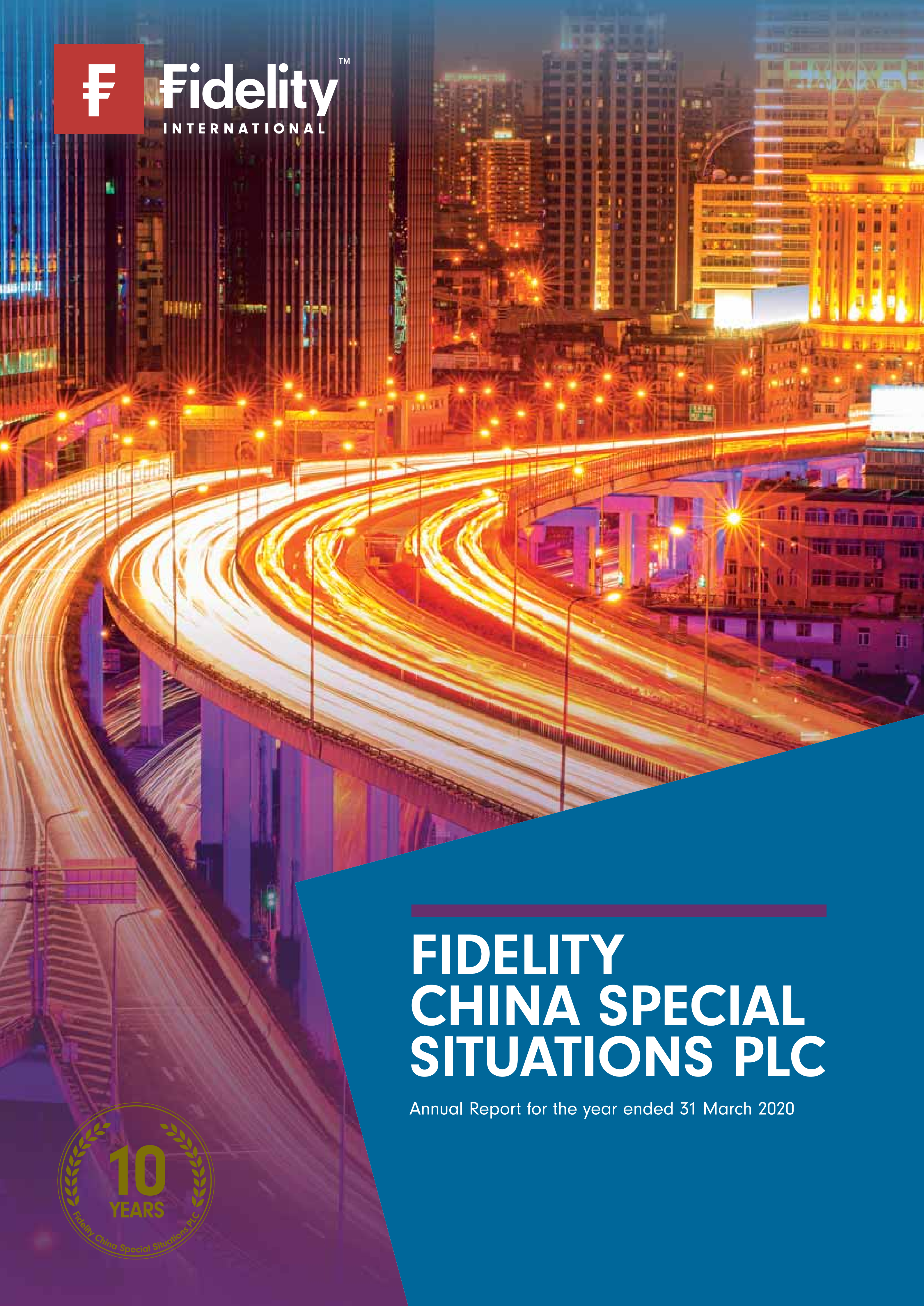
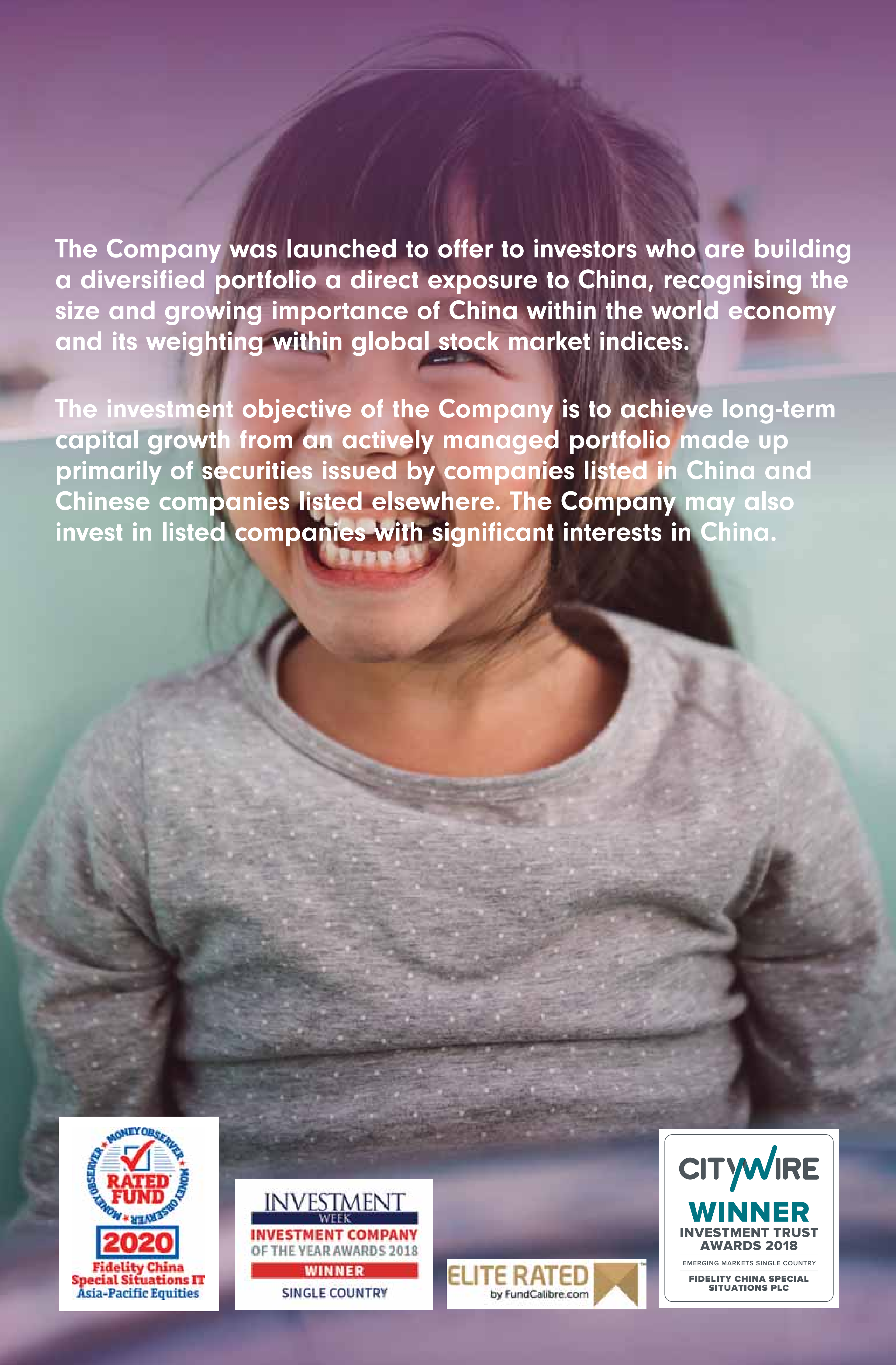


Fidelity™
INTERNATIONAL

FIDELITY CHINA SPECIAL SITUATIONS PLC

Annual Report for the year ended 31 March 2020

10 YEARS
Fidelity China Special Situations PLC



The Company was launched to offer to investors who are building a diversified portfolio a direct exposure to China, recognising the size and growing importance of China within the world economy and its weighting within global stock market indices.

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

MONEY OBSERVER RATED FUND 2020
Fidelity China Special Situations IT
Asia-Pacific Equities

INVESTMENT WEEK
INVESTMENT COMPANY OF THE YEAR AWARDS 2018
WINNER
SINGLE COUNTRY

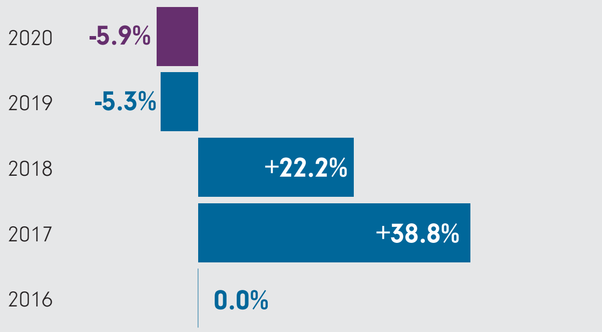
ELITE RATED by FundCalibre.com

CITYWIRE
WINNER
INVESTMENT TRUST AWARDS 2018
EMERGING MARKETS SINGLE COUNTRY
FIDELITY CHINA SPECIAL SITUATIONS PLC

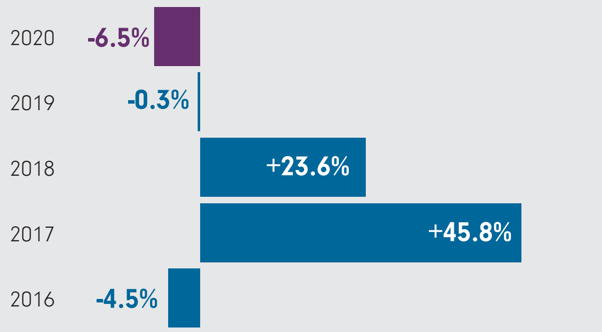
The Year at a Glance

In the reporting year, the Company's net asset value per ordinary share returned -5.9% and the share price -6.5%, whilst the Benchmark Index return was -1.0% (all performance data on a total return basis).

