**180**	100,000	1
Total share capital		**5,713**		5,713

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

During the year the Company repurchased 17,915,000 Ordinary shares (2015: 100,000) and placed them in Treasury. The cost of repurchasing these shares £27,412,000 (2015: £121,000) is charged to the Other Reserve.

16 Reserves

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

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

The other reserve is a distributable premium reserve created on 21 April 2010 when High Court approval was given for the share premium account at that date to be cancelled. As a result £452,232,000 was transferred from the share premium account to the other reserve. It can be used to fund share repurchases.

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

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

17 Net Asset Value per Ordinary Share

The net asset value per Ordinary Share is based on net assets of £908,478,000 (2015: £944,135,000) and on 553,339,480 (2015: 571,254,480) Ordinary Shares, being the number of Ordinary Shares held outside Treasury in issue at the year end. It is the Company's policy that Ordinary Shares held in Treasury will only be issued at a premium to net asset value per share and, therefore, the shares held in Treasury have no dilutive effect.

18 Financial Instruments

Management of risk

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

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

The Company's financial instruments comprise:

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

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

Notes to the Financial Statements continued

18 Financial Instruments continued

Market price risk

Interest rate risk

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

Interest rate risk exposure

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

Exposure to financial instruments that bear interest	**2016 £'000**	2015 £'000
Long CFDs – exposure less fair value	**210,251**	96,633
Short CFDs – exposure plus fair value	**15,108**	22,078
Bank loans	**104,315**	101,014
	329,674	219,725
Exposure to financial instruments that earn interest		
Cash at bank	**30,266**	14,932
Amounts held at futures clearing houses and brokers	**12,740**	1,383
	43,006	16,315
Net exposure to financial instruments that bear interest	**286,668**	203,410

Foreign currency risk

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

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

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

18 Financial Instruments continued

Currency exposure of financial assets

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

					2016
currency	**investments held at fair value through profit or loss £'000**	**exposure to long derivative instruments £'000**	**other receivables* £'000**	**cash and cash equivalents £'000**	**total £'000**
Australian dollar	**2,564**	**–**	**–**	**–**	**2,564**
Canadian dollar	**925**	**–**	**–**	**–**	**925**
Chinese renminbi	**162,042**	**–**	**–**	**30,039**	**192,081**
Hong Kong dollar	**545,809**	**204,668**	**3,382**	**87**	**753,946**
Singapore dollar	**7,475**	**–**	**–**	**–**	**7,475**
Taiwan dollar	**36,790**	**–**	**285**	**124**	**37,199**
UK sterling	**37,247**	**–**	**58**	**3**	**37,308**
US dollar	**195,026**	**–**	**12,546**	**13**	**207,585**
	987,878	**204,668**	**16,271**	**30,266**	**1,239,083**

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

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

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

18 Financial Instruments continued

Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital, reserves and borrowings.

The Company's financial liabilities comprise short positions on derivative instruments, US dollar denominated bank loans and other payables. The currency profile of these financial liabilities is shown below.

currency	**exposure to short derivative instruments £'000**	**US dollar bank loans £'000**	**other payables £'000**	**2016 total £'000**
Chinese renminbi	**–**	**–**	**–**	**–**
Hong Kong dollar	**37,199**	**–**	**1,019**	**38,218**
Singapore dollar	**–**	**–**	**–**	**–**
Taiwan dollar	**–**	**–**	**20**	**20**
UK sterling	**–**	**–**	**12,549**	**12,549**
US dollar	**–**	**104,315**	**227**	**104,542**
	37,199	**104,315**	**13,815**	**155,329**

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

* Other payables include overseas capital gains tax payable.

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments. It represents the potential loss the Company might suffer through price movements in its investment positions.

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

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

18 Financial Instruments continued

Liquidity

The Company's assets mainly comprise readily realisable securities which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved by the use of overdraft facilities if required. The Company has the facility to borrow up to US dollar 150,000,000 until 14 February 2017. The current borrowing is shown in Note 13 above. Other financial liabilities are repayable within one year.

