

Fidelity China Special Situations PLC

Annual Report for the year ended 31 March 2017



FidelityTM
INTERNATIONAL

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"It is now increasingly accepted by investment professionals that China's sheer economic size, along with its record of delivering year on year growth, means that anyone building an investment portfolio should consider having an exposure to China.

The purpose of Fidelity China Special Situations PLC is to provide investors with that exposure through a spread of investments in companies involved in China.

The Directors are confident in the continuing growth in the New China economy and in the long-term growth prospects for the Company."

Nicholas Bull, 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 2017

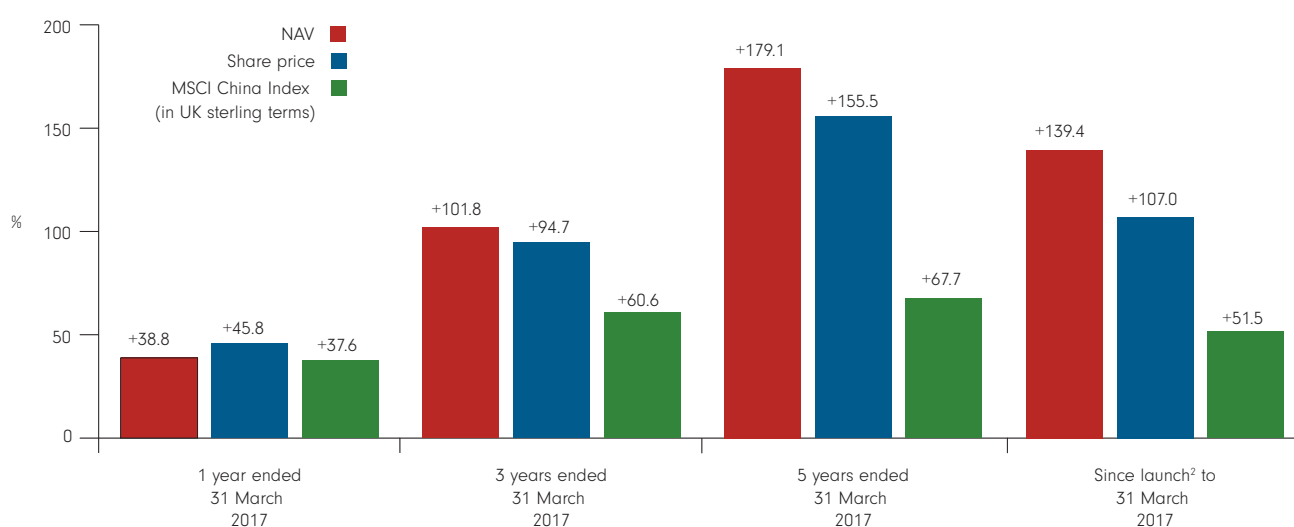
Net Asset Value ("NAV") per Share total return	Share Price total return	Benchmark Index* total return	Dividend
+38.8%	+45.8%	+37.6%	2.50p
2016: +0.0%	2016: -4.5%	2016: -16.2%	+38.9%
			2016: 1.80p

* MSCI China Index (in UK sterling terms)

As at 31 March 2017

Equity Shareholders' Funds	£1,243.8m
Market Capitalisation	£1,080.1m
Capital Structure:	
Ordinary Shares of 1 penny held outside Treasury	551,914,480

Standardised Performance Total Return¹ (%)



¹ Includes reinvested income

² The Company launched on 19 April 2010

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Summary of Results

	2017	2016
Assets at 31 March		
Gross Asset Exposure	£1,586.9m	£1,155.3m
Net Assets	£1,243.8m	£908.5m
Gearing	27.6%	27.2%
Net Asset Value per Ordinary Share	225.36p	164.18p
Number of Ordinary Shares held outside Treasury	551,914,480	553,339,480
Share Price and Discount data at 31 March		
Share Price at year end	195.70p	136.00p
Share Price: year high	200.00p	177.00p
Share Price: year low	132.00p	111.00p
Discount at year end	13.2%	17.2%
Discount: year high	19.9%	23.3%
Discount: year low	11.5%	10.1%
Earnings for the year ended 31 March – see page 40		
Revenue earnings per Ordinary Share ¹	2.92p	2.07p
Capital earnings/(loss) per Ordinary Share ¹	60.01p	(2.24p)
Total earnings/(loss) per Ordinary Share ¹	62.93p	(0.17p)
Dividend proposed per Ordinary Share	2.50p	1.80p
Ongoing charges for the year to 31 March²	1.16%	1.20%

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



"Fidelity China Special Situations PLC offers a direct exposure to China's growth story for those investors who seek it in their portfolio."

Nicholas Bull
Chairman

This is my first year as Chairman of Fidelity China Special Situations PLC and I have pleasure in presenting the seventh Annual Report of the Company for the year ended 31 March 2017.

It is now increasingly accepted by investment professionals that China's sheer economic size, along with its record of delivering year on year growth, means that anyone building an investment portfolio should consider having an exposure to China.

The purpose of Fidelity China Special Situations PLC is to provide investors with that exposure through a spread of investments in companies involved in China.

The Directors, who visit China each year, have observed at first hand the growth of the Chinese middle class both in number and in spending power. It is this growth that underpins the strategy of the Portfolio Manager, Dale Nicholls, in his focus on investing in the "New China" economy.

The purchase of shares in Fidelity China Special Situations PLC is intended to be a decision for the long-term, as the China market can be volatile and the performance of the stock market is not necessarily correlated to the economic growth rate.

Fidelity China Special Situations PLC is a closed-end fund, which the Board believes is the best structure for an investment of this sort. The stability of the funds under management, with no redemptions, enables the Portfolio Manager to invest in smaller companies which may have limited liquidity, to invest in unlisted companies ahead of their IPO and to add gearing to the portfolio.

The Directors are confident in the continuing growth in the New China economy and in the long-term growth prospects for the Company.

Risks

The principal risks facing the Company and investors, as identified by the Board, are set out on pages 11 and 12.

Performance Review

Fidelity China Special Situations PLC has significantly rewarded investors over the year. Within China, improving economic data, a relatively stable political landscape and ongoing reforms have offered a fairly stable environment for companies and markets to

operate in. This is an additional tailwind to the ongoing structural changes happening in China related to rising wealth, increasing consumption and world-leading innovation.

Over the reporting period, the MSCI China Index rose by 37.6% and the Company's NAV posted a 38.8% total return. Encouragingly, the Company's share price recorded a 45.8% total return as a result of the reduction in the share price discount to NAV.

The end of the financial year also marked three years for Dale Nicholls as Portfolio Manager of Fidelity China Special Situations PLC and the Company's seventh anniversary. Dale has continued the good work by previous portfolio manager Anthony Bolton and has increased the NAV over his tenure, returning 101.8% versus an Index return of 60.6%.

Due Diligence visit to China

The Board undertook its annual due diligence visit to China in October 2016 and met with Fidelity's investment analysts and various brokers, bankers, research specialists and economists and continued to see at first-hand developments in China. In addition, several company visits were carried out in Beijing (Car Inc., China Biologic Products, China Online Education, China Renaissance, Didi, Momo, New Oriental Education & Technology, Noah, Phoenix Healthcare, Sinotrans, Tarena and Yihai), Kunming (CRCC High Tech, Yunnan Baiyao and Yunnan Water) and Chengdu (Sichuan Swellfun and Virscend Education), giving the Board invaluable insight into some of the companies which are held in the Company's portfolio or in which the Portfolio Manager is potentially looking to invest. Throughout the busy few days, the Board was very encouraged by what it saw and continues to believe that the rebalancing of China's economy towards being more consumer-led will carry on being the engine of its growth in coming years.



The Board's visit to CRCC High Tech.

Chairman's Statement continued



The Board and Manager visit Yunnan Baiyao.

Gearing

The Company entered into a new three year unsecured fixed rate facility agreement with Scotiabank Europe PLC for US\$150,000,000 on 14 February 2017. The interest rate is fixed at 3.01% per annum until the agreement terminates on 14 February 2020. The new facility was used to replace fully the Company's US\$150,000,000 multicurrency revolving facility agreement which ended on the same day.

To achieve further gearing, the Company uses contracts for difference ("CFDs") on a number of holdings in its portfolio. Further details are in Note 20 on page 64.

At 31 March 2017, the Company's gearing, defined as the Gross Asset Exposure in excess of Net Assets, was 27.6% (2016: 27.2%). This is within the limit set by the Company's Prospectus of 30%.

Unlisted Investments

At the Annual General Meeting ("AGM") in 2016 the shareholders agreed to an increase in the limit of unlisted investments that the Company could hold; from 5% of the fund to 10%. During the year the Company invested in Shanghai Yiguo E-commerce and since the year end has invested in Aurora Mobile. Following an increase in the value of our investment in Didi Chuxing and China Internet Plus, the unlisted investments account for 4% of the fund. A description of each of these four investments can be found on page 16.

Dividend

The Board recommends a final dividend of 2.50 pence per Ordinary Share for the year ended 31 March 2017 for approval by shareholders at the forthcoming Annual General Meeting. This represents an increase of 38.9% over the 1.80 pence paid in respect of the prior year.

The dividend will be payable on 31 July 2017 to shareholders on the register on 30 June 2017 (ex-dividend date 29 June 2017).

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 72.

Discount Management

The company's discount narrowed from 17.2% at the start of the year to 13.2% at the end of the reporting year.

The Board recognises that the Company's share price is affected by the interaction of supply and demand in the market and investor sentiment towards China, as well as the performance of its NAV per share. Recognising these factors, the Board has conducted a detailed review of the discount policy, and it is the Board's belief at present that the discount is best addressed by repurchasing the Company's shares according to market conditions. Any shares repurchased can be held in Treasury or cancelled.

During the reporting year, the Board authorised the repurchase of 1,425,000 ordinary shares by the Company. These shares are held in Treasury. The share repurchases will have benefited all shareholders as the NAV per share has been increased by purchasing the shares at a discount. Since the year end and as at the date of this report, the Company has neither issued nor repurchased any ordinary shares.

The Board is seeking to renew the annual authority to repurchase up to 14.99% of the Company's shares at the forthcoming AGM, 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.

Fidelity as Manager

The Board has contracted with Fidelity to manage the fund, through a management agreement. In reviewing Fidelity as Manager, the Board notes Fidelity's leadership position in fund management in China where it employs a significant number of analysts on the ground in both Shanghai and Hong Kong.

Management Fee

Until 31 March 2016, the management fee was calculated and paid on a quarterly basis. With effect from 1 April 2016, it has been calculated and paid by the Company on a monthly basis in order to align the fee with average assets under management and the basis on which ongoing charges are calculated.

Allocation of Expenses

The Company has, since launch, allocated investment management fees and finance costs equally between revenue and capital. Over the life of the Company, capital returns have contributed considerably more to the total returns of the Company

than revenue returns have. The Board feel it is reasonable to expect that future return levels will be similar and that a proportion larger than the current 50% should be charged to capital. Therefore, with effect from 1 April 2017, 75% of investment management fees and finance costs will be charged to capital and the remaining 25% will be charged to revenue. Whilst the total return will be unaffected by this change, the capital return will decrease and the revenue return will increase. Consequently, the amount available for distribution as dividends out of revenue reserves will increase.

Board of Directors

After serving as Chairman of the Company since its launch, John Owen stepped down from the Board on 22 July 2016, and I succeeded him as Chairman. I would like to take this opportunity to thank him on behalf of the Board and shareholders for his invaluable contribution to the Company.

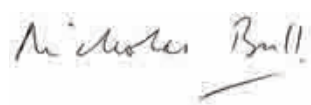
I am pleased to say that Elisabeth Scott was appointed as the Senior Independent Director on my appointment as Chairman.

In accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies, all Directors are subject to annual re-election at the forthcoming AGM. The Directors' biographies can be found on page 20 and between them have a wide range of appropriate skills and experience to form a balanced Board for the Company.

Annual General Meeting – Wednesday, 26 July 2017

The AGM will be held at 11.00 am on Wednesday 26 July 2017 at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB. Full details of the meeting are given on pages 65 to 67.

This is an opportunity for shareholders to meet the Portfolio Manager and the Board. I hope that you are able to join us.



Nicholas Bull

Chairman
9 June 2017

Portfolio Manager's Review



Dale Nicholls (Portfolio Manager since 1 April 2014) has over twenty years investment experience. He joined Fidelity's Tokyo office in 1996 as an analyst and began to take an interest in the dynamics of the Chinese market. He regularly visited Chinese companies to get a clear view of the key supply and demand dynamics of the industries he covered. In 2003 he became portfolio manager of the Fidelity Pacific Fund and retains management of that portfolio today. He spends much of his time travelling within China to meet the management teams and competitors of companies in which he may or does invest, visiting well over 100 companies a year.

Despite a fairly large decline in the Chinese market in April/May 2016, the market has significantly rewarded investors over the year. Economic fundamentals have clearly improved and this has been reflected at the company level, with many announcing much improved 2016 annual results. Over this period, the MSCI China Index rose by 37.6% and the Company's NAV outperformed this, posting a 38.8% total return. Pleasingly, the Company's share price recorded an even stronger total return of 45.8%, which also means the share price discount to NAV has closed at 13.2% from a high of almost 20%. However, these total returns are in sterling terms and sterling's depreciation post-Brexit did boost the numbers as the underlying assets held by the Company are in foreign currencies.