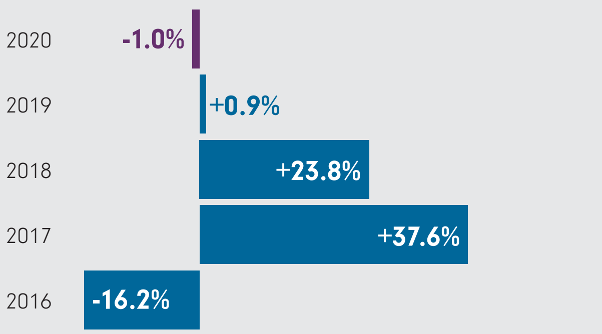
Net Asset Value per Ordinary Share total return[1,2]
Year ended 31 March



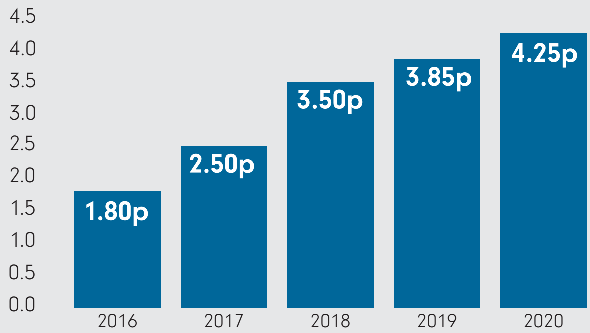
Share Price total return[1,2]
Year ended 31 March



MSCI China Index total return
(in UK sterling terms)[1,3]
Year ended 31 March



Dividend per Ordinary Share
Year ended 31 March



1 Includes reinvested income.
2 Alternative Performance Measures. See page 83.
3 The Company's Benchmark Index.

As at 31 March 2020

Equity Shareholders' Funds

£1,273.0m

Market Capitalisation

£1,163.8m

Capital Structure
Ordinary Shares of 1 penny held outside Treasury

538,809,043

Summary of the key aspects of the Investment Policy

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

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

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

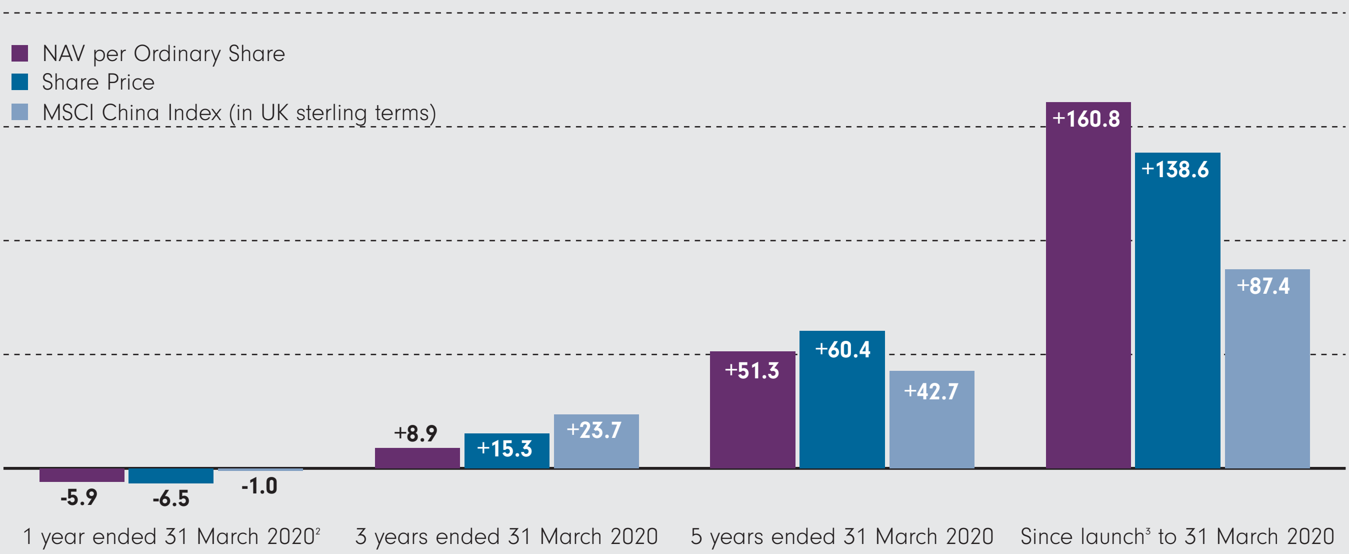
The Company operates a variable management fee arrangement which is calculated by referencing performance relative to the MSCI China Index (in UK sterling terms).

Financial Highlights

	2020	2019
Assets as at 31 March		
Gross Asset Exposure	**£1,594.2m**	£1,767.1m
Net Assets	**£1,273.0m**	£1,401.6m
Gross Gearing[1, 2]	**25.2%**	26.1%
Net Gearing[1,2]	**23.2%**	20.9%
Net Asset Value ("NAV") per Ordinary Share	**236.27p**	255.03p
Number of Ordinary Shares held outside Treasury	**538,809,043**	549,574,480
Share Price at year end	**216.00p**	235.00p
Share Price – year high	**253.00p**	268.00p
Share Price – year low	**185.00p**	182.40p
Discount at year end[2]	**8.6%**	7.9%
Discount – year high	**17.7%**	14.2%
Discount – year low	**5.9%**	7.3%
Earnings for the year ended 31 March – see page 56		
Revenue Earnings per Ordinary Share[3]	**4.51p**	4.06p
Capital Loss per Ordinary Share[3]	**(19.67p)**	(18.21p)
Total Loss per Ordinary Share[3]	**(15.16p)**	(14.15p)
Ongoing Charges for the year to 31 March[2]	**0.99%**	1.02%
Variable Management Fee	**-0.20%**	-0.09%
Ongoing Charges including Variable Management Fee for the year to 31 March[4]	**0.79%**	0.93%

1 See Note 20 on page 81. Defined in the Glossary to the Annual Report on pages 88 and 89.
2 Alternative Performance Measures.
3 Based on the weighted average number of Ordinary Shares held outside of Treasury during the year.
4 Ongoing charges (excluding finance costs and taxation) expressed as a percentage of average Net Asset Values for the year (prepared in accordance with guidance issued by the Association of Investment Companies ("AIC")).
Sources: Fidelity and Datastream.
Past Performance is not a guide to future returns.

Standardised Performance Total Return[1] (%)



1 Includes reinvested income.
2 NAV per Ordinary Share and Share Price Total Returns for the 1 year ended 31 March 2020 are Alternative Performance Measures. See page 83.
3 Launch Date 19 April 2010.

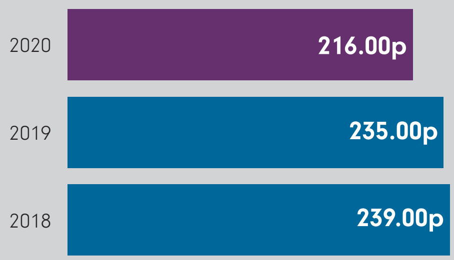
Contents

Chairman's Statement
Read more page 02

Portfolio Manager's Review
Read more page 07

Unlisted Investments and Top 10 Holdings
Read more pages 14 to 17

Share Price as at 31 March



Record since Launch
Read more page 31

Chairman's Statement

I have pleasure in presenting the Annual Report of Fidelity China Special Situations PLC for the year ended 31 March 2020.

Nicholas Bull, Chairman

£1,273.0
(As at 31 March 2020)
Equity Shareholders' Funds

-5.9%
(Year ended 31 March 2020)
Net Asset Value per Ordinary Share (total return)

-6.5%
(Year ended 31 March 2020)
Share Price (total return)

-1.0%
(Year ended 31 March 2020)
Benchmark Index (total return)

Our year to 31 March 2020, the tenth year since the Company launched, can be seen in two parts: the first nine months to 31 December 2019 and then, as Coronavirus ("COVID-19") hit in China, the quarter to 31 March 2020.

GDP growth in China for the year 2019 was a relatively robust 6.1%. However, in the New Year, as the virus struck, China entered the first of three phases: the stoppage of production and the restriction of movement. The second phase followed as the pandemic was brought under control and production resumed gradually. The effect of this was that growth in GDP in the quarter ended 31 March 2020 fell by 6.8%. The third phase followed at the beginning of our new financial year with the end of the Wuhan lockdown on 8 April 2020. By the end of April, economic activity had increased to the extent that growth of electricity consumption was back to the level of the same time in the previous year.

At the time of writing, economists in China are forecasting a significant rebound in the economy, with some estimates of positive GDP growth for 2020 as a whole. Clearly it is too soon to tell.

The stock market in China, which had risen 3.2% during the nine months to 31 December 2019, fell 4.2% in the first quarter of 2020 so that overall the MSCI China Index, against which we measure our performance, produced a total return of -1.0% during the year under review. Against that, the Company returned a NAV total return performance of -5.9%, which, as Dale Nicholls explains in greater detail in his report, was largely due to the underperformance of our smaller and mid cap companies in an environment where retail money followed the largest, best-known stocks in the index.

In April, in the midst of the COVID-19 crisis, our Company reached its 10th anniversary. Looking back over that decade, a number of things are clear. First, for our shareholders, on a total return basis, the NAV has increased 160.8% and the share price 138.6%, significantly outperforming the Index which increased by 87.4%. Looked at in terms of investment return, a shareholder who invested in the IPO in 2010 and reinvested all dividends will have experienced a share price annualised return over the decade of 9.1%. The annualised total return in NAV in the ten years since our IPO in 2010 has been 10.1%.