Counterparty risk

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

For OTC derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 March 2016 £3,121,000 (2015: £39,032,000) was held by the broker, in government bonds in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company and £12,740,000 (2015: £1,383,000), was held by the Company in cash, shown as Amounts held at futures clearing houses and brokers on the Balance Sheet, in a segregated collateral account on behalf of the broker, to reduce the credit risk exposure of the broker.

Credit risk

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

Derivative instruments risk

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

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

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

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at the balance sheet date, an increase of 0.25% in interest rates throughout the year would have increased the loss after taxation for the year and decreased the net assets of the Company by £717,000 (2015: decreased the profit after taxation and decreased the net assets by £509,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

18 Financial Instruments continued

Foreign currency risk sensitivity analysis

Based on the financial assets and liabilities held and the exchange rates ruling at the balance sheet date, a strengthening of the UK sterling exchange rate by 10% against other currencies would have increased the net loss after taxation for the year (2015: decreased the net profit) and decreased the net assets of the Company by the following amounts:

currency	**2016 £'000**	2015 £'000
Australian dollar	**233**	451
Canadian dollar	**84**	243
Chinese renminbi	**17,462**	15,446
Hong Kong dollar	**49,132**	51,296
Singapore dollar	**680**	550
Taiwan dollar	**3,380**	1,281
US dollar	**9,368**	13,577
	80,339	82,844

Based on the financial assets and liabilities held and the exchange rates ruling at the balance sheet date, a weakening of the UK sterling exchange rate by 10% against other currencies would have decreased the net loss after taxation for the year (2015: increased the net profit) and increased the net assets of the Company by the following amounts:

currency	**2016 £'000**	2015 £'000
Australian dollar	**285**	551
Canadian dollar	**103**	297
Chinese renminbi	**21,342**	18,879
Hong Kong dollar	**60,050**	62,695
Singapore dollar	**831**	672
Taiwan dollar	**4,131**	1,566
US dollar	**11,449**	16,594
	98,191	101,254

Other price risk sensitivity analysis

Changes in market prices affect the net profit/(loss) after taxation for the year and the net assets of the Company. Details of how the Board sets risk parameters and performance objectives are disclosed in the Strategic Report, on pages 12 and 13.

An increase of 10% in the share prices of the investments held at fair value through profit or loss at the balance sheet date would have decreased the loss after taxation for the year and increased the net assets of the Company by £98,788,000 (2015: increased the profit after taxation and increased the net assets by £100,104,000). A decrease of 10% in the share prices of the investments designated at fair value through profit or loss would have had an equal but opposite effect.

Derivative instruments exposure sensitivity analysis

The Company invests in derivative instruments to gain exposure to the equity market. An increase of 10% in the share prices of the investments underlying the derivative instruments at the balance sheet date would have decreased the loss after taxation for the year and increased the net assets of the Company by £16,747,000 (2015: increased the profit after taxation and increased the net assets by £14,256,000). A decrease of 10% in the share prices of the investments underlying the derivative instruments would have had an equal but opposite effect.

18 Financial Instruments continued

Fair Value of Financial Assets and Liabilities

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

		2016		2015
	fair value £'000	**book value £'000**	fair value £'000	book value £'000
Variable rate unsecured loan of US dollar 150,000,000	**104,790**	**104,315**	101,382	101,014

Fair Value Hierarchy

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

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

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

				2016
Financial assets at fair value through profit or loss	**level 1 £'000**	**level 2 £'000**	**level 3 £'000**	**total £'000**
Investments – shares	**963,712**	**–**	**20,317**	**984,029**
Investments – equity linked notes	**–**	**3,849**	**–**	**3,849**
Derivative instruments	**–**	**20,275**	**–**	**20,275**
	963,712	**24,124**	**20,317**	**1,008,153**
Financial liabilities at fair value through profit or loss				
Derivative instruments	**–**	**(28,082)**	**–**	**(28,082)**
Financial liabilities at amortised cost				
Bank loan	**–**	**(104,315)**	**–**	**(104,315)**

18 Financial Instruments continued

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

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

Movements in level 3 investments during the year	**2016 level 3 £'000**	2015 level 2 £'000
Level 3 investments at the beginning of the year	**160**	33,245
Purchases at cost	**17,664**	160
Transfers into level 3[1]	**8,767**	–
Transfers out of level 3[2]	**–**	(33,245)
Unrealised profits recognised in the Income Statement	**3,392**	–
Losses recognised in the Income Statement	**(9,666)**	–
Level 3 investments at the end of the year	**20,317**	160

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

2 Financial instruments are transferred out of level 3 when they commence trading on an active market.

19 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital, reserves and gearing, which are disclosed in the Balance Sheet above. It is managed in accordance with its investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on pages 10 and 11. The principal risks and their management are disclosed in the Strategic Report on pages 12 and 13 and in Note 18 above.