PERFORMANCE REVIEW

The Company's NAV outperformed the MSCI China Index over the review period. Hutchison China Meditech ("HCM"), a longstanding top 10 position in the portfolio, returned over 70%. HCM is a Chinese pharmaceutical company listed on the UK AIM market with a strong traditional Chinese medicine business generating strong cash flows for the company to support its R&D efforts. The company continues to develop its exciting pipeline including a number of advanced oncology drugs where it is teaming up with global multi-nationals like Astra Zeneca. In March 2017, HCM announced positive phase 3 data on a colon cancer drug it is developing called fruquitinib, putting it one step closer to being marketed. Its share price rallied significantly on this news and the Company continues to hold this position with strong prospects from other potential market leading drugs in their pipeline. In addition, HCM dual listed on the Nasdaq market in March 2016, broadening the potential investor base to the US market and its in-depth coverage of the healthcare sector.

China Sanjiang Fine Chemicals was also a major contributor as we saw a significant widening of price spreads across a range of chemical products, and it rallied from very low valuations.

China Meidong Auto, a car dealership based in the Guangdong region, was another contributor to returns. Its share price more than doubled over the year as the company continues to execute its strategy well, integrating acquired businesses against the backdrop of strong auto sales.

The portfolio's holdings in financials detracted from performance against the Index. The largest overweight position relative to the MSCI China Index is China Pacific Insurance. Given the low penetration of life insurance products in China, the growth potential remains significant over the medium-term. The company's focus is on higher margin products and improving its sales force. However, the insurance sector came under regulatory scrutiny following a series of big investments by insurance companies not related to their core business. In addition, there were concerns over their property and casualty business performance. I believe these concerns are overdone and China Pacific Insurance is significantly undervalued.

MARKET OVERVIEW

On the whole, China has showed signs of economic improvement reflected in a clear acceleration in nominal GDP growth. As mentioned in previous reports, the biggest overhangs to sentiment towards China have been falling economic growth, oversupply in 'old China' industries like steel and coal and the rapid acceleration of credit growth. The government has embarked on a supply-side reform programme that has had meaningful impact. For example, coal mines and steel mills have cut output, which has helped trim some of the oversupply in these sectors, a factor supporting the move of the Producer Price Index ("PPI") into positive territory for the first time in over four years. This has played a role in economic stabilisation as demonstrated in the reported GDP growth of 6.9% in Q1 2017.

The growth in credit remains my greatest concern and so I am encouraged by increased efforts by regulators and The People's Bank of China ("PBOC") to address this, particularly in the shadow banking areas. Growth in corporate debt has clearly slowed. On the issue of reform in general I am hopeful of a renewed focus following the major political transition taking place towards the end of this year. With the majority of the Standing Committee members of the Politburo changing, I believe we will see improved prospects for more reform-minded leadership.

INVESTMENT OPPORTUNITIES

Ultimately the investment returns for the Company are an outcome of the companies in which we invest. While I look for ideas across all industries, here are some areas and themes that I focus on and believe can help drive future returns.

Consumer

The growth of the consumer sector along with changes in the way that people consume have been key investment themes throughout my tenure. It will continue to be an important economic driver over the next five to ten years supported by the development of the Chinese middle class and the government's policy of moving from an investment and export led economy towards an economy led by domestic consumption.

As well as rising penetration across a range of categories we see consumers search for higher quality and service, a trend that local companies are tackling with increasing innovation in both product development and marketing. A position in Yihai was initiated at its IPO in July 2016. Yihai manufactures condiments for hot pot,

a popular style of cuisine in China, and has a strong market position in the mid to high end segment. It is the main supplier to the Haidilao hot pot restaurant chain, one of China's fastest growing restaurant chains, so it also benefits from the expansion of this business. In addition, Yihai is using its brand recognition at Haidilao to develop a retail business that enables customers to enjoy the same experience at home.



Haidilao hot pot cuisine.

The Company's portfolio is positioned to benefit from the strong outlook for consumption in services, with holdings spanning areas such as restaurants, education, travel, and financial services. Rising internet penetration is also supporting the structural shifts in consumption, with e-commerce continuing to take share from traditional retailing. The fact that ecommerce penetration in China has already surpassed many western markets, including the US, exemplifies the speed of structural change in many parts of the Chinese economy. We are seeing new business models emerge exemplified by growth in online businesses such as flash sales, live video streaming, and a range of education services. The Company holds a position in Ctrip, China's largest online travel agency. China tourism, both domestic and outbound, is a huge market with significant growth potential. Online booking is growing at an even faster rate, and Ctrip is the best positioned business to take advantage of this with over 60% market share. Following its acquisition of Qunar, Ctrip covers all markets from mass to luxury. Ctrip's online traffic continues to grow significantly, which translates to strong and increasing pricing power with hotels and airlines, which in turn should support improving profitability over the medium term.

State Owned Enterprises ("SOE"s)

The portfolio remains very much focused on private companies that will benefit from China's new consumption growth drivers. However, I do not ignore state owned companies, particularly those that have quality assets with potential for the returns on those assets. On the whole the pace of SOE reform has been disappointing relative to the agenda laid out in the 3rd plenum, but there are signs of progress.

A number of SOEs have the potential to benefit from changes in regulation especially around more market-oriented pricing in areas like transportation. The Company's holdings in the airport sector

have benefited from recent tariff adjustments and I believe there is good potential for progress in other areas such as railways. Elsewhere, there are also encouraging signs of supply-side reform in certain old economy sectors reflected in falling steel and coal output.

China Petroleum & Chemical is a significant SOE holding. The company is exploring the possibility for the spin-off and IPO of its garage forecourt retail/convenience store business, which along with aggressive plans to develop this business should be positive in terms of recognising its intrinsic value which currently does not seem to be reflected in the company's valuation.

Research

In general, the Company continues to leverage the significant research resources at its disposal to dig deep in the market for smaller companies that are not well covered and understood, and thus offer greater opportunities for mis-pricing. I look for investment ideas across a range of different markets and find significant value in many of the HK listed small caps. With increased connection between markets such as the Stock Connect Program (which allows mainland Chinese investors to buy Hong Kong listed names via the Shanghai and Shenzhen exchanges), I think there is good potential for valuation discrepancies between the markets to normalise which could act as a tailwind for these names.

Unlisted Companies

While there is significant opportunity in listed companies focused on China across a range of stock markets, there is a great deal of activity and innovation in exciting companies that have not reached the listing stage. Following last year's shareholder vote, the Company now has the ability to hold up to 10% in unlisted companies, and I see this ability to gain exposure to a broader subsection of the entrepreneurial activity in China as a key strength of the Company. At the time of writing there are four unlisted holdings now representing around 4% of the portfolio. Firstly Xiaoju Kuaizhi ('Didi Chuxing'), the leading ride-sharing player in China, cemented their dominance in the acquisition of Uber China last year. The second one is China Internet Plus Holdings (formerly 'Meituan'), the leader in China in so-called offline-to-online services. They aim to effectively be the Alibaba of the services sector in areas like food delivery, restaurant reservations and ticket bookings. The third is Shanghai Yiguo E-commerce ('Yiguo') a leading fresh food e-commerce company, which aims to create a 'farm-to-table' e-commerce platform. It is the exclusive operator of the fresh food segment on Alibaba's T-Mall Supermarket and both Alibaba and its management team are strategic investors. This is a relatively underdeveloped industry in China and one that offers huge growth potential as consumers become more health conscious whilst also seeking greater convenience. There continues to be a number of interesting unlisted opportunities available across a range of sectors.

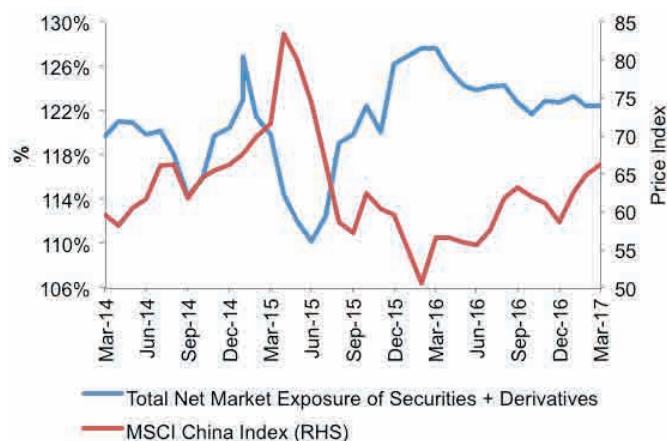
Since the end of the financial reporting period, the Company has added a fourth unlisted position in Aurora Mobile Limited ('Jiguang'), a leading app developer service provider and big data platform in China. By the end of 2016, Jiguang served over 400,000 apps in China and worked with 200,000 developers, holding dominant market share in the "App Push Notification

Portfolio Manager's Review continued

Service" segment in China. Jiguang should structurally benefit from the fast-growing mobile 'software as a service' and big data application market, and has first mover advantage in this field with its depth and unique data granularity.

GEARING

At the beginning of the reporting period the market valuations were at multi-year lows. Reflecting the value in the significant opportunities in the market, the portfolio increased gearing to take advantage of this. Short index positions were added for hedging purposes and short stock positions as valuations on certain stocks became stretched relative to fundamentals. This meant that gross gearing has remained at elevated levels, but net gearing (long positions - active short positions) was slowly reduced to around 122%. More recently, the portfolio has increased short positions as some areas of the market have rallied significantly and valuations look stretched. Overall, the current level of gearing reflects my view that while valuations in general are less compelling, there are still enough attractive opportunities to warrant considerable net exposure to the market.



OUTLOOK

Looking ahead, I remain positive on the investment opportunities that I see in the market in China. Challenges remain but it continues to be a dynamic economy and market, with huge variation in trends between the winners and losers – fertile ground for bottom up stock pickers such as myself. While the market has moved up, valuations on the whole remain compelling in a global context. One wonders if what has become a relatively stable and predictable policy environment compared to much of the West might also start to get reflected in valuations. The gap between China's share of the global economy and its share of global stock markets remains significant, and I remain confident this will close over time. It is a matter of time before A-shares move into global indices. The prospects for an acceleration in the reform process are also improving. Looking back, it has been an exciting, interesting and ultimately fruitful three years in charge of the Company's portfolio. I very much look forward to capitalising on the opportunities in the market to deliver further growth in NAV and the share price.

Dale Nicholls

Portfolio Manager
9 June 2017

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. 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 its ordinary shares are listed and traded on the London Stock Exchange. It is not a close company and it has no employees.

Objective

The Company's objective is to achieve long-term capital growth from an actively managed portfolio made up primarily of securities issued by companies listed in China 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 the objective, the Company operates as an investment company which has an actively managed portfolio of investments. As an investment company, it is able to gear and the Board takes the view that long-term returns for shareholders can be enhanced by the use of gearing in a carefully considered and monitored way.

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

The Company's objective, strategy and principal activity have remained unchanged throughout the year ended 31 March 2017.

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

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

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

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

Unlisted securities

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

As at 31 March 2017, the Company held three unlisted investments with a fair value of £37,179,000 (2016: £20,317,000) representing 2.7% (2016: 2.0%) of Gross Assets.

Use of Derivative Instruments

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

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

As at 31 March 2017, the Company's exposure to short derivative instruments represented 6.3% (2016: 3.7%) of Gross Assets.

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

As at 31 March 2017, the Company's largest exposure to any single counterparty from all derivative activities was 2.3% (2016: 14.8%) of Gross Assets.

Strategic Report continued

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 2017, the Company held no investments in other investment companies (2016: nil).

Borrowing and Gearing policy

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

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

During the year, the Gross Asset Exposure of the Company did not exceed the Net Assets of the Company by more than 30%. As at 31 March 2017, Gross Asset Exposure in excess of Net Assets was 27.6% (2016: 27.2%).

Foreign Exchange Hedging Policy

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

Dividend Policy

The Company's objective is to achieve long-term capital growth, and thus the Board does not expect dividends to constitute a material element of any return to shareholders. However, in order to continue to qualify as an investment company, the Company is required by Section 1159 of the Corporation Tax Act 2010 to pay a large enough dividend for the year so that the Company does not retain an amount which is greater than 15% of its income for the year.

Investment Management Philosophy, Style and Process

The Portfolio Manager makes full use of Fidelity's extensive investment research presence and investment licenses in China. He focuses on undervalued companies which have good long-term growth prospects, robust cash flow generation and strong management teams. Company visits and management meetings comprise an important part of the investment process. He has a bias to small and medium-sized companies, where lower levels of research by competitors can lead to greater opportunities for mispricing – but he is not constrained to these. He also invests in

large or mega-cap companies such as state-owned-enterprises where mispricing appears. Stock selection is bottom-up and unconstrained by Benchmark allocations.

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

Performance

The Company's performance for the year ended 31 March 2017, including a summary of the year's activities, and details on trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 8. The Forty Largest Holdings, the Distribution of the Portfolio, the Attribution Analysis and the Record since Launch are on pages 14 to 19.

Results and Dividends

The Company's results for the year ended 31 March 2017 are set out in the Income Statement on page 40. The total return per ordinary share was 62.93 pence of which the revenue return was 2.92 pence.

The Directors recommend that a final dividend of 2.50 pence per ordinary share be paid on 31 July 2017 to shareholders who appear on the register as at close of business on 30 June 2017 (ex-dividend Date 29 June 2017).