Second, in that decade, investors' attitude to China has developed in a major way. When the Company launched, commentators asked: "Why invest in China?" Now they ask: "What is the best way to invest in China?" Our objective from the start has been to provide investors the opportunity to include in their portfolios a direct exposure to the growing Chinese economy. Consistently through those ten years we have focused on the growth within China and have followed the growth in the Chinese middle class (both in size and in prosperity) by investing in companies providing products and services which they consume.

Third, the importance of China as an investment destination has been recognised by the increasing number of companies included in world stock market indices.

The Board of the Company sets aside a day each year to consider its strategy and, as we enter our second decade, we still believe that the best way to participate in China's growth is, first, through the medium of a closed ended vehicle – an investment trust; second, by utilising Fidelity's extensive in-country presence to identify companies that will grow, many of which have not yet been fully recognised; third, by investing in companies whose business is within China rather than being export-based; fourth, in utilising a portion of the portfolio to invest in unlisted securities ahead of their potential IPO; and fifth, utilising an element of gearing to reflect our long-term confidence in our investment proposition.

Risks

The year under review saw the Company's ability to deal with a number of key risks stress tested; most significantly, domestic and foreign investor sentiment.

The principal risks facing the Company and investors, as identified by the Board, are set out on pages 20 to 22.

Due Diligence visit to China

The Board undertook its 10th annual due diligence visit to China in October 2019, visiting four cities in five days: Hong Kong, Shenzhen, Guangzhou and finally Shanghai. Two Board members remain from the launch of the Company and have been on each visit since inception. It was interesting to reflect on how much China has developed during that time – something which can be witnessed in the ever-changing skylines of each city, as well as through our busy schedule of meetings.

As in previous years, we met members of Fidelity International's investment and research teams in Hong Kong and spent time with the analysts who cover the individual stocks in which we are invested.

In each city, we met economists and industry experts and with the executive management teams of 17 companies, 16 of which were already in the portfolio and one which we have subsequently added in to it. We visited each company with Dale Nicholls and the relevant Fidelity research analyst.

The Board visits technology giant Tencent Holdings

In Shenzhen, we met with Tencent Holdings, the world's largest video game company and one of the world's largest social media companies, with venture capital and investment interests. It is the largest position in our portfolio and is one of the largest companies by market capitalisation in the world. We also met with the management of unlisted holding, DJI International, the world's leader in commercial and civilian drones and with Yuto, a company principally engaged in the research, design, manufacture and distribution of printed paper and packaging products.

Product innovation at drone-maker DJI International

In Guangzhou, we met with Pony.ai, a leader in autonomous driving, which subsequently became our newest unlisted investment. In the traditional automobile space, we visited China Meidong Auto Holdings, a chain of new car dealerships and service centres focused on the popularity of luxury cars in China.

Operational development at Yuto

Shanghai had a packed agenda of meetings with highlights including meetings with Noah Holdings, a wealth manager with a focus on financial services and asset allocation for high net worth individuals and enterprises in China, and China Pacific Insurance Group, one of the country's largest insurance groups.

Details of our ten largest holdings, as well as of the unlisted companies we have exposure to, are set out on pages 14 to 17.

Our visit reconfirmed our confidence in the Portfolio Manager and his team of research analysts. It was also a timely reminder of what a fast-developing and exciting country China remains to invest in and, although our visit preceded the COVID-19 outbreak, how well placed it is to face up to the undeniable challenges before it.

Chairman's Statement continued

Unlisted Companies
The Company is permitted to invest up to 10% of its Gross Assets in unlisted companies. Starting with BNN Technology in May 2011 (IPO in July 2014) and then Alibaba Group in September 2012 (IPO in September 2014), we have invested in ten unlisted companies ahead of their planned IPOs, four of which have now listed. Each of these four investments appreciated significantly from purchase to IPO exhibiting superior annual rates of return while unlisted.

There is a higher risk associated with investing in unlisted companies. Not entirely surprisingly therefore, one of our ten investments has not been a success. Shanghai Yiguo, a supplier of on-line groceries, has not yet been able to fulfil its potential in a very competitive market place. Subsequent to the year end, we revalued upwards our holding in ByteDance by 27% following secondary market trading at that new level.

At the start of the year, we held five unlisted investments representing 4.8% of Gross Asset Exposure. At the end of the year, we held six investments representing 6.4% of the Company's Gross Asset Exposure.

More details of our unlisted holdings can be found on pages 14 and 15.

Gearing
The Company's unsecured fixed rate facility agreement with Scotiabank Europe PLC for US$150,000,000 matured on 14 February 2020. On the same date, the Company entered into a new three-year unsecured fixed rate facility agreement with Scotiabank Europe PLC for US$100,000,000. The interest rate is fixed at 2.606% per annum until the facility terminates on 14 February 2023.

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 81.

At 31 March 2020, the Company's gross gearing, defined as the Gross Asset Exposure in excess of Net Assets, was 25.2% (2019: 26.1%). The level of gross gearing is determined by the Manager within the limit set by the Company's Prospectus of 30%. Net gearing which nets off short positions was 23.2% (2019: 20.9%).

Dividend
The Board recommends a final dividend of 4.25 pence per ordinary share for the year ended 31 March 2020 for approval by shareholders at the Annual General Meeting ("AGM") to be held on 23 July 2020. This represents an increase of 10.4% over the 3.85 pence paid in respect of the prior year. The dividend will be payable on 28 July 2020 to shareholders on the register on 19 June 2020 (ex-dividend date 18 June 2020).

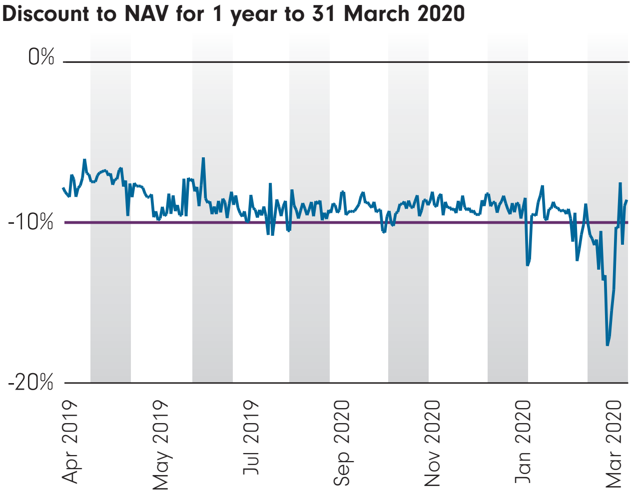
Shareholders may choose to reinvest their dividends to purchase more shares in the Company. Details of the Dividend Reinvestment Plan are set out on page 91.

At the launch of the Company, it was envisaged that returns for investors would come from capital growth. Nonetheless, we have been able to increase the dividend per share every year for the last ten years (see Record Since Launch on page 31). With interest rates decreasing, the Directors recognise that the dividend has become a more important part of the total return to shareholders. This year we have increased the dividend by 10.4%, a healthy increase, particularly when compared to investments in other more mature stock markets. It is our hope that we can go on increasing the annual dividend.

Discount Management
The Board recognises that the Company's share price is affected by the interaction of supply and demand in the market based on investor sentiment towards China and the performance of the NAV per share. As reported in last year's Annual Report, the Board has adopted a formal discount control policy whereby it seeks to maintain the discount in single digits in normal market conditions and will, subject to market conditions, repurchase shares with the objective of stabilising the share price discount within a single digit range.

The Company's discount went from 7.9% at the start of the reporting year to 8.6% at the end of its reporting year (see chart below). During this period, the Board authorised the repurchase of 10,765,437 ordinary shares into Treasury, representing 2% of our share capital. These share repurchases have benefited remaining shareholders as the NAV per share has been increased by purchasing shares at a discount. Since the year end and as at the date of this report, the Company has repurchased a further 14,296,529 ordinary shares into Treasury.

Discount to NAV for 1 year to 31 March 2020



At the forthcoming AGM, the Board is seeking to renew the annual authority to repurchase up to 14.99% of the Company's shares, to be either cancelled or held in Treasury, as it has done each year previously.

Fidelity as Manager
The Board has contracted with Fidelity to provide the Company with investment management and administrative services. In reviewing Fidelity, the Board notes Fidelity's leadership position in fund management in China where it employs a significant number of analysts on the ground in both Shanghai and Hong Kong. Furthermore, the performance of the Portfolio Manager, Dale Nicholls, since his appointment, has been ahead of the Benchmark Index (NAV per share total return of 119.8% and share price per share total return of 124.4% compared to the Benchmark Index return of 98.7%).

Management Fees
This is the first full year that the variable management fee arrangement with FIL Investment Services (UK) Limited, the Company's Alternative Investment Fund Manager (the "Manager") has been in place. Details of this fee structure are set out in the Directors' Report on page 33. The variable management fee which became effective on 1 July 2018 provides an overall reduction from the previous management fee structure.

Ongoing Charges
The Ongoing Charge for the year was 0.99% (2019: 1.02%). The variable element of the management fee was a credit of 0.20% (2019: credit 0.09%), therefore the Ongoing Charge including the variable element was 0.79% (2019: 0.93%). I am pleased to report that the adoption of the variable management fee has contributed to the reduction in the Ongoing Charge for this year.

Board of Directors
Peter Pleydell-Bouverie has served on the Board since the Company's launch on 19 April 2010. He will step down from the Board at the conclusion of the AGM on 23 July 2020. I would like to thank him on behalf of the Board and all of the Company's stakeholders and for his dedication and attention to detail in chairing the Investment Committee of the Board. We shall miss his wisdom as a Board member and he takes with him our good wishes.

As reported last year, David Causer, having served on the Board as a non-executive Director and Chairman of the Audit and Risk Committee since the Company's launch on 19 April 2010, and having completed nine years, stepped down from the Board at the conclusion of last year's AGM on 24 July 2019. As part of the Board's succession plan, Mike Balfour succeeded David as Audit and Risk Committee Chairman on 24 July 2019 following the AGM.