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

Gross asset exposure	2016 £'000	2015 £'000
Investments	987,878	1,001,043
Long derivatives	204,668	165,318
Total long exposures before hedges	**1,192,546**	1,166,361
Less: short derivatives hedging the above	(37,199)	–
Total long exposures after the netting of hedges	**1,155,347**	1,166,361
Short derivatives	–	22,757
Gross Asset Exposure	**1,155,347**	1,189,118
Net assets	**908,478**	944,135
Gearing (Gross Asset Exposure in excess of Net Assets)	**27.2%**	25.9%

20 Transactions with the Managers and Related Parties

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

Details of the fee arrangements are given on page 23 in the Directors' Report. During the year management fees of £9,138,000 (2015: £8,094,000), performance fees of £9,138,000 (2015: £4,744,000) and accounting, administration and secretarial fees of £600,000 (2015: £600,000) were payable to the Managers. At the balance sheet date, management fees of £2,257,000 (2015: £2,359,000), performance fees of £9,138,000 (2015: £4,744,000) and accounting, administration and secretarial fees of £150,000 (2015: £150,000) were accrued and included in other payables. Fidelity also provides the Company with marketing services. The total amount payable for these services was £230,000 (2015: £174,000). At the balance sheet date £80,000 (2015: £99,000) was accrued and included in other payables.

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and taxable benefits relating to reasonable travel expenses payable to the Directors are given in the Directors' Remuneration Report on pages 32 and 33. The Directors received compensation of £179,000 (2015: £167,000). In addition to the fees and taxable benefits disclosed in the Directors' Remuneration Report, this amount includes £15,000 (2015: £11,000) of employers' National Insurance Contributions paid by the Company.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity China Special Situations PLC will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB, on 22 July 2016 at 11.00 am for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 March 2016.
2. To declare that a final dividend for the year ended 31 March 2016 of 1.80 pence per Ordinary Share be paid to shareholders who appear on the register as at close of business on 24 June 2016.
3. To re-elect Mr Nicholas Bull as a Director.
4. To re-elect Mr David Causer as a Director.
5. To elect Mr John Ford as a Director.
6. To re-elect The Hon Peter Pleydell-Bouverie as a Director.
7. To re-elect Ms Elisabeth Scott as a Director.
8. To elect Ms Vera Hong Wei as a Director.
9. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 31) for the year ended 31 March 2016.
10. To approve the appointment of Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which Financial Statements are laid before the Company.
11. To authorise the Directors to determine the Auditor's remuneration.

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

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

Resolutions 12 and 13 will, if approved, authorise the Directors to allot a limited number of the new Ordinary Shares (or sell any Ordinary Shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 10% of the number of Ordinary Shares of the Company (including Treasury Shares) in issue on 1 June 2016. The Directors will only issue new Ordinary Shares, or dispose of Ordinary Shares held in Treasury, under this authority in order to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so. Any Ordinary Shares held in Treasury would only be re-issued at NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the Ordinary Shares would enhance NAV per share.

12. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("relevant securities") up to an aggregate nominal amount of £552,764 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury Shares) as at 1 June 2016) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury Shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

13. THAT, subject to the passing of resolution 12 set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said resolution 12 and/or to sell Ordinary Shares held by the Company as Treasury Shares for cash, as if Section 561 of the Act did not apply to any such allotment, or sale, provided that this power shall be limited:

    a) to the allotment of equity securities or sale of Treasury Shares up to an aggregate nominal amount of £552,764 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury Shares) as at 1 June 2016); and

    b) in either case, by the condition that allotments of equity securities or sales of Treasury Shares may only be made pursuant to this authority at a price of not less than the Net Asset Value per share.