Key Performance Indicators

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

	Year ended 31 March 2017 %	Year ended 31 March 2016 %
Net Asset Value total return	+38.8	+0.0
Share Price total return	+45.8	-4.5
MSCI China Index total return	+37.6	-16.2
Discount to Net Asset Value	13.2	17.2
Ongoing charges	1.16	1.20

Sources: Fidelity and Datastream

In addition to the KPIs set out above, the Board regularly considers the costs of running the Company in order to ensure that they remain reasonable and competitive. Long-term performance is also monitored and the Record since Launch on page 19 shows this performance.

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. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/the "Manager"), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks that the Company faces. The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed

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

The Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and 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	<p>Investing in an emerging market such as the People's Republic of China (PRC) subjects the Company to a higher level of market risk than investment in a more developed market. This is due, among other things, to the existence of greater market volatility, lower trading volumes, the risk of political and economic instability, legal and regulatory risks, risks relating to accounting practices, disclosure and settlement, a greater risk of market shut down, standards of corporate governance and more governmental limitations on foreign investment than are typically found in developed markets. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success. The Board reviews material economic, market and legislative changes at each Board meeting.</p> <p>The Company has exposure to a number of companies with all or part of their business in Variable Interest Entity ("VIE") structures. These are entities where there is a controlling interest that is not based on the majority of voting rights and may result in a risk to investors being unable to enforce their ownership rights in certain circumstances. The proportion of the portfolio invested in companies operating a VIE structure is monitored on a monthly basis by the Manager and holdings are reported to the Board.</p>
Performance risk	<p>The achievement of the Company's performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to underperformance of the Benchmark Index.</p> <p>The Company has a clearly defined strategy and investment remit. There is a clearly defined Management Agreement, and borrowing/derivative limits are also set by the Company's Prospectus.</p> <p>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.</p> <p>Performance for the financial year is outlined in the Chairman's Statement and Portfolio Manager's Review on pages 3 to 8.</p>
Discount control risk	<p>Due to the nature of investment companies, the Board cannot control the discount at which the Company's share price trades to Net Asset Value. However, it can influence this through its share repurchase policy and through creating demand for shares through good performance and an active investor relations programme. The Company's share price, NAV and discount volatility are monitored daily by the Manager and regularly reported to the Board. Further details are provided in the Chairman's Statement on page 4.</p>

Strategic Report continued

Principal Risks	Description and Risk Mitigation
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 fixed rate unsecured facility agreement with Scotiabank Europe PLC which has been fully drawn down. Additional geared exposure is 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. The loan facility is denominated in US dollars and, therefore, the effect of US dollar exchange rate movements on assets denominated in US dollars will be offset by the effect on this loan. Further details can be found in Note 19 to the Financial Statements on pages 54 to 63.

Other risks facing the Company include:

Cybercrime risk

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

Tax and Regulatory risks

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

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

The Board monitors tax and regulatory changes at each Board meeting and is provided with regular briefings from the Association of Investment Companies as well as details of industry and the Manager's lobbying activities.

Operational risks – Service providers

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

Viability Statement

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

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

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

The Company's performance has been strong since launch. The Board regularly review the investment policy and considers it to be appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following assumptions:

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

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern statement in the Directors' Report on page 21.

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 2017, there were four male Directors and two female Directors on the Board.

Employees, Social, Community and Human Rights Issues

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

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

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

Greenhouse Gas Emissions

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

Socially Responsible Investment

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

Corporate Engagement

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

Future Developments

Some trends likely to affect the Company in the future are common to many investment companies together with the impact of regulatory change. The factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 8.

By order of the Board

FIL Investments International

Secretary

9 June 2017

Forty Largest Holdings

at 31 March 2017

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

	Gross Asset Exposure £'000	% ¹	Fair Value £'000
Long Exposures – shares unless otherwise stated			
Tencent Holdings (shares and long CFD) Internet, mobile and telecommunications services provider	146,166	11.8	123,817
Alibaba Group Holdings e-commerce group	118,599	9.5	118,599
China Pacific Insurance (Group) Co (shares and long CFD) Insurance company	59,665	4.8	9,778
Hutchison China MediTech Pharmaceutical and healthcare group	39,288	3.2	39,288
China Petroleum & Chemical Corp (long CFD) Oil and gas company based in Beijing	32,454	2.6	8,721
Ctrip.com International Travel services provider	31,526	2.5	31,526
Baidu Internet company	26,689	2.1	26,689
CITIC Telecom International Holdings (long CFD) Telecoms company	25,915	2.1	(2,134)
JD.com e-commerce company	25,768	2.1	25,768
Shanghai International Airport Co Shanghai's primary international airport operator	24,464	2.0	24,464
CT Environmental Group (shares and long CFD) Wastewater treatment and industrial water supply services	24,129	1.9	(5,344)
Brilliance China Automotive Holdings (shares and long CFD) Automobiles, microvans, and automotive components manufacturer	22,358	1.8	5,957
Vipshop Holdings Online discount retailer	20,351	1.6	20,351
New Oriental Education & Technology Group Private educational services provider	19,344	1.6	19,344
Shangri-La Asia Luxury hotel group	18,221	1.5	18,221
China Meidong Auto Holdings Automobile dealership and maintenance group	17,481	1.4	17,481
Far East Horizon (shares and long CFD) Financial service company	17,397	1.4	7,529
Xiaoju Kuaizhi Inc ("Didi Chuxing") (unlisted) Mobile taxi booking applications developer	17,235	1.4	17,235
Tarena International Private educational services provider	17,225	1.4	17,225
Sinosoft Technology Group e-Government solutions developer	17,000	1.4	17,000

	Gross Asset Exposure		Fair Value
	£'000	% ¹	£'000
Shanghai Industrial Holdings (long CFD)			
Infrastructure facilities, real estate and consumer products group	16,753	1.3	(9)
Noah Holdings			
Asset managers	16,317	1.3	16,317
Clear Media			
Advertiser on buses, bus shelters and unipoles	16,151	1.3	16,151
Dongfeng Motor (long CFD)			
Automobile manufacturer	15,691	1.3	(1,542)
Kingsoft			
Software and internet services company	15,409	1.2	15,409
58.com			
Online marketplace operator serving local merchants and consumers	14,851	1.2	14,851
Sinotrans			
Freight forwarding, logistics, storage and terminal services provider	14,331	1.2	14,331
Galaxy Entertainment (long CFD)			
Developer and operator of integrated entertainment and resort facilities	14,187	1.1	4,964
Dah Sing Financial Holdings			
General banking services, insurance broking and nominee services provider	13,844	1.1	13,844
Qingdao Port International			
Container port operator	13,841	1.1	13,841
Zhejiang Expressway			
Infrastructure company engaged in investing, developing and operating expressways	13,224	1.0	13,224
Gourmet Master Co			
Café stores chain operator	12,569	1.0	12,569
Kweichow Moutai			
Maotai liquor producer and distributor	12,516	1.0	12,516
Kingdee International (long CFD)			
Enterprise management and e-commerce software company	12,502	1.0	(1,311)
Huayu Automotive Systems Co			
Automobile components manufacturer and seller	12,497	1.0	12,497
Lianhua Supermarket Holdings			
Operator of hypermarkets, supermarkets, and convenience stores	12,487	1.0	12,487
China Unicom			
Provider of telecommunications services	12,337	1.0	12,337
China State Construction Engineering Corp (long CFD)			
Housing and infrastructure constructor and property developer	12,111	1.0	1,840
Pico Far East Holdings			
Event marketing company	12,087	1.0	12,087
China Biologic Products			
Biopharmaceutical company	12,081	1.0	12,081
Forty largest long exposures (2016: 75.1%)	997,061	80.2	749,999
Other long exposures (2016: 56.2%)	611,218	49.1	565,637
Total long exposures before hedges (138 holdings)	1,608,279	129.3	1,315,636

Forty Largest Holdings continued

at 31 March 2017

	Gross Asset Exposure		Fair Value
	£'000	% ¹	£'000
Less: hedging exposures			
Hang Seng China Enterprises Index (future)	(26,599)	(2.1)	487
iShares FTSE A50 China Index ETF (short CFDs)	(21,510)	(1.7)	(3,108)
CSOP FTSE A50 China Index ETF (put options)	(5,699)	(0.5)	4
Total hedging exposures	(53,808)	(4.3)	(2,617)
Total long exposures after the netting of hedges	1,554,471	125.0	1,313,019
Short exposures			
Short CFDs (7 holdings)	32,382	2.6	(2,572)
Gross Asset Exposure²	1,586,853	127.6	
Portfolio Fair Value³			1,310,447
Net liabilities excluding derivative instruments			(66,653)
Net assets			1,243,794

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

² Gross Asset Exposure comprises market exposure to investments of £1,295,266,000 (per Note 10 Investments on page 51) plus market exposure to derivative instruments of £291,587,000 (per Note 11 Derivative Instruments on page 52)

³ Portfolio Fair Value comprises investments of £1,295,266,000 plus derivative assets of £48,639,000 less derivative liabilities of £33,458,000 (per the Balance Sheet on page 42)

A full list of the Company's holdings at 31 March 2017 is available on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

Unlisted Investments

Below are details of the unlisted companies held in the Company's portfolio as at the date of this report.

Xiaoju Kuaizhi ('Didi Chuxing')

Didi Chuxing is the largest social transportation network in China and, indeed, the world – currently involved in taxi hailing (launch September 2012; 99% market share), private car (launch August 2014; 78% market share; similar to the service provided by Uber), enterprise solution (launch February 2015), and social ride sharing (launch June 2015). It acquired Uber China in 2016.

Shanghai Yiguo E-commerce ('Yiguo')

Yiguo is the leading online grocery retailer in China specialising in fresh food. The company was founded in 2005 with a focus on fresh fruits at first and is now the exclusive operator of the fresh food segment of Alibaba's T-Mall Supermarket. Tmall.com is China's largest open business-to-consumer platform enabling businesses world-wide to reach China's vast and growing consumer market. In turn, Alibaba is one of its largest strategic shareholders.

China Internet Plus Holdings (formerly 'Meituan')

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

Aurora Mobile Limited ('Jiguang')

Jiguang is China's leading mobile big data platform and mobile application ('app') cloud service provider. It started its business in the App Developer Service domain by providing services to developers including push notifications, instant messaging and helping developers acquire users. In late 2015, it entered into the Big Data service business by providing targeted advertising, financial risk control and big data analysis services, relying on extensive user data that it had accumulated from its app developer service business. By the end of 2016, Jiguang had served over 400,000 apps in China and worked with 200,000 developers, holding a dominant (~40%) market share in the "App Push Notification Service" segment in China.

Distribution of the Portfolio

as at 31 March 2017

	Gross Asset Exposure % ¹	Benchmark %
Industry		
Consumer Discretionary	37.6	9.7
Information Technology	34.6	33.3
Industrials	17.9	5.5
Financials	11.3	26.0
Consumer Staples	9.6	2.1
Healthcare	6.5	2.1
Energy	4.0	6.2
Telecommunication Services	3.2	7.1
Materials	2.9	1.3
Utilities	2.8	2.7
Real Estate	1.5	4.0
Index Hedges	(4.3)	-
Total	127.6	100.0
Share Type		
Listed in Hong Kong	50.3	23.1
Listed in US	30.6	22.7
China "H" Shares	16.9	38.1
China "A" Shares	11.0	-
Red-Chips	10.8	15.9
Listed in UK	4.5	-
Listed in Taiwan	3.4	-
Unlisted	3.0	-
China "B" Shares	0.6	0.2
Listed in Singapore	0.4	-
Listed in Australia	0.3	-
Listed in Canada	0.1	-
Index Hedges	(4.3)	-
Total	127.6	100.0
Size of Company (Market Cap)		
Large - above £5bn	52.5	92.4
Medium - between £1bn - £5bn	33.3	7.6
Small - below £1bn	43.1	-
Unlisted	3.0	-
Index Hedges	(4.3)	-
Total	127.6	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 2017		%
Impact of:		
MSCI China Index ¹		+19.9
Stock Selection ¹		-1.9
Gearing ¹		+4.3
Currency		+16.9
Share Repurchases		+0.1
Other Costs		-1.4
Cash		+0.9
NAV total return for the year ended 31 March 2017		+38.8

¹ In Hong Kong dollar terms

Ten Highest Contributors to NAV total return		%
Tencent Holdings		+5.9
Alibaba Group Holdings		+3.5
Hutchison China MediTech		+1.9
NetEase, Inc		+1.7
New Oriental Education & Technology Group		+1.2
Brilliance China Automotive Holdings		+1.1
China Meidong Auto Holdings		+1.1
China Sanjiang Fine Chemicals Co		+1.0
Sichuan Swellfun Co		+1.0
Tarena International		+1.0

Ten Highest detractors to NAV total return		%
APT Satellite Holdings		-0.2
iShares FTSE A50 China Index ETF		-0.3
Sunac China Holdings		-0.3
58.Com		-0.4
Sino Grandness Food Industry		-0.4
CITIC Telecom International Holdings		-0.5
Hang Seng China Index		-0.5
ChinaCache International Holdings		-0.7
Green Dragon Gas		-0.7
CT Environmental Group		-0.8

Note: Derivative positions are included in the above investment positions

Source: Fidelity

Record since Launch

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

1 From launch on 19 April 2010 to 31 March 2011

2 Based on the weighted average number of Ordinary Shares in issue during the year

3 Ongoing charges (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



Nicholas Bull FCA
Chairman (since 22 July 2016)
Appointed 4 February 2010
Member of the:
Audit Committee
Investment Committee
Management Engagement Committee (Chairman)
Nomination and Remuneration 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.