Also as reported in last year's Annual Report, the Board was pleased to welcome Linda Yueh as a non-executive Director with effect from 1 June 2019.

Having engaged the services of an executive head-hunter, our search for a new Director to replace Peter Pleydell-Bouverie is underway, with a number of preliminary stage interviews having taken place via video-link. We are proceeding as quickly as circumstances allow. Further details are on page 38.

The Board's succession plan for the next two years can be found in the Corporate Governance Statement on page 36.

In accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies, all Directors, with the exception of Peter Pleydell-Bouverie, are subject to annual re-election at the AGM on 23 July 2020. The Directors' biographies can be found on page 32, and, between them, they have a wide range of appropriate skills and experience to form a balanced Board for the Company.

In July 2019, the Board appointed a Board Apprentice, Megan McCracken, for a period of one year. This was a result of a government-supported scheme to give board exposure to aspiring non-executive directors, particularly women and minority groups. Our Apprentice attended all Board meetings and telephone calls as an observer and when she leaves us following the AGM in July, we wish her every success in securing a non-executive director role. We have started the process of appointing a replacement apprentice under this scheme.

From 2015, our Company Secretary was Bonita Guntrip. Suddenly, unexpectedly and tragically in May 2020, Bonita died at home during the virus lockdown. The Board would like to record both their appreciation for her work and support over the last five years, which was always delivered with professionalism and good humour, and our condolences to her husband and children.

Environmental, Social and Governance ("ESG")
Recent years have seen increasing concern about global warming, and the growth of serious efforts to counter its effects. Businesses for their part are under pressure to ensure that their activities are environmentally sustainable, as well as demonstrating social responsibility and good corporate governance.

The standards of ESG in China, as in other emerging markets, are not as developed as those of their more mature counterparts, though are increasing each year. As a stock picker, our Portfolio Manager attempts to assess the quality of governance in the companies he researches and visits, as experience has clearly shown that better governed companies make better investments.

Environmental standards are improving too, with President Xi's increased focus on power generation on a macro scale, as well as, on a micro scale, in the discharge practices of manufacturing companies, which has had a significant effect on a number of businesses.

Direct engagement with companies is an increasingly important aspect of investing responsibly and there are several examples of the Portfolio Manager having lobbied for better disclosure and governance. Our dealings with Sunny Optical Technology Group, which Dale Nicholls highlights in his Review, has been a key example of this initiative in action this year. Another area that our investment team has worked hard to influence is responsible sourcing in the supply chain within the apparel retail sector. The Portfolio Manager comments on this in detail in his Review on page 12.

Outlook
In these uncertain times it is appropriate to take a step back and consider the merits of investing in China through the Company. Over the long-term it is clear to me that China is too big to ignore and that every diversified portfolio should have exposure to the Chinese economy; and that this is best done by focusing on the growth within China.

In the shorter-term, we still have a way to go before we can declare the COVID-19 crisis over, but it does seem that China is leading the way out of this crisis economically. With factories back at work the supply side of the economy is recovering and now we need to see the demand side following. The centralised system of government in China permits the authorities to take actions to stimulate the economy and to fulfil their own objectives of continuing to increase the standard of living of their citizens.

Chairman's Statement continued

Annual General Meeting – Thursday 23 July 2020 at 11.00 am

In response to the wide spread of the Coronavirus (COVID-19), the current Government guidance stipulates that large gatherings of people are prohibited.

With this in mind, this year's AGM will be largely virtual in nature, with an online presentation by the Chairman and Portfolio Manager which will be available online at **fidelity.co.uk/china**.

In order to satisfy the legal requirement to hold a physical AGM, we will be convening a meeting at 11.00 am on Thursday 23 July 2020 at Flat 2, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent, TN11 9DZ. Only one Board member and one additional shareholder will be present at this meeting due to current government restrictions. The other member has already been contacted and has confirmed his attendance in person. Therefore, anyone who ignores Government advice and attempts to join the meeting in person will not be admitted.

The meeting in person will be restricted to the formal business of the meeting as set out on pages 84 and 85 and voting on the resolutions therein.

Copies of the Portfolio Manager's presentation can be requested by email at **investmenttrusts@fil.com** or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP.

It is not the Board's intention to exclude or discount the views of the Company's shareholders, but at the moment, the health of all investors, workforce and officers must be paramount. We urge all shareholders to make use of the proxy form provided. If you hold shares through the Fidelity Platform or a nominee (and not directly in your own name) proxy forms are not provided and you are advised to contact the company with which you hold your shares to determine alternative options (if available) for lodging your voting instructions.

We encourage all investors who have any questions or comments to contact the Secretary so that she can relay your comments to the Board, and we will respond in due course.

We thank you for your cooperation and sincerely hope to resume the meeting's usual format in future.

Nicholas Bull

Nicholas Bull
Chairman
3 June 2020

Portfolio Manager's Review

Dale Nicholls was appointed as Portfolio Manager of Fidelity China Special Situations PLC on 1 April 2014. He has 26 years of investment experience and also manages the Fidelity Pacific Fund. He spends much of his time speaking to management teams and competitors of companies in which he invests or may choose to invest, engaging with hundreds of companies a year.

Question

How has the Company performed in the year under review?

Answer

The twelve months to 31 March 2020 were characterised by high levels of uncertainty driven by speculation and fear. During the first nine months of the period under review, speculative news flow about possible outcomes of the Sino-US trade dispute and a slowing pace of overall economic activity in China dominated investor sentiment. Just when the signing of the "Phase One" trade deal between the US and China brought some respite, a black swan event unfolded as COVID-19 emerged as an epidemic in China.

The country responded with a range of measures, including restrictions on movement in January 2020, stalling the economy. Chinese policymakers implemented pro-active prevention and control measures including extending the Chinese New Year public holidays, imposing large scale quarantines and travel restrictions and declaring a nation-wide lockdown to curtail the contagion. As the virus spread from China across the world and assumed pandemic proportions, there was a significant surge in stock market volatility.

As a result of the strict containment measures, China recorded a steep decline in new infections and this prompted a narrative of 'China first in, first out' from the crisis. Chinese equities were caught in this downtrend yet outperformed global indices supported by this narrative.

Despite this, smaller market capitalisation stocks experienced substantial declines compared to larger market capitalisation stocks. Over the period from 1 April 2019 to 31 March 2020, on a total return basis, the Company's NAV declined by 5.9%. During this period, the MSCI China Index returned -1.0% while the Company's share price returned -6.5% in total return and UK sterling terms. A heavier than benchmark weighting to smaller-sized companies was a significant factor in the relative underperformance. The conservative write-down of values of some of the unlisted companies also detracted from performance.

Question

What about the top five holdings specifically? And what have been the key contributors and detractors?

Answer

The portfolio's preferred consumption-led holdings delivered strong performance over the reporting period. A noteworthy contribution came from China Meidong Auto Holdings, a prominent automobile dealership network and long-term top holding, which focuses on the premium car segment in China, with brands such as BMW, Porsche and Lexus. Its revenues exceeded expectations supported by accelerated new store openings. It also reported encouraging growth in margins, as the increase in luxury car sales boosted strong growth in its aftersales service business.

Portfolio Manager's Review continued

Alibaba Group Holding and Tencent Holdings continue to be core holdings in the portfolio and are central pillars of the Chinese economy in general, with businesses spanning e-commerce, online gaming, cloud services and rapidly growing finance businesses centres around payment. Many of these businesses are seeing accelerated growth as a result of the virus outbreak. Notwithstanding the fact we have significant exposure to both stocks, and that they have contributed to performance, our relative underweight position contributed to us lagging the Index. In my view there are better opportunities to be had elsewhere at the moment.

The position in 21Vianet Group, the leading carrier-neutral internet data centre (IDC) in China, boosted returns. Carrier neutral IDCs allow a range of customers to locate their servers and networking equipment in one location. China's internet infrastructure industry is among the fastest growing in the world, driven by mobile as well as enterprise-led data demand. Adding Alibaba as an enterprise client was a key win, evidencing strong strategy execution from management.

Among financial holdings, China Pacific Insurance Group (also a top five holding) and China Life Insurance Company detracted from returns, amid concerns over impact on agency productivity as the restriction limited any engagement and direct sales. Nervous investors overlooked the strong jumpstart in China Life Insurance's sales and the encouraging growth in new business value margins reported in its recent results. Both stocks are trading near historical low valuations despite the strong growth prospects for the industry in the mid-term. This is another area where I feel growth could accelerate coming out of the shutdown.

Chinese wealth management specialist Noah Holdings experienced fraud-related losses in one of its supply chain financing products in the early months of the period under review. The management team engaged proactively in the subsequent evaluation and reviewed all its products comprehensively. While remaining mindful of the impact of investment flows in the short-term, I am confident the company can recover and that its long-term positioning in a market with significant growth potential remains unchanged. Its recent quarterly results demonstrated the resilience of the underlying business model and I retain conviction in its management team. I have added to the position.

Another key detractor over the year was a position in Hutchison China MediTech. Shares in the biotechnology company suffered after its largest shareholder reduced its stake as it realised some value from its long-term holding. In doing so, the parent company accepted a discounted valuation, which weighed on investor sentiment. Hutchison China MediTech continues to see solid cash flows from its traditional Chinese medicine business and continues to maintain solid progress in what is an exciting oncology drug pipeline.

Question

With the top 5 holdings representing 40% of the portfolio, why do you spread the rest among 140 other stocks?

Answer

The investment opportunities in China are diverse and span a number of markets. Generally, larger companies are better understood and more appropriately priced. Smaller companies tend to be less well covered, offering more mispricing opportunities, and thus more upside as they grow and liquidity improves over time. Fidelity is uniquely positioned to uncover and research these opportunities given the depth of the team. While the goal is always to own more of the best opportunities, factors such as liquidity can limit the size of the investments we can make in each company. I believe shareholders will benefit as these smaller companies grow and become recognised by the broader market over time.