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

Authority to repurchase shares

Resolution 14 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of Ordinary Shares in issue (excluding Treasury Shares) on 1 June 2016 for immediate cancellation or for retention as Treasury Shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of Ordinary Shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing Net Asset Value per share, thereby resulting in an increased Net Asset Value per share.

14. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of Ordinary Shares of 1 penny each in the capital of the Company (the "shares") provided that:

    a) the maximum number of shares hereby authorised to be purchased shall be 85,646,036;

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

    c) the maximum price which may be paid for a share is the higher of: (i) an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased; and (ii) the amount stipulated by Regulatory Technical Standards adopted by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;

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

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

Change to the Investment Policy

Resolution 15 is an ordinary resolution which, if approved, will amend the Company's Investment Policy to increase the unlisted securities limit from 5% of Gross Assets to 10% of Gross Assets. The full text of the Investment Policy and the marked-up change are in the Appendix to this Notice of Meeting on page 69.

15. THAT the change to the Investment Policy to increase the limit in the unlisted securities that the Company is permitted to invest in from 5% to 10% of Gross Assets, as set out in the Appendix to this Notice of Meeting on page 69, be and is hereby approved and adopted with immediate effect.

By Order of the Board
FIL Investments International
Secretary
1 June 2016

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 11.00 am on 20 July 2016. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.
4. In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11.00 am on 20 July 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with

appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 11.00 am on 20 July 2016.

6. All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on 20 July 2016.
7. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in note 2 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding three per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.
9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members by close of business on 20 July 2016. If the meeting is adjourned then, to be so entitled, members must be entered on the register of members at close of business on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
10. As at 1 June 2016 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 571,354,480 Ordinary Shares (excluding Treasury Shares) carrying one vote each. Therefore, the total number of voting rights in the Company as at 1 June 2016 was 552,764,480. As at 1 June 2016, there were 18,590,000 shares held in Treasury by the Company.
11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
12. Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
13. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
14. No Director has a service contract with the Company.
15. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelityinvestmenttrusts.com.

Note: Please see the Shareholder Information section on pages 74 and 75 for contact details if you have any queries. Please note that shareholders may not use any electronic address provided in either this notice or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated. Shareholders may not use any telephone number set out in this document for the purpose of lodging instructions for the Annual General Meeting. Similarly the Company's website www.fidelityinvestmenttrusts.com may not be used to send documents or instructions for the Annual General Meeting.

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

Appendix

Proposed change to the Investment Policy

The proposed new Investment Policy for the Company, as proposed in resolution 15 on page 67 of this Annual Report, is set out below. The change to the existing Policy is marked in black-line.

Investment Policy

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

The Company may invest through equities, index linked, equity linked and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions, equity related securities, forward transactions and other interests including derivative instruments. Forward transactions and derivatives, including futures, options and contracts for difference, may be used to enhance portfolio performance as well as for efficient portfolio management and hedging. The Company may enter into derivative contracts that expose the Company to unlimited liability but only where the exposure to the counterparty, after taking into account other derivative contracts entered into with the counterparty, does not exceed 15% of Gross Assets. No single investment will, on acquisition, represent more than 15% of the portfolio value. The Investment Managers are not required to seek 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 currently invests in China A Shares through third parties (who have a QFII license and quota) and indirectly through other investments, equity linked securities, derivatives and collective investment schemes and is able to invest directly, through the Investment Managers' QFII license. The Company is also likely to seek exposure to China A Shares through indirect investment (which, for the purpose of the investment restrictions, will be treated as investments in the underlying securities to which the indirect investment gives exposure).

Unlisted securities

The Company is permitted to invest up to ~~5%~~ 10% of Gross Assets in unlisted securities issued by, and other interests in, entities carrying on business, or which have significant interests, in China or Hong Kong.

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 level of gearing in the Company and will review the position on a regular basis.

The Company may borrow up to 25% of NAV. Any borrowing, except for short-term liquidity purposes, will be used for investment. The Company may also use derivative instruments for gearing purposes, in which case the investment restrictions will be calculated on the basis that the Company has acquired the securities to which the derivatives are providing exposure.