John Ford
Director
Appointed 22 July 2016
Member of the:
Nomination and Remuneration Committee

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



Elisabeth Scott
Senior Independent Director (since 22 July 2016)
Appointed 1 November 2011
Member of the:
Audit Committee
Investment Committee
Management Engagement Committee
Nomination and Remuneration Committee (Chairman)

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



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

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



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

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



Vera Hong Wei
Director
Appointed 24 March 2016
Member of the:
Audit Committee
Investment Committee
Management Engagement Committee
Nomination and Remuneration 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 Sloan Education Ltd. Her previous roles include Managing Director of Greenwoods Asset Management, Vice General Manager of Ping An Annuity in Shanghai, Head of Corporate Banking at Shenzhen Development Bank and Director of The People's Bank of China.

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

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 March 2017.

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

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

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 Investment Managers or the Company. In addition, the Company may terminate the Agreements by not less than two months' notice if the Investment Managers cease to be a subsidiary of FIL Limited or if the Board resolves 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 Investment Managers and also the terms of the Management Agreements on a regular basis and details are included in the Corporate Governance Statement on page 26.

Fee Arrangements

The respective Management Agreements provide investment management services to the Company for an annual fee of 1.0% of the Net Asset Value of the Company excluding the value of any investment in any fund which is managed by the Manager. Since 1 April 2016, fees are calculated and paid monthly. Prior to this date, fees were calculated and paid quarterly. The investment management fees for the year ended 31 March 2017 totalled £10,970,000 (2016: £9,138,000).

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. No performance fee was payable for the year ended 31 March 2017 (2016: £9,138,000).

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

The Board

All the Directors served on the Board throughout the year ended 31 March 2017 with the exception of John Owen and Andrew Wells who retired on 22 July 2016 and John Ford who was appointed on 22 July 2016. A brief description of all serving Directors as at the date of this report is shown on page 20 and indicates their qualifications for Board membership.

John Ford, a non-executive Director of the Company, is employed by FIL and is therefore not a member of the Audit, Investment and Management Engagement Committees. FIL Limited's interest in the shares of the Company is shown on page 22.

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 the going concern basis for at least 12 months from the date of this Annual Report. The prospects of the Company over a period longer than 12 months can be found in the Viability Statement on pages 12 and 13.

Auditor's Appointment

A resolution to reappoint Ernst & Young LLP ("EY") as Auditor to the Company will be proposed at the AGM on 26 July 2017.

Disclosure of Information to the Auditor

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

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

Directors' Report continued

Corporate Governance

Full details are given in the Corporate Governance Statement, which forms part of this report, and can be found on pages 24 to 27.

Registrar, Custodian and Depositary Arrangements

The Company employs Capita Asset Services as its Registrar to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets and J.P. Morgan Europe Limited as its Depositary, which is primarily responsible for the oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 5 on page 48.

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 2017, the issued share capital was 571,354,480 (2016: 571,354,480) of which 19,440,000 (2016: 18,015,000) shares were held in Treasury. Shares in Treasury do not have voting rights, therefore the total number of shares with voting rights was 551,914,480 (2016: 553,339,480).

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 shares at a premium or to repurchase shares at a discount to the NAV either for cancellation or holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of shareholders at the time.

Share Issues

No Ordinary Shares were issued during the year ended 31 March 2017 (2016: nil) and none has been issued since the year end and as at the date of this report.

The authorities to issue Ordinary Shares and to dis-apply pre-emption rights and to issue shares from Treasury expire at this year's AGM, and therefore resolutions renewing these authorities will be put to shareholders at the AGM on 26 July 2017.

Share Repurchases

During the year ended 31 March 2017, the Company repurchased 1,425,000 Ordinary Shares for holding in Treasury (2016: 17,915,000). No Ordinary Shares have been repurchased since the year end and as at the date of this report.

The authority to repurchase Ordinary Shares expires at this year's AGM and a special resolution to renew the authority to repurchase Ordinary Shares for cancellation or to buy them into Treasury, will therefore be put to shareholders at the AGM on 26 July 2017.

Substantial Share Interests

As at 31 March and 30 April 2017, notification had been received that the shareholders listed below held more than 3% of the voting share capital of the Company.

Shareholders	31 March 2017	31 May 2017
Fidelity Platform Investors	27.36	27.09
Lazard Asset Management	13.60	14.10
Hargreaves Lansdown	12.52	12.54
City of London	9.48	8.04
Wells Capital Management	3.31	3.36
Alan & Gill Gray Foundation	3.10	3.09

FIL Limited had a holding on its own account of 2.18% as at 31 March 2017 and 2.19% as at 31 May 2017.

An analysis of shareholders as at 31 March 2017 is detailed in the table below.

Shareholders as at 31 March 2017	% of voting share capital
Private shareholders ¹	55.38
Institutions and wealth managers	21.86
Pension companies	15.51
Charities	3.10
Insurance companies	2.62
Other	1.53
Total	100.00

¹ Includes Fidelity Platform Investors (27.36%)

Additional Information required in the Directors' report

Information on proposed dividends, financial instruments and greenhouse emissions is set out in the Strategic Report on pages 9 to 13.

Annual General Meeting

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

At the AGM on 26 July 2017, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 65 and 66, including the items of special business summarised below.

Authority to allot shares

Resolution 13 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £571,354. If passed, this resolution will enable the Directors to allot a maximum of 57,135,448 Ordinary Shares which represents approximately 10% of the issued Ordinary Share capital of the Company (including Treasury Shares) as at 9 June 2017 and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury Shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at no less than NAV per share, or at a premium to NAV per share.

Authority to disapply pre-emption rights

Resolution 14 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury Shares for cash by way of (a) rights issues, normally on a proportionate basis but where necessary taking into account practical considerations, such as fractions and foreign securities laws; and (b) other issues up to an aggregate nominal value of £571,354 (including Treasury Shares) (approximately 10% of the issued Ordinary Share capital of the Company as at 9 June 2017 and equivalent to 57,135,448 Ordinary Shares).

Authority to repurchase the Company's shares

Resolution 15 is a special resolution which renews the Company's authority to purchase up to 14.99% (82,731,980) of the Ordinary Shares in issue (excluding Treasury Shares) on 9 June 2017 either

for immediate cancellation or for retention as Treasury Shares at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of Ordinary Shares will be made at the discretion of the Directors and within guidelines set from time to time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

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

By Order of the Board

FIL Investments International

Secretary

9 June 2017

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 can be found on the FRC's website at www.frc.org.uk.

Statement of Compliance

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

THE BOARD

Board Composition

The Board, chaired by Nicholas Bull, consists of six non-executive Directors. The Directors believe that, between them, they have good knowledge and wide experience of business in China, the Asia Region and of investment companies, and that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company.

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

Biographical details of all Directors are on page 20.

Board Responsibilities and Board Meetings

The Board has overall responsibility for the Company's affairs and for promoting the long-term success of the Company. All matters which are not delegated to the Company's Investment Managers

under the Management Agreements are reserved for the Board's decision. Matters reserved for the Board and considered at meetings include decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, Board appointments and the appointments of the Investment Managers and Company Secretary. The Board also considers shareholder issues including communication and investor relations.

Other than as previously disclosed in relation to John Ford, all Directors are independent of the Investment Managers and considered to be free from any relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts.

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

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 25 gives the attendance record for the meetings held during the reporting year. The Portfolio Manager and key representatives of the Investment Managers are in attendance at these meetings. Between these meetings there is regular contact with the Investment Managers and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Investment Managers being present.

In addition to the formal Board and Committee meetings, the Board undertakes an annual due diligence trip to China. During this trip, the Board meets with the management of existing and potential investee companies alongside the Portfolio Manager. The Board also meets with Fidelity's Hong Kong and Shanghai research teams and analysts. Further information on the most recent trip can be found in the Chairman's Statement on pages 3 and 4.

Company Secretary

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

Changes to the Board

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

	Regular Board Meetings	Nomination and Remuneration Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
Nicholas Bull	4/4	1/1	3/3	1/1
David Causer	4/4	1/1	3/3	1/1
John Ford ¹	2/2	n/a	n/a	n/a
John Owen ²	2/2	1/1	2/2	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	3/4	1/1	2/3	1/1
Andrew Wells ³	1/2	0/1	n/a	n/a

¹ Appointed on 22 July 2016

² Retired on 22 July 2016

³ Retired on 22 July 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 as well as the annual due diligence visit to China.

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

All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. As the Company is a constituent member of the FTSE 350 Index, all other Directors are subject to annual re-election. Directors standing for re-election at this year's AGM are accompanied by sufficient biographical details on page 20 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 at the AGM.

Board Evaluation

An annual evaluation of the Board, its Directors and its Committees is undertaken ahead of each AGM. It takes the form of written questionnaires and discussions. For the year under review, the performance and contribution to the Company of each Director was considered. The performance of the Chairman is evaluated by the other Directors. It was concluded that the Chairman and each Director have been effective and 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 of individual Directors during the evaluation process.

As a FTSE 350 company, and in accordance with Code B.6.2 of the 2014 UK Corporate Governance Code, the Company is required to carry out an externally facilitated evaluation of the Board every third year. The next such evaluation will be for the year ending 31 March 2018.

Directors' Remuneration and Share Interests

Details of the Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 29 and 30.

BOARD COMMITTEES

The Board has four Committees: the Audit Committee, the Investment Committee, the Management Engagement Committee and the Nomination and Remuneration Committee through which it discharges certain of its corporate governance responsibilities. Terms of reference of each Committee can be found 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 of the Directors, except John Ford for reasons stated on page 21. Full details are disclosed in the Report of the Audit Committee on pages 32 and 33.

Investment Committee

The Investment Committee is chaired by Peter Pleydell-Bouverie and consists of all of the Directors, except John Ford for the

Corporate Governance Statement continued

reasons stated on page 21. A representative of the Unlisted Investment Manager, with the requisite investment experience, attends the Committee meetings on an advisory basis.

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

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

Management Engagement Committee

The Management Engagement Committee is chaired by Nicholas Bull and consists of all of the Directors, except John Ford for reasons stated on page 21.

The Committee is charged with reviewing and monitoring the performance of the Investment Managers and for ensuring that the terms of the Management Agreements remain competitive and reasonable for shareholders. The criteria taken into consideration in reviewing the performance of the Investment Managers are the quality of the team; commitment to the Company and investment trust 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.

Ahead of the AGM, the Committee has reviewed the performance of the Investment Managers and concluded that it was in the interests of shareholders that the Management Agreements should continue. Details of the Management Agreements and the current fees are in the Directors' Report on page 21.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is chaired by Elisabeth Scott and consists of all of the Directors. It is charged with nominating new Directors for consideration by the Board, and for subsequent approval by shareholders. 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. External consultants, who have no connection with the Company, may be used to identify potential candidates.

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

The Committee also considers the election and re-election of Directors ahead of each AGM. It has considered the performance and contribution to the Company of each Director and has recommended their continued service to the Board.

The Committee 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 directors' fees of other comparable investment trust companies. Details of this can be found in The Remuneration Policy on page 28.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Set out on page 31 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 34 to 39.

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

Risk Management and Internal Controls

The Board is responsible for the Company's systems of risk management and internal controls and for reviewing their effectiveness. The review takes place at least once a year. 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 work carried out by the Independent Auditor and also includes consideration of reports concerning internal controls issued by other service providers.

The Board, assisted by the Manager has undertaken a rigorous risk and controls assessment. It confirms that there is an effective ongoing process in place to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 March 2017 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Investment Managers, which are subject to inspection by the Manager's internal and external audit processes, provide sufficient assurance that a sound system of internal controls is maintained to safeguard shareholders' investments and the Company's assets. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee met the Manager's internal audit representative three times in the reporting year. It receives a summary of the Manager's externally audited internal controls report on an annual basis.

Whistle-Blowing Procedure

Part of the Investment Managers' role in ensuring the provision of a good service pursuant to the Management Agreements include the ability for employees of FIL to raise concerns through a workplace concerns escalation policy (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 Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

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

Responsibility as an Institutional Shareholder

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

Relations with Shareholders

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

to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors are available to meet with shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and liaises and receives regular reports from the Manager on meetings attended with shareholders. If any shareholder wishes to contact a member of the Board directly they should either email the Company Secretary at investmenttrusts@fil.com or write to the address provided on page 73. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, the Senior Independent Director or the Board as a whole, as appropriate.

The Board encourages all shareholders to attend the AGM 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. Shareholders will have the opportunity to meet and address questions to the Board, the Portfolio Manager and representatives of the Investment Managers and Manager. The Board is looking forward to having the opportunity to speak to shareholders.

The Notice of Meeting on pages 65 to 67 sets out the business of the AGM and the special business resolutions are explained more fully on page 23 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of the AGM and related papers are sent to shareholders at least 20 working days before the Meeting.

Voting rights in the Company's shares

Every 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 held. At general meetings all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. The proxy voting results are disclosed on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

Articles of Association

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

On behalf of the Board



Nicholas Bull
Chairman
9 June 2017

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 March 2017 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.

Ordinary resolutions to approve both the Directors' Remuneration Report and the Remuneration Policy will be put to shareholders at the AGM on 26 July 2017. 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 34 to 39.

Directors Remuneration

The fee structure has remained unchanged since 1 April 2015, and is as follows: Chairman – £42,000; Senior Independent Director – £31,500; Chairman of the Audit Committee – £32,000; Chairman of the Investment Committee – £31,500 and Directors – £26,500. Levels of remuneration are 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 ("AGM"). A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. The policy that has been in place has been updated to reflect HMRC regulations in relation to expenses incurred by Directors in attending to the affairs of the Company. These are treated as a taxable benefit.