Question

And what about the performance of the wider market?

Answer

Over the review period, uncertainty around outcomes of "Phase One" of the US-China trade deal and how much it will weigh on China's decelerating economy have weighed on the market. Chinese policymakers remained very committed to supporting economic activity and actively managed internal stimulus measures to reduce the pressure and manage the slowdown.

Once these concerns tapered off, the COVID-19 contagion came to the fore and brought considerable uncertainty, which prompted a forceful response from the Chinese government in restricting activity to prevent the potential spread of infection. There has also been huge volatility in performance between companies and sectors, with the market efficiently rewarding those companies that are set to benefit from the containment phase and punishing those in the firing line on the economic impact, especially those with a more global footprint. I retain a focus on companies in sectors such as consumer and technology, which I expect to benefit from the structural growth drivers that we have been highlighting over the past years.

Question

How are individual companies going to be impacted by the virus?

Answer

I believe that many of the broad trends that were already underway in China will be accelerated as a result of the virus. It is not just Alibaba Group Holding and Tencent Holdings that are likely beneficiaries of the ongoing shift to online usage. Holdings such as independent data centre operator 21Vianet Group, will be a clear beneficiary of increased data traffic. We estimate over 40% of the Company's holdings are potential beneficiaries of such shifts. If we were to include sectors like healthcare and life insurance, which is already an area of structural growth, but is likely to see renewed interest post-virus, this exposure moves closer to 50%.

The Company has significant exposure to personal consumption and the impact to these companies really depends on the nature of the business. For some products, we may see some pent-up demand that could eventually be realised. Autos may be one such area - and we are seeing positive signs of recovery in the auto dealer we own, China Meidong Auto Holdings.

A key assumption here is that we don't see significant damage to incomes and related consumer sentiment – and the initial signs of recovery give us hope here. For some products and services, lost demand is unlikely to be made up, and areas like travel are likely to be the last to recover.

Given the lagging recovery for other parts of the world, one needs to be cautious for companies with such exposure. This remains relatively small for the Company, with revenues from outside Greater China comprising less than 10% of the total.

As a broader process point, while 'in-person' company meetings have been paused for now, we are undertaking a full schedule of virtual conversations, which are proving to be highly effective. Our access to corporates and industry experts remains as strong as ever.

Question

What is your assessment of the Chinese government's response to COVID-19? How much stimulus will Small and Medium Enterprises ("SMEs") need to weather the storm?

Answer

As we have seen in China, containment has huge economic consequences. We need to assume significant shorter-term declines in broader measures of growth (i.e. GDP). We have seen a massive response from governments around the world, both on the monetary and fiscal side. While it varies by industry and by region, we are now seeing a clear ongoing recovery in activity. There will be many challenges in recovery, including the risk of a "second wave" of infection and the demand shock from overseas for export-related sectors. Given the procedures in place, any resurgence in cases is likely to be detected and acted on rapidly, which could delay the recovery, but is unlikely to require the strict shutdowns we have seen earlier this year.

The Chinese government has announced a series of stimulus measures, which are encouraging but I expect more significant measures to be announced. Bold moves other central banks have made give the People's Bank of China room to ease. Infrastructure spending is likely to be boosted, with notable funds already being raised by local governments in bonds, and there is an expectation of more to come. Government directives to the banks will support corporates - but a concern will be how much of this makes it to SMEs. The fallout from the sharp slowdown is something that needs to be closely monitored.

On the consumption front, to date we have seen supportive measures such as the issuance of consumption coupons and provinces and cities announcing subsidies in areas such as auto and home appliances. Again, on the regional level, I believe we will see further actions to loosen rules regarding number plate acquisition, another support for the auto market. Easing of regulation around property purchase also seems likely. What is clear to me, is that spurring on domestic consumption remains a priority for the government. In my view, the natural development of the middle class will remain the strongest driver of consumption growth in coming years.

Question

What do the events of the past six months mean for US-China relations?

Answer

I always believed that China and the US would arrive at some semblance of a trade deal over the course of 2019, which played out with the "Phase One" trade deal. However, this is far from an all-encompassing deal and investors will now endure further rounds of negotiations. I expect this will be a long drawn out process and, in any case, the COVID-19 virus may result in trade negotiations being put on hold. While one would hope that this health crisis would bring governments closer together, we unfortunately do not seem to be headed in that direction.

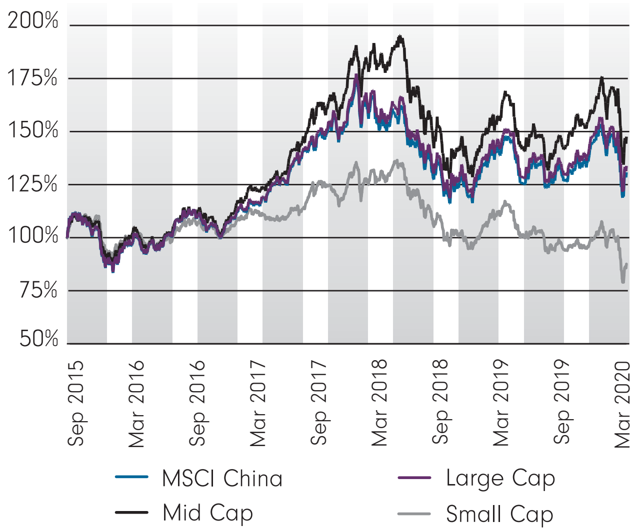
As I have said in the past, I believe tensions between China and the US will be with us for decades to come. The Company remains focused on opportunities supported by ongoing structural shifts in China within the domestic economy.

Question

How have valuations changed in the period under review? Small caps have lagged large caps quite markedly for some time. What are the drivers behind that?

Answer

MSCI China Market Cap Performance



Source: Refinitive Data Stream, MSCI Indices rebased to 100, 31 March 2020.

Portfolio Manager's Review continued

The inclusion of US-listed ADRs into MSCI China began in late 2015 and continued until the first half of 2016. These stocks were large-sized companies and their inclusion directed significant passive flows towards them. This in turn attracted higher levels of interest among retail and institutional investors as well as those who were presumably drawn to the growth prospects and were willing to pay the premium valuations that such stocks began to command. A marked pick-up in flows through Stock Connect, the trading scheme linking Shanghai and Shenzhen with Hong Kong, also served to boost market sentiment and direct flows towards the larger cap stocks as a first port of call.

The performance of the MSCI China Index has, at times, been led by a relatively narrow set of large cap names. It is an interesting and relevant observation from the chart above that while small cap stocks have lagged the larger capitalisation segment, mid cap stocks have outperformed.

While we recognise the performance differential among market cap categories, we also maintain that Fidelity's advantage lies in stock-picking based on the extensive real time and on the ground research resources that support our process. We believe this is a distinct advantage and the Company has been able to identify and invest in several stocks at an early stage of their market cap journey and benefited as the underlying thesis becomes more widely recognised.

It's been a tough couple of years for small caps as they have underperformed the broader market. However, as we have seen in previous corrections, when markets stabilise, and as long as companies can execute, that will be reflected in the share price. Obviously, we need to make sure the companies we invest in can survive this crisis, and as such we are spending more time analysing balance sheet strength. We are very much focused on those companies that can come out of this period with higher market share and stronger market positions.

Question

How has the development of China's capital markets evolved over the period under review?

Answer

While China's economic clout is indisputable, the position of its capital markets is less robust. Large parts remain controlled and sometimes opaque, particularly for outsiders unfamiliar with the territory. For the A share market, some arcane rules around things like IPOs remain, and we have seen several cases where governance and enforcement has been lacking. Such factors are clearly part of the reason why China has not been afforded a proportionate role in global asset allocation thus far. However, there has been a perceptible change as the mainland opens its arms ever wider to foreign inflows. The launch of the Hong Kong-Shanghai Stock Connect programme in November 2014 and the extension of the Hong Kong-Shenzhen Stock Connect removed one of the most significant barriers for international investors - market access.

Another development is the Shanghai Stock Exchange Science and Technology Innovation Board, also known as the Star Market, which debuted in July 2019. This is considered China's attempt to ensure its most innovative companies look to the onshore markets for listing rather than the traditional options of Hong Kong or NASDAQ. The sheer breadth and depth of China's onshore markets and the lack of formal institutional investors mean the stocks are relatively under-researched and provide rich stock-picking opportunities for active investors. Over the last 10 years, China has gone from 1.9% to 4.9% of the MSCI AC World Index. It will continue to rise - I expect the growth of China will be the largest shift in global equity and bond indices in the next decade.

Capital markets will naturally mature on the back of this increased institutional and foreign participation. As China's weight grows in global indices, it will be harder for global investors to ignore.

China retains many traits typical of an emerging economy, including restrictions on capital flows, still-maturing markets with a dominant retail investor-base heightening sentiment-driven volatility, and the ever-present prospect of government intervention alongside the usual macroeconomic and sector-specific risks. China's debt growth, while on the radar of authorities, remains problematic and will clearly accelerate as part of a necessary response to the COVID-19 virus. This clearly needs to be monitored. Meanwhile, the escalating tensions between China and the US are causing swings in global risk appetites and have already had an impact on Chinese manufacturers of goods, such as circuit boards, microprocessors, vehicle parts and machinery.

Over the next few years, I am hoping we will see more reform from the government within its State-Owned Enterprises ("SOEs"). Many SOEs have attractive assets, and have the potential for higher returns under strong, incentivised management teams. While there are certainly opportunities in this space, it is worth noting that the core of the portfolio is still very much focused on private companies, with strong management teams, which tend to operate in those sectors set to benefit from structural change in the economy, such as consumer, technology and pharmaceuticals.

Question

As Fidelity China Special Situations PLC celebrates its 10th anniversary, how much has the Chinese equity market and indeed China itself changed in the past 10 years?