The Board has adopted the policy that the Gross Asset Exposure of the Company, whether from borrowing or derivatives, will not exceed the NAV of the Company by more than 30%.

Glossary to the Annual Report

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

AIF
Alternative Investment Fund. The Company is an AIF.

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

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

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

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

Capita Asset Services
The Company's Registrar.

Cenkos Securities
The Company's Broker.

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

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

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

Chinese Renminbi
Currency of the PRC.

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

Collateral
Assets provided as security.

Contract for Difference (CFD)
A Contract For Difference is a derivative. It is a contract between the Company and an investment bank at the end of which the parties exchange the difference between the opening price and the closing price of the underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A Contract For Difference allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company holds long positions, dividends are received and interest is paid. If the Company holds short positions, dividends are paid.

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

Debt
Bank borrowings and long Contracts For Difference.

Depositary
An entity that oversees the custody, cash arrangements and other AIFM responsibilities of the Company. J.P. Morgan Europe Limited act as the Company's Depositary.

Derivatives
Financial instruments whose value is derived from the value of an underlying asset or other financial instruments such as stocks, bonds, currency exchange rates, real estate and commodities, or market benchmarks such as interest rates. The main categories of derivatives are Contracts For Difference, warrants, futures, and options.

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

Equity Linked Notes or ELN
Debt instruments whose return on investment is linked to specific equities or equity markets. The return on equity linked notes may be determined by an equity index, a basket of equities, or a single equity.

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

FIL
FIL Limited and each of its subsidiaries.

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

Fidelity
FIL Investments International.

Forward Currency Contract
An agreement to buy or sell a currency, commodity or other asset at a specified future date and at a predetermined price. It is not standardised and is not traded on organised exchanges.

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

Gearing
Gross Asset Exposure in excess of Net Assets.

Gross Assets
Net Assets plus borrowings.

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

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

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

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

Investment Manager
FIL Investment Management (Hong Kong) Limited.

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

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

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

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

Management Agreements
Together, represents the Management Agreement and the Unlisted Management Agreement.

Management Fee
The annual management fee is 1.0% of the Net Asset Value of the Company for the year ended 31 March 2016.

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

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

Glossary to the Annual Report continued

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

Net Asset Value (NAV)
Net Asset Value is sometimes described as "Shareholders' Funds" and is the total value of the Company's assets less the total value of its liabilities. For valuation purposes it is common to express the Net Asset Value on a per share basis.

Net Asset Value (NAV) per Ordinary Share
The NAV per Ordinary Share is calculated as Shareholders' Funds divided by the number of Ordinary Shares in issue.

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

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

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

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

Pre-emption Rights
Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held by existing shareholders. At each annual general meeting, the Board seek shareholder approval to disapply pre-emption rights provision, up to 10% of the Company's issued share capital.

Portfolio
The Company's portfolio which may be made up of equities, index linked securities, equity linked notes and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions and other interests including derivative instruments (such as futures, options and Contracts For Difference).

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

Prospectus
The Prospectus of the Company dated 7 January 2011.

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

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

Registrar
The entity that manages the Company's shareholders register. The Company's Registrar is Capita Asset Services.

Return
The return generated in a given period from investments:

- **Revenue Return** – reflects the dividends and interest from investments and other income, net of expenses, finance costs and taxation;
- **Capital Return** – reflects the on capital, excluding any capital return; and
- **Total Return** – reflects the aggregate of revenue and capital returns.

Secretarial Agreement
The agreement between the Secretary and Company regarding the provision of company secretarial and administrative services dated 25 February 2010 and novated by a deed dated 17 July 2014.

Secretary

FIL Investments International.

Shareholders' Funds

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

Short Stock Exposure

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

Treasury Shares

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

Unlisted Management Agreement

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

Unlisted Securities

These are securities not listed on a regulated stock exchange. They are stated at best estimate of fair value, based on recognised valuation techniques which may take account of recent arm's length transactions in the investments.