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

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

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

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

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

Report on the implementation of the Remuneration Policy

The Remuneration Policy, as set out above, has been followed throughout the year ended 31 March 2017 and up to the date of this report. The policy was last approved by shareholders on 18 July 2014 and is subject to approval at this year's AGM.

Voting at the Company's last Annual General Meeting

At the AGM held on 22 July 2016, 98.90% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 March 2016, 1.06% of votes were cast against and 0.04% of votes were withheld.

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

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £173,844 (2016: £164,496). This includes expenses incurred by Directors in attending to the affairs of the Company and are considered to be a taxable benefit.

	2018	2017	2017	2017	2016	2016	2016
	Projected	Fees	Taxable	Total	Fees	Taxable	Total
	Total	(Audited)	Benefits	(Audited)	(Audited)	Benefits	(Audited)
	(£)	(£)	(£)	(£)	(£)	(£)	(£)
Remuneration of Directors							
Nicholas Bull ¹	42,000	38,662	–	38,662	31,500	–	31,500
David Causer	32,000	32,000	150	32,150	32,000	–	32,000
John Ford ²	–	–	–	–	n/a	n/a	n/a
John Owen ³	n/a	13,084	–	13,084	42,000	–	42,000
Peter Pleydell-Bouverie	31,500	31,500	515	32,015	31,500	415	31,915
Elisabeth Scott ⁴	31,500	29,949	–	29,949	26,500	–	26,500
Vera Hong Wei ⁵	26,500	26,500	1,484	27,984	581	–	581
Andrew Wells ⁶	n/a	–	–	–	–	–	–
Total	163,500	171,695	2,149	173,844	164,081	415	164,496

1 Appointed Chairman on 22 July 2016

2 Appointed as Director on 22 July 2016 and waives his fees

3 Retired as Director on 22 July 2016

4 Appointed as Senior Independent Director on 22 July 2016

5 Appointed as Director on 24 March 2016

6 Retired as Director on 22 July 2016. Waived his fee

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

Expenditure on Remuneration and Distributions to Shareholders

The table below shows the total amount paid out in remuneration and distributions to shareholders for the financial years to 31 March 2017 and 31 March 2016.

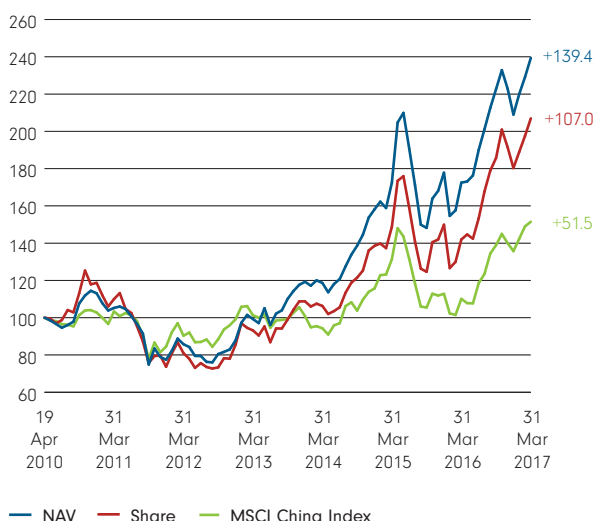
	31 March 2017 £	31 March 2016 £
Expenditure on Remuneration:		
Aggregate of Directors' Fees	173,844	164,496
Distribution to Shareholders:		
Dividend payments	9,950,000	7,306,000
Shares repurchased	2,212,000	27,412,000

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, Chinese companies listed elsewhere and listed companies with significant interests in China and Hong Kong.

The Company's performance is measured against the return of the MSCI China Index (in UK sterling terms) as this is the most appropriate Benchmark in respect of its asset allocation. The graph opposite shows performance since launch to 31 March 2017.

Total return performance from launch to 31 March 2017



Prices rebased to 100

Sources:

Fidelity and Datastream

Past performance is not a guide to future returns

Directors' Remuneration Report continued

Directors' Interest in Ordinary Shares

Although there is no requirement for the Directors to hold shares in the Company, Directors are encouraged to do so. The table below shows the Ordinary Shares held by the Directors in the Company. All of the Directors' shareholdings are beneficial with the exception of the connected person holding for John Ford.

Directors' Shareholdings (Audited)

	31 March 2017	31 March 2016	Change during year
Nicholas Bull	90,804	65,804	25,000 ¹
David Causer	65,804	65,804	-
John Ford ²	7,720	n/a	7,720 ²
John Owen ³	n/a	55,022	n/a
Peter Pleydell-Bouverie	78,683	78,683	-
Elisabeth Scott	19,819	19,819	-
Vera Hong Wei	1,494	nil	1,494 ⁴
Andrew Wells ³	n/a	nil	n/a

1 Purchase of shares

2 Appointed 22 July 2016. Purchase of shares by connected person (non-beneficial interest)

3 Retired 22 July 2016

4 Purchase of shares

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

On behalf of the Board



Nicholas Bull

Chairman

9 June 2017

Statement of Directors' Responsibilities

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

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

In preparing these Financial Statements the Directors are required to:

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

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

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

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

The Directors confirm that to the best of our knowledge:

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

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

Approved by the Board on 9 June 2017 and signed on its behalf by:



Nicholas Bull
Chairman

Report of the Audit Committee

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

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 March 2017.

Composition

The members of the Committee are myself as Chairman, Nicholas Bull, Peter Pleydell-Bouverie, Elisabeth Scott and Vera Hong Wei. Nicholas Bull is a member of the Committee because the Board believes it to be appropriate for all independent Directors to have such responsibility. The Committee considers that collectively its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

Role and Responsibilities

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

- Establishing with the Company's Independent Auditor the

nature and scope of the audit, reviewing the Independent Auditor's quality control procedures, the effectiveness of the audit process and the Auditor's independence;

- Responsibility for making recommendations on the appointment, reappointment and removal of the Company's Independent Auditor;
- Reviewing the effectiveness of the Company's risk management and internal control systems (including financial, operational and compliance controls), considering the scope of work undertaken by the Manager's internal audit department; and reviewing the Company's procedures for detecting fraud;
- Monitoring the integrity of the Company's half-yearly and annual financial statements to ensure they are fair, balanced and understandable;
- Reviewing the existence and performance of all controls operating in the Company, including the 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).

Meetings and Business Considered

Since the date of the last Annual Report (1 June 2016), the Committee has met three times and the Independent Auditor attended two of these meetings.

The following matters are reviewed at each Committee meeting:

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

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

November 2016	<ul style="list-style-type: none">• The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board• The Going Concern Statement
March 2017	<ul style="list-style-type: none">• The Independent Auditor's engagement letter and audit plan for the Company's year ending 31 March 2017• Allocation of expenses between income and capital
June 2017	<ul style="list-style-type: none">• The Independent Auditor's findings from the audit of the Company• The Independent Auditor's performance, independence and reappointment• Compliance with Corporate Governance and regulatory requirements• The Annual Report and Financial Statements and recommendation of its approval to the Board• The Viability and Going Concern Statements• The final dividend payment to be recommended to the Board

Annual Report and Financial Statements

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 31. 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. The Committee members apply their expertise and knowledge in reviewing disclosures made in order to ensure that the Financial Statements are fair, balanced and understandable.

Significant Issues considered by the Audit Committee during the Year

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

Recognition of Investment Income	Recognition of investment income is undertaken in accordance with accounting policy Note 2(f) on page 44. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager to satisfy itself that adequate systems were in place for properly recording the Company's income. Investment income was also tested and reported on by the 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 45 and 46. The Committee took comfort from the Depositary's regular oversight reports that investment related activities are conducted in accordance with the Company's investment policy. The Committee received reports from the Manager and Depositary that the valuation, existence and ownership of investments had been verified. In addition, the Committee reviewed the work of the Independent Auditor, who had also confirmed the existence and ownership the Company's investments with the Company's Custodian and that of the derivatives with the Company's counterparties. The Company's unlisted investments, which are appraised by the FIL Fair Value Pricing Committee ("FVPC") in accordance with IFRS, were reviewed by the Committee. It receives reporting from the FIL FVPC and approves the proposed valuation methodologies for all unlisted investments.
Performance fee calculation	At each Committee meeting, the Manager reports any performance fee accruals that have been included in the Company's NAV and confirm that it has been calculated in accordance with the Management Agreements. These performance fee accruals are reviewed by the Committee. It also gets comfort from the work carried out by the Independent Auditor that the Company's performance fee has been calculated in accordance with the terms of the Management Agreements.

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

Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Independent Auditor for the year ended 31 March 2017. The Committee reviewed the independence of the Auditor and the effectiveness of the audit process prior to recommending their reappointment to the Board at the forthcoming AGM.

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

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

* There were no non-audit services provided to the Company during the reporting period.

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

- The fulfilment by the Auditor of the agreed audit plan;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 March 2017; and
- Feedback from the Manager.

Auditor's Appointment and Audit Tenure

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

David Causer

Chairman of the Audit Committee
9 June 2017

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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Fidelity China Special Situations plc's Financial Statements comprise:

- Income Statement for the year ended 31 March 2017;
- Statement of Changes in Equity for the year then ended;
- Balance Sheet as at 31 March 2017;
- Cash Flow Statement for the year then ended; and
- Related Notes 1 to 21 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

Risks of material misstatement	<ul style="list-style-type: none">• Incomplete or inaccurate investment and derivative income recognition• Valuation and existence of unlisted investments• Valuation and existence of listed investments and derivatives• Incorrect performance fee calculation
Materiality	<ul style="list-style-type: none">• £12.4m (2016: £9.1m) which represents 1% of Net Assets

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	Key observations communicated to the Audit Committee
<p>Incomplete or inaccurate investment and derivative income recognition</p> <p><i>Refer to the Report of the Audit Committee (page 33); Accounting policies (page 44); and Note 3 of the Financial Statements (page 47)</i></p> <p>The Company has reported revenue of £26.9m (2016: £20.0m)</p> <p>We identified the incomplete, inaccurate or the classification of investment and derivative income recognition to be a fraud risk due to the scope for reduced transparency and availability of reliable information in emerging markets.</p> <p>Overstatement of revenue often results from fraudulent financial reporting and management override of controls. The investment and derivative income receivable by the Company during the period directly affects the Company's ability to pay a dividend to shareholders. There is also a manual and judgemental element in allocating special dividends between revenue and capital. The two largest special dividends the Company received in the year were from China Sanjiang Fine Chemicals and China Meidong Auto Holdings amounting to £0.80m and £0.51m respectively.</p> <p>Given this, we considered there to be a potential fraud risk, in accordance with Auditing Standards, in this area of our audit.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Walked through the revenue recognition process to obtain an understanding of the process and the design effectiveness of the controls; • Agreed a sample of dividends to the corresponding announcement made by the investee company and agreed cash received to bank statements; • For a sample of investee companies, obtained dividend announcements from independent third party sources and confirmed that the Company had properly recorded its entitlement to the dividends as income in the appropriate period and had recorded them at an amount consistent with the published announcements; • For the sample selected, we tested the exchange rate used to translate the investment and derivative dividend income received in foreign currency to an independent source; • Agreed material accrued investment and derivative dividends to an independent source and to post year end bank statement to assess the recoverability of these amounts; and • Considered the recognition criteria applied to the special dividends received during the year and their classification as revenue or capital and assessed the appropriateness of the conclusion on the relevant treatment as documented by the Manager. 	<p>The results of our procedures identified no issues with the accuracy, classification or completeness of income receipts.</p> <p>We concur with the accounting classification adopted for material special dividends as revenue or capital, including the classification of the £0.80m dividend from Sanjiang Fine Chemicals as capital and £0.51m from China Meidong Auto Holdings as income.</p>

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation and existence of unlisted investments <i>Refer to the Report of the Audit Committee (page 44); Accounting policies (page 45); and Note 19 of the Financial Statements (page 63)</i></p> <p>The Company has unlisted investments at the year-end of £37.2m (2016: £20.3m).</p> <p>As of 31 March 2017 the Company held three unlisted investments:</p> <ul style="list-style-type: none"> • Internet Plus Holdings valued at £8.0m (2016: £7.0m); • Xiaoju Kuaizhi Inc ("Didi Chuxing") valued at £17.2m (2016: £13.3m); • Shanghai Yiguo E-Commerce valued at £12.0m, which was acquired during the year. <p>The degree of subjectivity, the level of management judgement and the risk that the valuation does not reflect the most up to date information, potentially in our view imposes a fraud risk over the valuation of unlisted investments.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Walked through the investment valuation process to obtain an understanding of the process and evaluate the design effectiveness of controls; • Assessed the valuation methodology used by the Fair Value Committee of FIL Investment Management and confirmed the methodology is in accordance with IFRS and International Private Equity and Venture Capital Valuation Guidelines; • Assessed the assumptions and judgments made by the Fair Value Committee of FIL Investment Management in determining the fair value of all unlisted securities held by the Company at the year end; • Obtained third party supporting evidence to corroborate the recent transactions used to assign a fair value price to the Company's unlisted holdings and recalculated the fair value used by the Company; • Compared 100% of exchange rates to a relevant independent source; and • Agreed 100% of unlisted investment holdings in the portfolio to third party confirmations received from the Custodian. 	<p>The results of our procedures identified no material error in the valuation and existence of unlisted investments.</p>
<p>Valuation and existence of listed investments and derivatives <i>Refer to the Report of the Audit Committee (page 44); Accounting policies (pages 45 and 46); and Notes 10 and 11 of the Financial Statements (pages 51 and 52)</i></p> <p>The valuation of the listed equities portfolio and derivatives at 31 March 2017 was £1,273.3m (2016: £959.8m) comprising £1,258.2m (2016: £967.6m) of listed securities and equity linked notes and £15.1m (2016: £-7.8m) of derivatives.</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return.</p> <p>Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Walked through the investments valuation process to obtain an understanding of the design of the controls; • Independently valued 100% of the listed investments and derivatives prices in the portfolio using our bespoke asset pricing tool and compared to the values determined by the Company; • For those investments priced in currencies other than sterling we compared the exchange rates to an independent source and recalculated the value of those investments; and • Agreed 100% of the holdings in the investment portfolio and derivatives to third party confirmations received from the Custodian or Brokers. 	<p>The results of our procedures identified no material error in the value and existence of listed investments and derivatives.</p>