Answer

China is recognised as being a major driver of growth and investment performance, not just in Asia, but in the wider world. The sheer size of China's economy, its continued growth and ever-increasing global importance, mean investors increasingly consider exposure to China when building a balanced investment portfolio. Since its launch in 2010, the Company has offered direct exposure to China's growth story. As Portfolio Manager, it is my job to try to identify and invest in companies that are best placed to capitalise on China's transformation.

From my point of view, the drivers of performance of Fidelity China Special Situations PLC have always been – and will continue to be – the individual stocks that we invest in. Many of the stocks the Company owns play into the growth and development of the domestic consumer. The rise of the middle class, its tremendous spending power, increasing aspirations and the way they consume, underpin a number of the portfolio's investments.

The Company's focus has not changed, even during this current environment. We are seeing a shift in the economy away from reliance on investment, net exports etc, and towards consumption. Obviously, consumption is a core theme in the portfolio: supported by the natural development of the middle class, and we have seen the emergence of strong local brands. We continue to see high levels of innovation and development in areas like technology and healthcare. Well managed companies have grown and some very significantly. Who would have thought that we would have the likes of Alibaba and Tencent now together exceeding 30% of the MSCI China Index?

Tencent was the first internet company to list on the Stock Exchange of Hong Kong in June 2004. It was added to the MSCI China Index in May 2008. Since then its total market cap has risen to $488 billion from $3 billion. Its weighting within the MSCI China Index increased to 14.5% as at the end of March 2020 from just under 2% at the time of its inclusion. Alibaba Group, which we have held before IPO, listed on the New York Stock Exchange in September 2014 and was added to the MSCI China Index in December 2015. Similarly, we have seen its weighting within the MSCI China Index increase to 17.4% as at the end of March 2020 from just under 4.5% in 2015.

Another area in which we have seen progress is Environmental, Social and Governance ("ESG") standards. This is happening from a government level, with regulations supporting ESG. For instance in September 2018, the China Securities Regulatory Commission ("CSRC") established an ESG information disclosure framework. The regulator announced that by 2020, it will mandate all listed companies and bond issuers to disclose ESG risks in their annual or semi-annual reports. And back in 2017, the CSRC revised Corporate Social Return reporting guidelines for listed companies, mandating key polluting companies to disclose environmental information, and encouraged listed issuers to disclose information on ecological protection and property alleviation efforts.

From a corporate level, many Chinese companies are making strong efforts to improve disclosure, ESG reporting, responsible sourcing monitoring etc. Alibaba Group issued their first Environmental, Social and Governance Report in 2018, which identified ESG issues as most critical to the sustainability of the company. The company acknowledges it has a significant social responsibility to take intellectual property infringement seriously. And we have seen results with breakthroughs in recent years to include expansion of Alibaba Anti-Counterfeiting Alliance, express IPP, multilingual trademark support and enhanced reporting channels.

There are other examples such as Sunny Optical Technology Group and Li Ning that have shown they are open and willing to adopt change in this area. They have also responded well to our ESG engagement approach (more detail below). Investors, domestic and international, are also accelerating ESG integration in China and raising awareness among corporates. Foreign ownership of A-shares is expected to accelerate and bring with it increased scrutiny on ESG policies and practices. We are also seeing domestic asset managers fast adopting the concept and practice of ESG integration.

Question

How has your gearing positioning changed over the reporting period?

Answer

Gearing levels reflect the opportunities that I see in the market at any point in time - it tends to move up when there are more buying opportunities and down when there are less. The net gearing level moved down into the low teens in late February when I felt there were increased risks in the market, particularly around the COVID-19 virus. The subsequent fall in the market created more buying opportunities. Adding to long positions and closing short positions led to a sharp increase in net gearing during March.

Question

Pony.ai is a new addition to the portfolio – what of your Unlisteds more broadly?

Answer

I view the capacity to invest in unlisted companies as very important in terms of getting full exposure to China and its investment opportunities. The Company allows for up to 10% of gross assets in unlisted investments. In March 2020, a new position in an unlisted company called Pony.ai was added. This increased the portfolio's total unlisted exposure to around 6.0% as at the end of March. Pony.ai is China's leading autonomous driving (AD) technology company, based in Silicon Valley and China. We first met the management of Pony.ai as part of our ongoing work on the AD industry and have been closely following its progress.

With a stellar team, the company is a technology leader, which has helped the firm to secure strategic partnerships with leading car manufacturers, including Toyota and Hyundai. To put its business into perspective, there are five leading players globally in this nascent industry, with limited opportunity for newcomers given high capital requirements and advanced technological progress already achieved by the incumbents. Having taken test

Portfolio Manager's Review continued

rides in its cars several times, I can vouch for the performance - they compare quite favourably versus human drivers in my view.

I am positive on the outlook for the other unlisted companies in the portfolio and believe we have taken a conservative approach to valuing these companies.

Question

How do you incorporate Environmental, Social and Governance ("ESG") into your process? Do you have any examples?

Answer

Considering ESG factors is a core part of our investment process. At Fidelity, we believe that high standards of corporate responsibility make good business sense and have the potential to protect and enhance investment returns. Consequently, our investment process takes ESG issues into account when, in our view, these issues have a material impact on either investment risk or return. Our proprietary ratings system enables us to quantify relevant elements and compare the positions of different companies.

Our core belief is that if governance is weak then concerns related to a company's environment and social impact will potentially follow. Equally, these concerns are reduced with robust governance. As a result, ESG is not an overlay, but embedded in all our fundamental analysis of any company which we consider for investment. I do not screen out companies from our investment universe purely on the grounds of poor ESG performance but rather adopt a positive engagement approach whereby we discuss these issues with the management of the companies in which we invest, or are considering investing in. We believe it is an advantage to us and our clients to build positive relationships with our investee companies as this enhances our ability to introduce constructive change where required.

For example, Sunny Optical Technology Group is a company that is in the portfolio. It's one of China's leading integrated optical device manufacturers. We felt the company's ESG disclosure was limited and the governance of its sustainable strategy could be clearer. We engaged directly with the company to provide it with this feedback. After positive conversations, we welcomed its management team's proactive approach to enhancing their ESG reporting. The company has made big improvements already by including ESG in its 2018 annual report. We encouraged increased transparency on greenhouse gas emissions targets, sustainability matters and water usage calculations. In addition, we also encouraged the company to review international reporting standards such as Global Reporting Initiative.

Another example is Li Ning, a company with a very strong local brand. We initiated a thematic engagement on human rights and responsible sourcing in the supply chain within the apparel retail sector. Insufficient management of ESG factors in the supply chain open companies up to reputational, operational and regulatory risk and the apparel industry is dominated by multi-tier supplier relationships with a lack of traceability and rapid market driven changes. The company has recently updated its human rights guidelines to include coverage of its full operations including suppliers. It runs a quality assessment scorecard for each supplier and human rights has a 10% weighting of this assessment. Its management runs on-site assessments of each of their suppliers and if they are in serious breach of any human rights issues, they will sever ties with that supplier.

Question

As we go into a new decade, what should investors be focusing on in the months and years ahead?

Answer

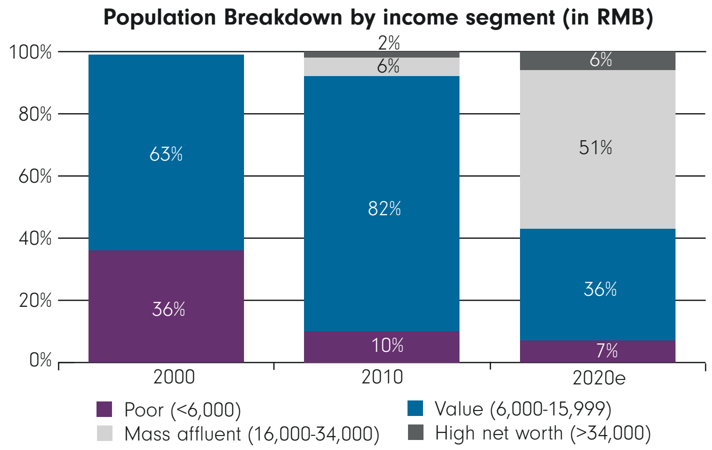
Volatility in the market is not always a bad thing - it can often create opportunities where we have conviction around the long-term value of businesses. The current environment is certainly one of those times and I have taken advantage as reflected in the increased gearing. I note that the current valuation of the portfolio is one of the lowest versus the market we have seen in years. I continue to be positive on the outlook for the Company and remain a happy shareholder in a personal capacity.

My core focus remains on consumer and technology-related companies, which I expect to benefit from the structural growth drivers that we have been highlighting over the past years. COVID-19 seems likely to accelerate many of these trends. The shift online, be it in e-commerce or services like online education, coupled with the need to manage the data that drives this, will become even more paramount. As I said earlier, it's not just Alibaba Group and Tencent Holdings that are likely beneficiaries of the ongoing shift to online. Holdings such as independent data centre operator 21Vianet Group, will be a significant beneficiary of increased data traffic. By our calculations over 40% of the Company's holdings will be beneficiaries of such shifts.