Variable Interest Entity ("VIE")

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

Warrants

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

Shareholder Information

Investing in Fidelity China Special Situations PLC

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

Contact Information

Holders of Ordinary Shares

Capita Asset Services, Registrars to Fidelity China Special Situations PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: **0871 664 0300** (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales)

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

Fidelity Share Plan Investors

Fidelity Investment Trust Share Plan, PO Box 12062, Mellon House, Ingrave Road, Brentwood, Essex CM14 9LX. Telephone: **0345 358 1107** (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary).

Fidelity investors (ISA, SIPP or General Investment Accounts)

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

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

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

General enquiries

General enquiries should be made to Fidelity, FIL Investments International, the Secretary, at the Company's registered office: FIL Investments International Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP Telephone: **01732 361144**. Fax: 01737 836 892 www.fidelityinvestmenttrusts.com

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

Online Shareholder Services – Share Portal

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

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

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

Should you have any queries in respect of the above facilities, please do not hesitate to contact the Capita Share Portal helpline on **0871 664 0300** (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am – 5.30 pm, Monday to Friday ex-cluding public holidays in England and Wales).

Capita share dealing services

You can make use of a low cost share dealing service provided by Capita Asset Services to buy or sell shares. Further information is available at www.capitadeal.com, or by telephoning **0371 664 0454** (calls are charged at the standard geographic rate and will vary by provider. Calls out-side the United Kingdom will be charged at the applicable international rate. We are open between 8.00 am – 4.30 pm, Monday to Friday excluding public holidays in England and Wales). The Capita Share Dealing Services allows you to deal in the shares of other companies for which Capita acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

Dividend reinvestment plan

Capita's Dividend Reinvestment Plan offers a convenient way for shareholders to build up their shareholding by using your dividend money to purchase additional shares in the Company. The Plan is offered by Capita Asset Services, a trading name of Capita IRG Trustees Limited which is authorised and regulated by the Financial Conduct Authority.

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

ShareGift

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

Keeping You Updated

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

Managers and Advisors

Alternative Investment Manager (AIFM/the Manager)
FIL Investment Services (UK) Limited
Oakhill House
130 Tonbridge Road
Hildenborough
Tonbridge
Kent
TN11 9DZ

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

Unlisted Investment Manager, Secretary and Registered Office
FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

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

Independent Auditor
Ernst & Young LLP
25 Churchill Place
London
E14 5RB

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

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

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

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

Company Information

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

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

Price Information

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

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

NAV Information

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

UK Capital Gains Tax

Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of Ordinary Shares, acquired at the time of the Company's launch, is 100.00 pence. All UK individuals under present legislation are permitted to have £11,100 of capital gains in the current tax year 2016/2017 (2015/2016: £11,100) before being liable for capital gains tax. From 6 April 2016, Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the investment management (other than in unlisted securities) to FIL Investment Management (Hong Kong) Limited. It has delegated the investment management of the unlisted securities and the company secretarial function to FIL Investments International (another Fidelity group company). Details of the Management Agreements can be found in the Directors' Report on page 23.

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

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investment Management (Hong Kong) Limited (other than the unlisted securities) and for unlisted securities to FIL Investments International. The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 10 and 11.
Risk management	The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management. The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing. The Board, as part of UK corporate governance, remain responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.	The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 12 and 13 and in Note 18 to the Financial Statements on pages 57 to 64.
Valuation of illiquid assets	The Directive requires the disclosure of the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. Further, any new arrangements for managing the liquidity of the Company must be disclosed.	Not Applicable.
Leverage	The Company uses leverage to increase its exposure primarily to the stockmarkets of China or Hong Kong and currently holds long Contracts For Difference to achieve this. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times. A definition of leverage is included in the Glossary of Terms on page 71.	The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. There have been no changes to the maximum level of leverage that the Company may employ during the year. At 31 March 2016, actual leverage was 1.35 for the Gross Method and 1.31 for the Commitment Method.
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 18 on page 61.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity's Global Remuneration Policy Statement. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).	The FCA's "General Guidance on the AIFM Remuneration Code" has established that the first reporting year will not commence until after the AIFM's first full performance year which is 30 June 2016. Accordingly, there is no data to disclose in respect of remuneration of the AIFM for this year.

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