Risk	Our response to the risk	What we concluded to the Audit Committee
<p>Incorrect performance fee calculation</p> <p><i>Refer to the Report of the Audit Committee (page 44); Accounting policies (page 45); and Note 4 of the Financial Statements (page 48)</i></p> <p>The Company has reported performance fee expense of £nil for the year ended 31 March 2017 (2016: £9.1m).</p> <p>We focused on this area due to the importance shareholders attribute to this profit related expense.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Walked through the process to obtain an understanding and evaluate the design effectiveness of controls in respect of performance fee measurement; • 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; • Performed a recalculation to confirm there were no performance fees payable and that any loss carried forward is correctly calculated. • Validated all key external inputs used in the calculations to third party source data; and • Discussed the performance fee calculation methodology with representatives of FIL and the Audit Committee and compared the methodology used to the Investment Management Agreements. 	<p>The results of our procedures identified no material error in performance fee calculation.</p>

The risks of material misstatement are the same as in the prior year, unless indicated otherwise.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. Taken together, this enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation 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. All audit work was performed directly by the audit engagement team.

Our application of materiality

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

Materiality

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

We determined materiality for the company to be £12.4m (2016: £9.1m), which is 1% (2016: 1%) of the Company's Net Assets. We

have used Net Assets as the basis for setting materiality since it provides the most important financial metric on which shareholders would judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2016: 50%) of our planning materiality, namely £9.3m (2016: £4.55m). We have set performance materiality at a higher percentage this year due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the company we also applied a separate testing threshold of £0.8m (2016: £0.3m) for the revenue column of the Income Statement, being 5% (2016: 2.5%) of profit before taxation. We have updated our testing threshold at a higher percentage this year due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

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

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.62m (2016: £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 Statement of Directors' Responsibilities set out on page 31, 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 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
- based on the work undertaken in the course of the audit:
 - the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements;
 - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	<p>We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report is:</p> <ul style="list-style-type: none">• 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. <p>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.</p>	<p>We have no exceptions to report.</p>
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Companies Act 2006 reporting	<p>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.</p> <p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit. 	We have no exceptions to report.
Listing Rules review requirements	<p>We are required to review:</p> <ul style="list-style-type: none"> the Directors' statement in relation to going concern, set out on page 21, and longer-term viability, set out on pages 12 and 13; 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.
Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity		
ISAs (UK and Ireland) reporting	<p>We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:</p> <ul style="list-style-type: none"> 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

9 June 2017

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 auditor accepts 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 2017

	Notes	year ended 31 March 2017			year ended 31 March 2016		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Revenue							
Investment income	3	20,534	–	20,534	17,571	–	17,571
Derivative income	3	6,182	–	6,182	2,345	–	2,345
Other income	3	162	–	162	118	–	118
Total income		26,878	–	26,878	20,034	–	20,034
Gains/(losses) on investments at fair value through profit or loss	10	–	330,480	330,480	–	(5,445)	(5,445)
Gains on derivative instruments	11	–	17,568	17,568	–	6,832	6,832
Foreign exchange gains/(losses) on other net assets		–	6,936	6,936	(42)	3,281	3,239
Foreign exchange losses on bank loans		–	(15,350)	(15,350)	–	(3,301)	(3,301)
Total income and gains		26,878	339,634	366,512	19,992	1,367	21,359
Expenses							
Investment management and performance fees	4	(5,485)	(5,485)	(10,970)	(4,569)	(13,707)	(18,276)
Other expenses	5	(1,737)	–	(1,737)	(1,911)	–	(1,911)
Profit/(loss) before finance costs and taxation		19,656	334,149	353,805	13,512	(12,340)	1,172
Finance costs	6	(2,809)	(2,809)	(5,618)	(1,499)	(1,499)	(2,998)
Profit/(loss) before taxation		16,847	331,340	348,187	12,013	(13,839)	(1,826)
Taxation	7	(709)	–	(709)	(413)	1,300	887
Profit/(loss) after taxation for the year		16,138	331,340	347,478	11,600	(12,539)	(939)
Earnings/(loss) per Ordinary Share	8	2.92p	60.01p	62.93p	2.07p	(2.24p)	(0.17p)

The Company does not have any income or expenses that are not included in the net profit/(loss) after taxation 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/(loss) and total comprehensive income is attributable to the equity shareholders of the Company. There are no minority interests.

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

The Notes on pages 44 to 64 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2017

	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 2016		5,713	211,569	914	338,837	334,204	17,241	908,478
Repurchase of Ordinary Shares		-	-	-	(2,212)	-	-	(2,212)
Profit after taxation for the year		-	-	-	-	331,340	16,138	347,478
Dividend paid	9	-	-	-	-	-	(9,950)	(9,950)
Total equity at 31 March 2017		5,713	211,569	914	336,625	665,544	23,429	1,243,794
Total equity at 31 March 2015		5,713	211,569	914	366,249	346,743	12,947	944,135
Repurchase of Ordinary Shares		-	-	-	(27,412)	-	-	(27,412)
(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

The Notes on pages 44 to 64 form an integral part of these Financial Statements.

Balance Sheet

as at 31 March 2017

Company number 7133583

	Notes	31 March 2017 £'000	31 March 2016 £'000
Non current assets			
Investments at fair value through profit or loss	10	1,295,266	987,878
Current assets			
Derivative instruments	11	48,639	20,275
Amounts held at futures clearing houses and brokers		2,069	12,740
Other receivables	12	13,154	3,531
Cash and cash equivalents		47,722	30,266
		111,584	66,812
Current liabilities			
Derivative instruments	11	(33,458)	(28,082)
Bank loans	13	–	(104,315)
Other payables	14	(9,933)	(13,815)
		(43,391)	(146,212)
Net current assets/(liabilities)		68,193	(79,400)
Total assets less current liabilities		1,363,459	908,478
Non-current liabilities			
Bank loans	15	(119,665)	–
Net assets		1,243,794	908,478
Equity attributable to equity shareholders			
Share capital	16	5,713	5,713
Share premium account	17	211,569	211,569
Capital redemption reserve	17	914	914
Other reserve	17	336,625	338,837
Capital reserve	17	665,544	334,204
Revenue reserve	17	23,429	17,241
Total equity		1,243,794	908,478
Net asset value per Ordinary Share	18	225.36p	164.18p

The Financial Statements on pages 40 to 64 were approved by the Board of Directors and authorised for issue on 9 June 2017 and were signed on its behalf by:



Nicholas Bull
Chairman

The Notes on pages 44 to 64 form an integral part of these Financial Statements.

Cash Flow Statement

for the year ended 31 March 2017

	year ended 31 March 2017 £'000	year ended 31 March 2016 £'000
Operating activities		
Cash inflow from dividend income	19,331	17,375
Cash inflow from derivative income	6,095	2,345
Cash inflow from interest income	162	118
Cash outflow from Directors' fees	(168)	(164)
Cash outflow from other payments	(21,605)	(15,757)
Cash outflow from the purchase of investments	(447,722)	(628,799)
Cash outflow from the purchase of derivatives	(2,705)	(9,340)
Cash inflow from the sale of investments	466,823	628,999
Cash (outflow)/inflow from the settlement of derivatives	(2,715)	65,752
Cash inflow/(outflow) from amounts held at futures clearing houses and brokers	11,130	(11,357)
Net cash inflow from operating activities before servicing of finance	28,626	49,172
Financing activities		
Cash outflow from loan interest paid	(2,310)	(1,533)
Cash outflow from CFD interest paid	(2,042)	(992)
Cash outflow from short CFD dividends paid	(1,084)	(384)
Cash outflow from the repurchase of Ordinary Shares	(2,720)	(26,904)
Cash outflow from dividends paid to shareholders	(9,950)	(7,306)
Cash outflow from financing activities	(18,106)	(37,119)
Increase in cash and cash equivalents	10,520	12,053
Cash and cash equivalents at the start of the year	30,266	14,932
Effect of foreign exchange movements	6,936	3,281
Cash and cash equivalents at the end of the year	47,722	30,266

The Notes on pages 44 to 64 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, IFRIC interpretations and, as far as it is consistent with IFRS, with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014. The accounting policies adopted in the preparation of these financial statements are summarised below.

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

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

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

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from contracts with customers
- IFRS 16: Leases

It is anticipated that the adoption of these IFRS in future periods will have no material effect on the financial position and performance 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 unlisted investments and the assumptions made have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. These judgements include making assessments of the possible valuations in the event of a listing and other marketability related risks.

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

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

2 Accounting Policies continued

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

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

i) Finance costs – Finance costs comprise interest and fees on bank loans and overdrafts and interest paid on CFDs, which are accounted for on an accruals basis 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 (with effect from 1 April 2017, they will be allocated 25% to revenue and 75% to capital).

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

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

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

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

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

l) Investments – The portfolio of 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.

Notes to the Financial Statements continued

2 Accounting Policies continued

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

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

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

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

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

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

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

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

2 Accounting Policies continued

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

- Gains and losses on the disposal of investments and derivatives instruments;
- Changes in the fair value of investments and derivative instruments, held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Performance fees;
- 50% of investment management fees (with effect from 1 April 2017: 75%);
- 50% of finance costs (with effect from 1 April 2017: 75%);
- Dividends receivable which are capital in nature; and
- Taxation charged or credited relating to items which are capital in nature.

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash, with the exception of level 3 investments which had unrealised investment holding gains of £8,448,000 (2016: £3,392,000).

3 Income

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Investment income		
Overseas dividends	20,278	17,546
Overseas scrip dividends	256	25
	20,534	17,571
Derivative income		
Dividends on long CFDs	6,170	2,340
Interest on short CFDs	12	5
	6,182	2,345
Other Income		
Deposit interest	162	118
Total income	26,878	20,034

Notes to the Financial Statements continued

4 Investment Management and Performance Fees

	Year ended 31 March 2017			Year ended 31 March 2016		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Investment management fee	5,485	5,485	10,970	4,569	4,569	9,138
Performance fee	-	-	-	-	9,138	9,138
	5,485	5,485	10,970	4,569	13,707	18,276

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

In addition, the Investment Managers are entitled to an annual performance fee of 15.0% of any change in the NAV per Ordinary Share attributable to performance which is more than 2% above the return on the MSCI China Index, subject to a maximum performance fee payable in any year equal to 1.0% of the arithmetic mean of the NAV calculated at the end of each month during the year. Any 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.

There is no performance fee payable this year. For 2016 a performance fee of £9,138,000 was paid, which was capped at an amount equal to 1.0% of the arithmetic mean of the NAV calculated at the end of each month during the year.

5 Other Expenses

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
AIC fees	20	20
Custody fees	231	420
Depository fees	61	62
Directors' expenses	61	62
Directors' fees*	172	164
Legal and professional fees	94	76
Marketing expenses	257	230
Printing and publication expenses	107	122
Registrars' fees	46	72
Secretarial and administration fees payable to the Investment Managers	600	600
Other expenses	60	55
Fees payable to the Independent Auditor for the audit of the Financial Statements	28	28
	1,737	1,911

* Details of the breakdown of Directors' fees are provided within the Directors' Remuneration Report on page 29.

6 Finance Costs

	Year ended 31 March 2017			Year ended 31 March 2016		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Interest on bank loans and overdrafts	1,278	1,278	2,556	794	794	1,588
Interest paid on CFDs	989	989	1,978	513	513	1,026
Dividends paid on short CFDs	542	542	1,084	192	192	384
	2,809	2,809	5,618	1,499	1,499	2,998

7 Taxation

	Year ended 31 March 2017			Year ended 31 March 2016		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
a) Analysis of the taxation (credit)/charge for the year						
Overseas taxation charge	709	-	709	413	-	413
Overseas capital gains tax credit	-	-	-	-	(1,300)	(1,300)
Taxation charge/(credit) for the year (see Note 7b)	709	-	709	413	(1,300)	(887)

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

The taxation charge/(credit) for the year is lower than the standard rate of UK corporation tax for an investment trust company of 20% (2016: 20%). A reconciliation of the standard rate of UK corporation tax to the taxation charge/(credit) for the year is shown below:

	Year ended 31 March 2017			Year ended 31 March 2016		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Profit/(loss) before taxation	16,847	331,340	348,187	12,013	(13,839)	(1,826)
Profit/(loss) before taxation multiplied by the standard rate of UK corporation tax of 20% (2016: 20%)	3,369	66,268	69,637	2,403	(2,768)	(365)
Effects of:						
Gains on investments not taxable*	-	(67,365)	(67,365)	-	(150)	(150)
Income not taxable	(4,086)	-	(4,086)	(3,374)	-	(3,374)
Excess expenses	717	1,097	1,814	971	2,918	3,889
Overseas taxation	709	-	709	413	-	413
Overseas capital gains tax	-	-	-	-	(1,300)	(1,300)
Taxation charge/(credit) (Note 7a)	709	-	709	413	(1,300)	(887)

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

c) Deferred taxation

A deferred tax asset of £15,657,000 (2016: £14,870,000), in respect of excess expenses of £92,102,000 (2016: £82,613,000) has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

Notes to the Financial Statements continued

8 Earnings/(loss) per Ordinary Share

	Year ended 31 March 2017			Year ended 31 March 2016		
	revenue	capital	total	revenue	capital	total
Earnings/(loss) per Ordinary Share – basic and diluted	2.92p	60.01p	62.93p	2.07p	(2.24p)	(0.17p)

Earnings/(loss) per Ordinary Share are based on the revenue profit after taxation for the year of £16,138,000 (2016: £11,600,000), the capital profit after taxation for the year of £331,340,000 (2016: loss £12,539,000) and the total profit after taxation for the year of £347,478,000 (2016: loss £939,000) and on 552,192,288 (2016: 559,532,936) Ordinary Shares, being the weighted average number of Ordinary Shares held outside Treasury in issue during the year. Basic and diluted earnings per share are the same as the Company has no dilutive financial instruments.