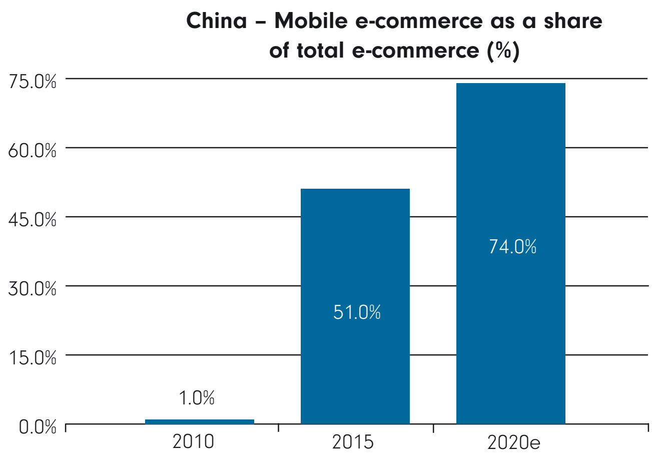
Dale Nicholls
Portfolio Manager
3 June 2020

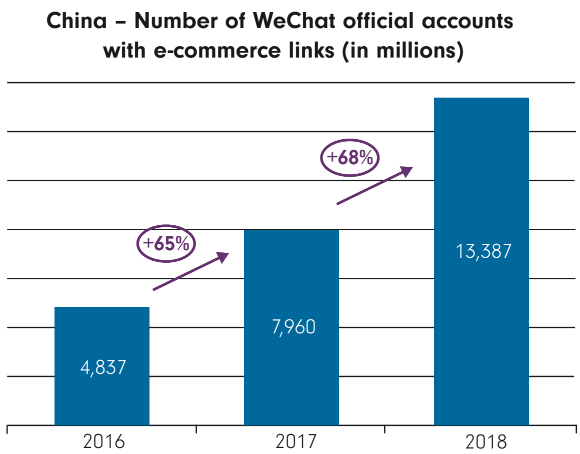
A Decade of Significant Change in China – in charts

In the last ten years we have seen a seismic shift not only in income status, but in consumer behaviour, as the proportion of Chinese customers shopping online attests. The graph below illustrates the speed and magnitude of this transition.

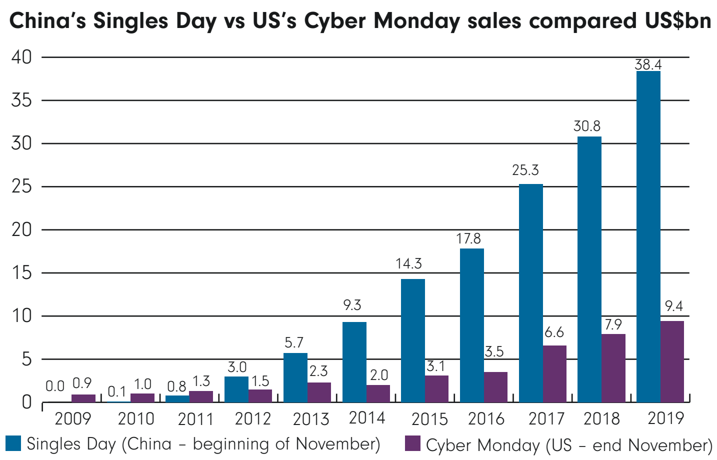


Almost 20 percent of the world's population call China home – about 1.2 billion potential consumers – which makes the country's economic transformation all the more potent and this, together with the distinct dynamics of its economy, makes an unusually compelling investment case.





The intense government focus on technology and innovation has paid dividends over the past ten years. China now has the most mobile users in the world and more e-commerce activity than any other country.



Source: Societe Generale, Cross Asset Research, SG Luxury Goods China Monthly Snapshot, November 2019.

Ten Years of Investing in Unlisteds

Since launch, the Company has invested in ten unlisted names, four of which have since listed.

Name of company	Date of initial investment	Cost of investment upon intial purchase (£m)	Date of IPO	Value of investment at IPO (£m)	Change in value between initial investment and IPO (%)
BNN Technology[1]	May-11	£2.5	Jul-14	£7.2	189.4%
Alibaba Group Holding	Sep-12	£15.5	Sep-14	£74.8	382.7%
Meituan Dianping	Mar-16	£7.0	Sep-18	£13.9	99.9%
Aurora Mobile	May-17	£10.1	Jul-18	£25.5	151.8%
Xiaoju Kuaizhi (Didi)	Aug-15	£10.1	Awaiting IPO – see details below		
Shanghai Yiguo [2]	Dec-16	£11.8	See Note 2 below		
DJI International	May-18	£22.4	Awaiting IPO – see details below		
SenseTime	Jun-18 and Jun-19	£11.2	Awaiting IPO – see details below		
ByteDance	Nov-18	£7.4	Awaiting IPO – see details below		
Pony.ai	Mar-20	£24.9	Awaiting IPO – see details below		

1 Subsequent to its IPO in 2014, BNN's shares were suspended from trading on AIM in 2017 and the Company's remaining holding is currently valued by the Directors at nil.

2 The Company is restructuring and the Directors have felt it prudent to provide fully against the cost of the investment.

Details of the six unlisted investments held by the Company at the year end are below and on the next page and their current valuations are shown in Note 19 on page 80.

Xiaoju Kuaizhi (Didi)

(Purchased: August 2015)

Xiaoju Kuaizhi, popularly known as 'Didi Chuxing', offers a wide range of transportation options for more than 550m users - including 'Taxi', 'Express', 'Premier', 'Luxe', 'Bus', 'Designated Driving', 'Enterprise Solutions', 'Bike Sharing', E-Bike Sharing' and 'Car Rental', as well as food delivery. It has over 31m drivers and partners with names like Grab, Lyft, Ola, 99, Taxify and Careem in a global ride-hailing network.

The valuation at 31 March 2020 takes into account the impact of COVID-19 on the company and its future trading prospects.

Shanghai Yiguo

(Purchased: December 2016)

Shanghai Yiguo operates China's leading fresh food e-commerce platform and is the exclusive operator of the fresh food segment on Alibaba's T-Mall Supermarket. China's fresh grocery market continues to grow rapidly.

The company has not performed as expected and is unlikely to IPO in the foreseeable future. The company is presently valued at nil.

DJI International

(Purchased: May 2018)

DJI International is a manufacturer of drones. It also designs and manufactures camera gimbals, action cameras, camera stabilisers, flight platforms and propulsion systems and flight control systems. Headquartered in Shenzhen, DJI benefits from direct access to suppliers, raw materials and a young, creative talent pool. Drawing on these resources, it has grown from a single small office in 2006 to a global workforce. Its offices can now be found in the United States, Germany, the Netherlands, Japan, South Korea, Beijing, Shanghai, and Hong Kong.

SenseTime

(Purchased: June 2018 and June 2019)

SenseTime is an artificial intelligence company which focuses on computer vision and deep-learning technologies. Founded in 2014 it is best known for its image recognition work, but it also develops autonomous driving technology.

The valuation at 31 March 2020 on page 80 is based on the company's results for 2019 and the outlook for 2020 given the impact of COVID-19. During the year, the Company increased its shareholding by subscribing to a further round of fundraising.

ByteDance

(Purchased: November 2018)

ByteDance is a leading internet entertainment and social media company with hundreds of millions of users in China. Despite the threat of Baidu, Alibaba and Tencent, ByteDance is one of the few contenders able to capture significant time-spent and advertisement revenue in China. Among the most appealing features of the company is its product development capability and its success in the overseas market. Among its best-known products are TikTok, Toutiao, BuzzVideo and Vigo Video.

With products available in over 150 markets, ByteDance has offices in 126 cities. As of November 2019, the company has over 50,000 employees and 15 research and development centers around the globe.

Shortly after the year end, the valuation of ByteDance was increased to reflect the progress the company has continued to make.

Pony.ai

(Purchased: March 2020)

Founded in Fremont, California in 2016, Pony.ai has pioneered autonomous vehicle technology, launching and offering a public-facing robotaxi service in California and China. The company was founded in December 2016 by James Peng and Lou Tiancheng, both former developers for Baidu in Silicon Valley.

The outbreak of COVID-19 saw the company respond by launching a self-driving delivery service in Irvine, California, shipping packages and groceries during lockdown. An electric robotaxi fleet was repurposed as an autonomous delivery service for purchases made on the Los Angeles-based e-commerce platform Yamibuy.

The valuation at 31 March 2020 on page 80 is based on the cost of the investment when it was purchased on 11 March 2020.

Top 10 Holdings

as at 31 March 2020
(based on Gross Asset Exposure expressed as a percentage of Net Assets)

Industry Information Technology

Tencent Holdings

Gross Asset Exposure 15.3%

Founded in Shenzhen in 1998, Tencent Holdings is one of the largest internet and technology companies in the world. Its business spans social network, music, web portals, e-commerce, mobile games, internet services, payment systems, smartphones, and multiplayer online games, which are all among the world's biggest and most successful in their respective categories. Tencent's applications are hosted on its WeChat platform.

Industry Consumer Discretionary

Alibaba Group Holding

Gross Asset Exposure 13.6%

Alibaba Group Holding is a Chinese multinational e-commerce, retail, internet, AI and technology conglomerate. It runs the biggest e-commerce platform in the world with online sales and profits surpassing all US retailers (including Walmart, Amazon and eBay) combined. On China's Singles' Day on 11 November 2019, it recorded sales of US$38.3 billion on over 1 billion orders in one day. It has a significant stake in Ant Financial, which includes China's leading mobile payment system, AliPay.

Industry Consumer Discretionary

China Meidong Auto Holdings

Gross Asset Exposure 8.2%

China Meidong Auto Holdings is an automobile dealer group with a strong focus on luxury brands in China. Its brands include Porsche, BMW, Lexus, Audi, Toyota and Hyundai. As of 31 December 2019, the company operates 58 stores across Beijing, Guangdong, Fujian, Jiangxi, Hunan, Hubei, Hebei, Anhui and Gansu provinces in China as well as Guangdong.

Industry Information Technology

21Vianet Group

Gross Asset Exposure 3.9%

China's internet infrastructure industry is one of the fastest growing in the world and 21Vianet Group is one of the country's leading internet data centre service providers. The company aims to capitalise on both wholesale and scale retail market opportunities. Among the continuing drivers for growth in the internet data centre services market in China are: the strong growth in mobile internet penetration, the internet of things, artificial intelligence and 5G construction.

Industry Financials

China Pacific Insurance Group

Gross Asset Exposure 3.7%

China Pacific Insurance Group is the second largest property insurance company in China, and the third largest life insurer. It offers a broad range of protection, investment and wealth management services. It has one of the largest agent forces in China. The company was founded in 1991 and is headquartered in Shanghai.