9 Dividends Paid to Shareholders

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Dividend paid		
Dividend paid of 1.80 pence per Ordinary Share for the year ended 31 March 2016	9,950	–
Dividend paid of 1.30 pence per Ordinary Share for the year ended 31 March 2015	–	7,306
	9,950	7,306
Dividend proposed		
Dividend proposed of 2.50 pence per Ordinary Share for the year ended 31 March 2017	13,798	–
Dividend proposed of 1.80 pence per Ordinary Share for the year ended 31 March 2016	–	9,950
	13,798	9,950

The Directors have proposed the payment of a dividend for the year ended 31 March 2017 of 2.50 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 31 July 2017 to shareholders on the register at the close of business on 30 June 2017 (ex-dividend date 29 June 2017).

10 Investments at Fair Value through Profit or Loss

	2017 £'000	2016 £'000
Total investments*	1,295,266	987,878
Opening book cost	944,097	817,499
Opening investment holding gains	43,781	183,544
Opening fair value of investments	987,878	1,001,043
Movements in the year		
Purchases at cost	453,047	621,679
Sales - proceeds	(476,139)	(629,399)
Sales - gains in the year	124,398	134,318
Movement in investment holding gains/(losses) in the year	206,082	(139,763)
Closing fair value of investments	1,295,266	987,878
Closing book cost	1,045,403	944,097
Closing investment holding gains	249,863	43,781
Closing fair value of investments	1,295,266	987,878

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

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Gains/(losses) on investments		
Gains on sales of investments	124,398	134,318
Investment holding gains/(losses)	206,082	(139,763)
	330,480	(5,445)

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

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Investment transaction costs		
Purchases transaction costs	607	1,429
Sales transaction costs	719	1,254
	1,326	2,683

The portfolio turnover rate for the year was 40.4% (2016: 63.9%).

Notes to the Financial Statements continued

11 Derivative instruments

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Net gains on derivative instruments		
Realised gains on CFDs	2,269	34,593
Realised (losses)/gains on futures	(4,983)	12,865
Realised (losses)/gains on options	(464)	7,688
Realised losses on warrants	–	(2)
Movement on investment holding gains/(losses) on CFDs	21,983	(47,305)
Movement on investment holding gains/losses on futures	1,000	(514)
Movement on investment holding losses on options	(2,237)	(355)
Movement on investment holding losses on warrants	–	(138)
	17,568	6,832
	2017 fair value £'000	2016 fair value £'000
Fair value of derivative instruments recognised on the Balance Sheet*		
Derivative instrument assets	48,639	20,275
Derivative instrument liabilities	(33,458)	(28,082)
	15,181	(7,807)

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

	2017 fair value £'000	2017 gross asset exposure £'000	2016 fair value £'000	2016 gross asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	20,370	313,013	(5,583)	204,668
Short CFDs	(2,572)	32,382	–	–
Short CFDs (hedging exposure)	(3,108)	(21,510)	(1,710)	(16,818)
Futures (hedging exposure)	487	(26,599)	(514)	(20,381)
Put options (hedging exposure)	4	(5,699)	–	–
	15,181	291,587	(7,807)	167,469

12 Other Receivables

	2017 £'000	2016 £'000
Securities sold for future settlement	12,487	3,171
Accrued income	621	296
Other receivables	46	64
	13,154	3,531

13 Bank Loans – repayable within one year

	2017 £'000	2016 £'000
Variable rate unsecured US dollar loan		
US dollar 150,000,000 @ 1.82%	–	104,315

The US\$150,000,000 variable rate, unsecured, revolving loan facility with Scotiabank Europe PLC ended on 14 February 2017 and the loan was replaced by a longer-term loan, as disclosed in Note 15 below.

14 Other Payables

	2017 £'000	2016 £'000
Securities purchased for future settlement	6,104	1,035
Amount payable on share repurchases	–	508
Performance fee	–	9,138
Investment management, secretarial and administration fees	3,041	2,407
Accrued expenses	788	727
	9,933	13,815

15 Bank Loans – repayable after more than one year

	2017 £'000	2016 £'000
Fixed rate unsecured US dollar loan		
US dollar 150,000,000 @ 3.01%	119,665	–

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

16 Share Capital

	Number of shares	2017 £'000	Number of shares	2016 £'000
Issued, allotted and fully paid				
Ordinary Shares of 1 penny each – Held outside Treasury				
Beginning of the year	553,339,480	5,533	571,254,480	5,712
Ordinary Shares repurchased into Treasury	(1,425,000)	(14)	(17,915,000)	(179)
End of the year	551,914,480	5,519	553,339,480	5,533
Held in Treasury				
Beginning of the year	18,015,000	180	100,000	1
Ordinary Shares repurchased into Treasury	1,425,000	14	17,915,000	179
End of the year	19,440,000	194	18,015,000	180
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.

Notes to the Financial Statements continued

17 Reserves

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

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

The other reserve is a distributable premium reserve created on 21 April 2010 when High Court approval was given for the share premium account at that date to be cancelled. As a result £452,232,000 was transferred from the share premium account to the other reserve. It can be used to fund share repurchases. During the year 1,425,000 (2016: 17,915,000) Ordinary Shares were repurchased and held in Treasury. The £2,212,000 (2016: £27,412,000) cost of these repurchases was charged to this reserve.

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

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

18 Net Asset Value per Ordinary Share

The net asset value per Ordinary Share is based on net assets of £1,243,794,000 (2016: £908,478,000) and on 551,914,480 (2016: 553,339,480) 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.

19 Financial Instruments

Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Investment Managers, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, 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 11 and 12.

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

The Company's financial instruments may comprise:

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

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

19 Financial Instruments continued

Market price risk

Interest rate risk

The Company finances its operations through share capital raised. In addition, the Company has derivative instruments and an unsecured fixed rate loan facility for US\$ 150,000,000 expiring on 14 February 2020 (2016: unsecured variable rate loan facility for US\$150,000,000, expired on 14 February 2017). The Company has drawn down the whole of this facility as disclosed in Note 15 above.

Interest rate risk exposure

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

	2017 £'000	2016 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	292,643	210,251
Bank loans	119,665	104,315
	412,308	314,566
Exposure to financial instruments that earn interest		
Short CFDs exposure plus fair value	48,212	15,108
Cash at bank	47,722	30,266
Amounts held at futures clearing houses and brokers	2,069	12,740
	98,003	58,114
Net exposure to financial instruments that bear interest	314,305	256,452

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.

Notes to the Financial Statements continued

19 Financial Instruments continued

Currency exposure of financial assets

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

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

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

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

currency					2016
	investments held at fair value through profit or loss £'000	exposure to long derivative instruments ¹ £'000	other receivables ² £'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	167,469	3,382	87	716,747
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	167,469	16,271	30,266	1,201,884

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

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

19 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	2017			
	gross asset exposure to short derivative instruments* £'000	US dollar bank loans £'000	other payables £'000	total £'000
Hong Kong dollar	32,382	–	3,625	36,007
Taiwan dollar			27	27
UK sterling	–	–	3,356	3,356
US dollar	–	119,665	2,925	122,590
	32,382	119,665	9,933	161,980

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

currency	2016			
	gross asset exposure to short derivative instruments* £'000	US dollar bank loans £'000	other payables £'000	total £'000
Hong Kong dollar	–	–	1,019	1,019
Taiwan dollar	–	–	20	20
UK sterling	–	–	12,549	12,549
US dollar	–	104,315	227	104,542
	–	104,315	13,815	118,130

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

Other price risk

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

The 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.

Notes to the Financial Statements continued

19 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 a bank overdraft, if required. The Company has the facility to borrow up to US\$150,000,000 (2016: US\$150,000,000) until 14 February 2020. The current borrowing is shown in Note 15 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.

Collateral

For OTC and exchange traded derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 March 2017, £23,717,000 (2016: £3,121,000) was received from brokers and held, in a segregated collateral account, on behalf of the Company to reduce the credit risk exposure of the Company. This collateral comprised: Deutsche Bank AG £9,689,000 in European Government bonds denominated in euros and UBS AG £14,028,000 in UK Government bonds denominated in Sterling. £2,069,000 (2016: £12,740,000), shown as amounts held at futures clearing houses and brokers on the Balance Sheet, was held by the Company, in a segregated collateral account, on behalf of the brokers to reduce the credit risk exposure of the brokers. This collateral comprised: HSBC Bank plc £415,000 in cash and UBS AG £1,654,000 in cash.

Offsetting

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

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

						2017
	Gross amount of recognised financial liabilities set off on the Balance Sheet		Net amount of financial assets presented on the Balance Sheet	Related amounts not set off on the Balance Sheet		
	Gross amount £'000	the Balance Sheet £'000	the Balance Sheet £'000	Financial instruments £'000	Margin account received as collateral £'000	Net amount £'000
Financial assets						
CFDs	48,148	–	48,148	(30,150)	–	17,998
Futures (exchange traded)	487	–	487	–	–	487
Options	4	–	4	–	–	4
	48,639	–	48,639	(30,150)	–	18,489

19 Financial Instruments continued

	2017					
	Gross amount of recognised financial assets set off on the Balance Sheet	Net amount of financial liabilities presented on the Balance Sheet	Related amounts not set off on the Balance Sheet		Margin account pledged as collateral	Net amount
	Gross amount £'000	Balance Sheet £'000	the Balance Sheet £'000	Financial instruments £'000	£'000	£'000
Financial liabilities						
CFDs	(33,458)	-	(33,458)	30,150	415	(2,893)
						2016
	Gross amount of recognised financial liabilities set off on the Balance Sheet	Net amount of financial assets presented on the Balance Sheet	Related amounts not set off on the Balance Sheet		Margin account received as collateral	Net amount
	Gross amount £'000	Balance Sheet £'000	the Balance Sheet £'000	Financial instruments £'000	£'000	£'000
Financial assets						
CFDs	20,275	-	20,275	(16,712)	-	3,563
						2016
	Gross amount of recognised financial assets set off on the Balance Sheet	Net amount of financial liabilities presented on the Balance Sheet	Related amounts not set off on the Balance Sheet		Margin account pledged as collateral	Net amount
	Gross amount £'000	Balance Sheet £'000	the Balance Sheet £'000	Financial instruments £'000	£'000	£'000
Financial liabilities						
CFDs	(27,568)	-	(27,568)	16,712	10,856	-
Futures (exchange traded)	(514)	-	(514)	-	514	-
	(28,082)	-	(28,082)	16,712	11,370	-

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.

Notes to the Financial Statements continued

19 Financial Instruments continued

Derivative instruments risk

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

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

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

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at the Balance Sheet date, an increase of 0.25% in interest rates throughout the year would have decreased the profit after taxation for the year and decreased the net assets of the Company by £487,000 (2016: increased the loss after taxation and decreased the net assets by £641,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

Based on the financial assets and liabilities held and the exchange rates ruling at the Balance Sheet date, a strengthening of the UK sterling exchange rate by 10% against other currencies would have decreased the net profit after taxation for the year (2016: increased the net loss) and decreased the net assets of the Company by the following amounts:

currency	2017 £'000	2016 £'000
Australian dollar	340	233
Canadian dollar	119	84
Chinese renminbi	15,839	17,462
Hong Kong dollar	68,726	49,132
Singapore dollar	415	680
South Korean won	467	-
Taiwan dollar	3,778	3,380
US dollar	48,159	9,368
	137,843	80,339

19 Financial Instruments continued

Based on the financial assets and liabilities held and the exchange rates ruling at the Balance Sheet date, a weakening of the UK sterling exchange rate by 10% against other currencies would have increased the net profit after taxation for the year (2016: decreased the net loss) and increased the net assets of the Company by the following amounts:

currency	2017 £'000	2016 £'000
Australian dollar	415	285
Canadian dollar	145	103
Chinese renminbi	19,359	21,342
Hong Kong dollar	83,999	60,050
Singapore dollar	507	831
South Korean won	571	-
Taiwan dollar	4,618	4,131
US dollar	58,861	11,449
	168,475	98,191

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 11 and 12.

An increase of 10% in the share prices of the investments held at the Balance Sheet date would have increased the profit after taxation for the year and increased the net assets of the Company by £129,527,000 (2016: decreased the loss after taxation and increased the net assets by £98,788,000). 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 increased the profit after taxation for the year and increased the net assets of the Company by £22,682,000 (2016: decreased the loss after taxation and increased the net assets by £16,747,000). A decrease of 10% in the share prices of the investments underlying the derivative instruments would have had an equal but opposite effect.

Fair Value of Financial Assets and Liabilities

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

	2017		2016	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan of US dollar 150,000,000	119,098	119,665	104,790	104,315

Notes to the Financial Statements continued

19 Financial Instruments continued

Fair Value Hierarchy

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

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

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

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

	level 1 £'000	level 2 £'000	level 3 £'000	2016 total £'000
Financial assets at fair value through profit or loss				
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	–	(104,790)	–	(104,790)

19 Financial Instruments continued

	2017 £'000	2016 £'000
Level 3 investments – unlisted securities		
Xiaoju Kuaizhi Inc (“Didi Chuxing”)	17,235	13,363
Shanghai Yiguo E-commerce (“Yiguo”)	11,967	–
China Internet Plus Holdings	7,977	6,954
	37,179	20,317

Xiaoju Kuaizhi Inc (“Didi Chuxing”)

Didi Chuxing is a leading Chinese e-commerce company providing transport services. It is an unlisted company incorporated in the Cayman Islands. The Company holds 565,153 preference shares in Didi Chuxing, which represent 0.1% of the preference shares in issue. The Company's holding was purchased in August 2015 at a cost of £9,971,000. The valuation of Didi Chuxing was increased in January 2016, based on a secondary transaction in the shares, and at 31 March 2016 its fair value was £13,363,000. The valuation was again increased in May 2016 based on the price of shares issued when US\$1.4bn of funding was raised and at 31 March 2017 its fair value was £17,235,000.

Since the year end there has been another funding round raising about US\$5.5bn. Based on the price of this event the valuation of Didi Chuxing was increased by 33% in May 2017. If this price increase had been applied at 31 March 2017 the uplift in the value of Didi Chuxing would have increased the net assets of the Company by 0.5%.

	2017 level 3 £'000	2016 level 3 £'000
Movements in level 3 investments during the year		
Level 3 Investments at the beginning of the year	20,317	160
Purchases at Cost	11,806	17,664
Transfers into Level 3*	–	8,767
Unrealised profits recognised in the Income Statement	5,056	3,392
Losses recognised in the Income Statement	–	(9,666)
Level 3 investments at the end of the year	37,179	20,317

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

Notes to the Financial Statements continued

20 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital, reserves and gearing, which are disclosed on the Balance Sheet. The Company is managed in accordance with its investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on pages 9 and 10. The principal risks and their management are disclosed in the Strategic Report on pages 11 and 12 and in Note 19 above.

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

	2017 £'000	2016 £'000
Gross asset exposure		
Investments	1,295,266	987,878
Long CFDs	313,013	204,668
Total long exposures before hedges	1,608,279	1,192,546
Less: short derivatives instruments hedging the above	(53,808)	(37,199)
Total long exposures after the netting of hedges	1,554,471	1,155,347
Short CFDs	32,382	-
Gross Asset Exposure	1,586,853	1,155,347
Net assets	1,243,794	908,478
Gearing (Gross Asset Exposure in excess of Net Assets)	27.6%	27.2%

21 Transactions with the Managers and Related Parties

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

Details of the fee arrangements are given in the Directors' Report on page 21. During the year management fees of £10,970,000 (2016: £9,138,000), performance fees of nil (2016: £9,138,000) and accounting, administration and secretarial fees of £600,000 (2016: £600,000) were payable to the Managers. At the Balance Sheet date, management fees of £2,891,000 (2016: £2,257,000), performance fees of nil (2016: £9,138,000) and accounting, administration and secretarial fees of £150,000 (2016: £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 £257,000 (2016: £230,000). At the Balance Sheet date £39,000 (2016: £80,000) 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 29 and 30. The Directors received compensation of £194,000 (2016: £179,000). In addition to the fees and taxable benefits disclosed in the Directors' Remuneration Report, this amount includes £20,000 (2016: £15,000) 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 26 July 2017 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 2017.
2. To declare that a final dividend for the year ended 31 March 2017 of 2.50 pence per Ordinary Share be paid to shareholders who appear on the register as at close of business on 30 June 2017.
3. To re-elect Mr Nicholas Bull as a Director.
4. To re-elect Mr David Causer as a Director.
5. To re-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 re-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 28) for the year ended 31 March 2017.
10. To approve the Remuneration Policy as stated in the Directors' Remuneration Report on page 28.
11. To reappoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
12. To authorise the Directors to determine the Auditor's remuneration.

To consider and, if thought fit, to pass the following resolutions of which Resolution 13 will be proposed as an ordinary resolution and Resolutions 14 and 15 as special resolutions.

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

Resolutions 13 and 14 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 9 June 2017. The Directors will only issue new Ordinary Shares, or dispose of Ordinary Shares held in Treasury, under this authority in order to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so. Any Ordinary Shares held in Treasury would be re-issued at no less than Net Asset Value ("NAV") per share, or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the Ordinary Shares would enhance NAV per share.

13. 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 relevant securities (as defined in that section) up to an aggregate nominal amount of £571,354 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury Shares) as at 9 June 2017) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury Shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting ("AGM") of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

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

- a) to the allotment of equity securities or sale of Treasury Shares up to an aggregate nominal amount of £571,354 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury Shares) as at 9 June 2017); 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 NAV per share.

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

Notice of Meeting continued

Authority to repurchase shares

Resolution 15 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 9 June 2017 for immediate cancellation or for retention as Treasury Shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of Ordinary Shares will be at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share, thereby resulting in an increased NAV per share.

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

- a) the maximum number of shares hereby authorised to be purchased shall be 82,731,980;
- b) the minimum price which may be paid for a share is 1 penny;
- c) the maximum price (excluding expenses) which may be paid for a share is the higher of:
 - (i) an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased; and
 - (ii) the amount stipulated by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;
- d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company unless such authority is renewed prior to such time; and
- e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

By Order of the Board

FIL Investments International

Secretary

9 June 2017

Notes:

1. A member of the Company entitled to attend and vote at the AGM may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed and must be returned to the Registrar at the address on the form to arrive not later than 11.00 am on 24 July 2017. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrar, 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 24 July 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 11.00 am on 24 July 2017.

6. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on 24 July 2017.
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 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.
9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the 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 24 July 2017. 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 9 June 2017 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 571,354,480 Ordinary Shares. The number of Treasury Shares held by the Company was 19,440,000. Therefore, the total number of voting rights in the Company as at 9 June 2017 was 551,914,480.
11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
12. Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
13. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
14. No Director has a service contract with the Company.
15. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at **www.fidelityinvestmenttrusts.com**.

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

Glossary to the Annual Report

AIC

The Association of Investment Companies. 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.

Depository

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

Derivatives

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

Discount

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

Equity Linked Notes or ELN

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

Fair Value

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

FIL

FIL Limited and each of its subsidiaries.

FIL Limited

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

Fidelity

FIL Investments International.

Forward Currency Contract

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

Future or Future Contract

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

Gearing

Gross Asset Exposure in excess of Net Assets.

Gross Assets

Net Assets plus borrowings.

Gross Asset Exposure

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

Hedging

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

Index Linked Securities

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

Initial Public Offering ("IPO")

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

Investment Manager

FIL Investment Management (Hong Kong) Limited.

Investment Managers

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

Management Agreement

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

Management Agreements

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

Management Fee

The annual management fee is 1.0% of the [Net Asset Value](#) of the Company.

Manager

FIL Investment Services (UK) Limited as appointed as the [Manager](#) in accordance with the Alternative Investment Fund Managers Directive ([AIFMD](#)) and has delegated the investment management of the Company to the [investment managers](#).

MSCI China Index

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

MSCI China Mid Cap Index

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

MSCI China Small Cap Index

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

Glossary to the Annual Report continued

Net Asset Value (NAV)

Net Asset Value is sometimes described as “Shareholders’ Funds” and is the total value of the Company’s assets less the total value of its liabilities. For valuation purposes it is common to express the **Net Asset Value** on a per share basis.

Net Asset Value (NAV) per Ordinary Share

The **NAV per Ordinary Share** is calculated as **Shareholders’ Funds** divided by the number of Ordinary Shares in issue.

Ongoing Charges

Ongoing charges are the regular, recurring operational expenses of the Company. Finance costs, taxation and the costs of buying and selling investments are excluded. The **ongoing charges** figure is calculated annually and expresses ongoing charges as a percentage of the average daily for the reporting year.

Options

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

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 **PRC** and traded on the Stock Exchange of Hong Kong with a majority of revenues or assets derived from Mainland China.

Performance Fee

The **Investment Managers** are entitled to an annual **performance fee** of 15% of any change in NAV attributable to performance which is more than 2% above the returns on the **MSCI China Index** total return – in UK sterling (after making good any cumulative 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.

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**).

Portfolio Manager

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

PRC

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

Pre-emption Rights

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

Premium

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

Prospectus

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

QFII

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

Red Chips

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

Registrar

The entity that manages the Company’s 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 on the 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 receive dividends, have no voting rights and are excluded from the [Net Asset Value](#) calculation.

Unlisted Investment Manager

FIL Investment Services (UK) Limited.

Unlisted Management Agreement

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

Unlisted Companies

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

Variable Interest Entity ("VIE")

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

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

Existing shareholders should contact the appropriate administrator using the contact details given below. This may be Capita Asset Services, the Company's Registrar, or Fidelity or it may be another platform or administrator of your choice. Links to the websites of major platforms can be found online at www.fidelityinvestmenttrusts.com.

Holders of ordinary shares on the main share register

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 network extras. If you are outside the United Kingdom, call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm Monday to Friday, excluding public holidays in England and Wales).

Email: shareholderenquiries@capita.co.uk

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

www.signalshares.com

Fidelity Platform investors

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

Telephone: **01732 361144**.

Email: investmenttrusts@fil.com

Website: www.fidelityinvestmenttrusts.com

Online Shareholder Services – Share Portal

Through the website of the Registrar at www.signalshares.com, shareholders are able to manage their shareholding online by registering for the Share Portal, a free and 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 to add, change or delete dividend mandate instructions. Shareholders can also download 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 to 5.30 pm, Monday to Friday excluding 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 0445** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8.00 am to 4.30 pm, Monday to Friday excluding public holidays in England and Wales). The Capita Share Dealing Services allows you to deal in the shares of other companies for which Capita Asset Services acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

Dividend reinvestment plan

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.signalshares.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 an account provided by Fidelity International, you will receive a report every six months detailing all of your transactions and the value of your shares.

Managers and Advisors

Alternative Investment Fund Manager (AIFM/the Manager)

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

Investment Manager

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

Unlisted Investment Manager, Secretary and Registered Office

FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

Financial Adviser and Stockbroker

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

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

Charles Russell Speechlys LLP
5 Fleet Street
London
EC4M 7RD

Banker and Custodian

JPMorgan Chase Bank
125 London Wall
London
EC2Y 5AJ

Depository

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

Registrar

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

Company Information

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

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

Price Information

The share price of 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.

Capital Gains Tax

All UK individuals under present legislation are permitted to have £11,300 of capital gains in the current tax year 2017/2018 (2016/2017: £11,100) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependant on the total amount of taxable income.

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the investment management (other than in unlisted securities) to FIL Investment Management (Hong Kong) Limited. It has delegated the investment management of the unlisted securities and the company secretarial function to FIL Investments International (another Fidelity group company). Details of the Management Agreements can be found in the Directors' Report on page 21.

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

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	<p>The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company.</p> <p>It has delegated this function to FIL Investment Management (Hong Kong) Limited (other than the unlisted securities) and for unlisted securities to FIL Investments International.</p> <p>The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.</p>	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 9 and 10.
Risk management	<p>The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management.</p> <p>The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing.</p> <p>The Board, as part of UK corporate governance, remains responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</p>	<p>The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board.</p> <p>The Board remains responsible for the Company's system of internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 11 and 12 and in Note 19 to the Financial Statements on pages 54 to 63.</p>
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	<p>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.</p> <p>There are two measures of leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.</p>	<p>The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. There have been no changes to the maximum level of leverage that the Company may employ during the year.</p> <p>At 31 March 2017, actual leverage was 1.36 for the Gross Method and 1.31 for the Commitment Method.</p>
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 19 on page 58.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity's Global Remuneration Policy Statement. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).	Details of Fidelity International's Global Remuneration Policy can be found at www.fidelityinternational.com/global/remuneration/defaultpage .

EU Securities Financing Transactions Regulation ("SFTR")

The following disclosures relate to the contracts for difference ("CFDs") held by the Company which may be considered Total Return Swaps under the SFTR, which came into force on 12 January 2016. For the year ended 31 March 2017 the total return from CFDs was £33,496,000. CFDs were contracted bilaterally with Deutsche Bank AG ("DB"), HSBC Bank plc ("HSBC") and UBS AG ("UBS") and had an open maturity. At 31 March 2017, the fair value of CFDs was £14,690,000 (1.2% of net assets) comprising: DB £11,462,000; HSBC (£3,308,000) and UBS £6,536,000. Collateral of £23,737,000 was held in a segregated account on behalf of the Company comprising: DB £9,689,000 in European Government bonds denominated in euros and UBS £14,028,000 in UK Government bonds denominated in Sterling.



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