Industry Consumer Discretionary

China Life Insurance Company

Gross Asset Exposure **2.6%**

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

Industry Information Technology

WuXi AppTec

Gross Asset Exposure **2.4%**

Established around twenty years ago, WuXi AppTec is a leading pharmaceutical, biopharmaceutical and medical device capability and technology platform company with 16,000 employees globally, including more than 13,000 dedicated scientists. Through its 28 Research & Development (R&D) sites worldwide, the company provides comprehensive platform capabilities in small molecule R&D and manufacturing, biologics R&D and manufacturing, cell and gene therapy R&D and manufacturing, medical device testing, and molecular testing and genomics.

Industry Information Technology

Hutchison China MediTech

Gross Asset Exposure **2.2%**

Hutchison China MediTech is a biopharmaceutical company targeting the global market for novel oral oncology and immunology drugs. The company's innovation platform, Hutchison MediPharma has been the main driver of creating and developing its portfolio of drug candidates since 2002. The group has around 500 scientists and staff focusing on discovering, developing and commercialising targeted therapeutics and immunotherapies in oncology and autoimmune diseases. It has a portfolio of eight cancer drug candidates currently in clinical studies around the world.

Industry Financials

Noah Holdings

Gross Asset Exposure **2.1%**

Noah Holdings is a leading independent wealth and asset management service provider in China with a focus on investment and asset allocation services for high net worth individuals. In the first nine months of 2019, Noah distributed RMB65.4 billion (US$9.5 billion) of financial products.

Industry Financials

China Biologic Products Holdings

Gross Asset Exposure **2.1%**

China Biologic Products Holdings is a Chinese biopharmaceutical company, founded in 2002 and listed on NASDAQ in 2009. The company's core capabilities include plasma collection, and the manufacturing and commercialisation of human plasma-based biopharmaceutical products. These products are used as critical therapies during medical emergencies and for the prevention and treatment of life-threatening diseases and immune-deficiency related diseases.

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Manager's Review on pages 2 to 12 form part of the Strategic Report.

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

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

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

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

As part of the strategy, the Board has delegated the management of the portfolio and certain other services to Fidelity. The Portfolio Manager aims to achieve a total return on the Company's Net Assets over the long-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 2020.

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 and which have been underestimated by the wider market. Company visits and management meetings comprise an important part of the investment process. He has a bias to small and medium-sized companies, where lower levels of research by competitors leads to greater opportunities for mispricing – but he is not constrained and may invest in large or mega cap companies such as State Owned Enterprises where mispricing appears.

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 the stock market in the coming years; he therefore focuses on those products and services that cater for this growth within China.

The Portfolio Manager may invest in companies listed domestically in China (including Hong Kong) or elsewhere (such as the United States) where those companies' primary revenue exposures are within China. The Company is also able to invest up to 10% of the portfolio in unlisted companies with a view to their Initial Public Offering, thereby providing investors in the Company with some of the broadest access to investment opportunities in China.

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

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

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

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

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

As at 31 March 2020, the Company held six (2019: five) unlisted investments with a fair value of £81,146,000 (2019: £66,686,000) representing 6.0% (2019: 4.4%) 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 2020, the Company's exposure to short derivative instruments represented 12.3% (2019: 7.0%) 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 2020, the Company's largest exposure to any single counterparty from all derivative activities was 13.0% (2019: 9.0%) of Gross Assets.

Investment in other Listed Investment Companies

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

As at 31 March 2020, the Company held no investments in other listed investment companies (2019: nil).

Borrowing and Gearing Policy

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

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

During the year, the Gross Asset Exposure of the Company did not exceed the Net Assets of the Company by more than 30%. As at 31 March 2020, Gross Asset Exposure in excess of Net Assets was 25.2% (2019: 26.1%).

Foreign Exchange Hedging Policy

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

Dividend Policy

The Company's objective is to achieve long-term capital growth. However, in order to continue to qualify as an investment company, the Company is required by Section 1159 of the Corporation Tax Act 2010 to distribute sufficient net income so that it retains no more than 15% of its net income in any reporting year.

Performance

The Company's performance for the year ended 31 March 2020, including a summary of the year's activities, and details on trends and factors that may impact the future performance of the Company, are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 12. The Forty Largest Holdings, the Distribution of the Portfolio, the Attribution Analysis and the Record since Launch are on pages 26 to 31.

Results and Dividends

The Company's results for the year ended 31 March 2020 are set out in the Income Statement on page 56. The revenue return was 4.51 pence and the capital loss was 19.67 pence, giving a total loss of 15.16 pence per ordinary share.

The Directors recommend that a final dividend of 4.25 pence (2019: 3.85 pence) per ordinary share be paid on 28 July 2020 to shareholders who appear on the register as at close of business on 19 June 2020 (ex-dividend date 18 June 2020).

Key Performance Indicators

The Board's intention is for the NAV and share price to outperform the Benchmark Index and that the discount should be maintained in single digits in normal market conditions. It also aims to keep the Ongoing Charge as low as possible. The Board therefore deems these to be the Company's key performance indicators ("KPIs") and they are also comparable to those reported by other investment companies. The Company's KPIs for the current and prior year are set out in the table below.

	Year ended 31 March 2020 %	Year ended 31 March 2019 %
Net Asset Value per ordinary share total return[1]	**-5.9**	-5.3
Share Price total return[1]	**-6.5**	-0.3
MSCI China Index total return	**-1.0**	+0.9
Discount to Net Asset Value[1]	**8.6**	7.9
Ongoing Charges[1,2]	**0.99**	1.02

1 Alternative Performance Measures. See page 83.
2 The Board regularly considers the costs of running the Company to ensure they are reasonable and competitive.
Sources: Fidelity and Datastream.

In addition to the KPIs set out above, the Board also monitors the factors contributing to investment results, as set out in the NAV Attribution Analysis table on page 30. Long-term performance is also monitored and the Record since Launch on page 31 shows this performance.

Strategic Report continued

Principal Risks and Uncertainties and Risk Management
As required by provisions 28 and 29 of the 2018 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, including those that could threaten its business model, future performance, solvency or liquidity. 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 existing and emerging risks and uncertainties that the Company faces. The Audit and Risk Committee carried out a separate exercise in February 2020 to identify any new emerging risks and take any action necessary to mitigate their potential impact. 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 existing and emerging risks, is updated and reviewed regularly in the form of comprehensive reports considered by the Audit and Risk Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and uncertainties and to ensure that the Board can continue to meet its UK corporate governance obligations.

The Board considers the following as the principal risks and uncertainties faced by the Company. The risks are unchanged from those reported in the prior year apart from the addition of the "Pandemic risk" and some additional updates to the "Market, Economic and Geopolitical risk" and the "Cybercrime risk".

Principal Risks	Description and Risk Mitigation
Market, Economic and Geopolitical risk	Investing in an emerging market such as the People's Republic of China (PRC) subjects the Company to a higher level of market risk than investment in a more developed market. This is due, among other things, to the existence of greater market volatility, lower trading volumes, the risk of political and economic instability (such as the ongoing geo-political tensions between China and the US) 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. Most of the Company's assets and income are denominated in currencies other than sterling which is the Company's functional and presentation currency. As a result, movements in exchange rates may affect the UK sterling value of these items. This includes the US dollar loan facility. The risk of the likely effects of COVID-19 on the markets is discussed in the Chairman's Statement and in the Portfolio Manager's Review on pages 2 to 12. These risks are somewhat mitigated by the investment trust structure which means no forced sales will need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon. Risks to which the Company is exposed in the market risk and currency risk categories are included in Note 19 to the Financial Statements on pages 72 to 81 together with summaries of the policies for managing these risks. The Company's unlisted investments by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than the other investments in the portfolio. No transaction is made in an unlisted investment until the Board is satisfied that this would not subject the Company to a material risk of exposure. As at 31 March 2020, holdings in unlisted companies was 6.0% of Gross Assets. The maximum limit is 10%. The Company has exposure to a number of companies with all or part of their business in Variable Interest Entity ("VIE") structures. A VIE structure facilitates foreign investment in sectors of the Chinese domestic economy which prohibit foreign ownership. The essential purpose of the VIE structure is to convey the economic benefits and operational control of ownership without direct equity ownership itself. As these entities have a controlling interest that is not based on the majority of voting rights, there is a risk to investors of being unable to enforce their ownership rights in certain circumstances. The proportion of the portfolio which is invested in companies operating a VIE structure is monitored on a monthly basis by the Manager and holdings are reported to the Board on a regular basis. As at 31 March 2020, 52.3% (2019: 44.8%) of the companies in the portfolio had a VIE structure (Benchmark Index: 43.4% (2019: 40.2%)).

Principal Risks	Description and Risk Mitigation
Investment Performance risk	The achievement of the Company's investment performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to NAV and share price underperformance compared to the Benchmark Index. The Company has a clearly defined strategy and investment remit. Borrowing and derivative limits are set by the Board in line with the Company's Prospectus. The portfolio is managed by a highly experienced Portfolio Manager who is supported by a large team of analysts. The Board relies on the Portfolio Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the portfolio against the Company's Benchmark Index and that of its competitors and the outlook of the markets with the Portfolio Manager. The emphasis is on long-term investment performance and the Board accepts that by targeting long-term results the Company risks volatility and underperformance in the shorter-term. Performance for the financial year is outlined in the Chairman's Statement and Portfolio Manager's Review on pages 2 and 7.
Key Person risk	There is a risk that the Manager has an inadequate succession plan for key individuals. The loss of the Portfolio Manager could lead to potential performance, operational or regulatory issues. The Manager identifies key dependencies which are then addressed through succession plans. Fidelity has succession plans in place for portfolio managers which have been discussed with the Board.
Discount Control risk	Due to the nature of investment companies, the Board cannot control the discount at which the Company's share price trades to Net Asset Value ("NAV"). However, it can influence this through its share repurchase policy and through creating demand for the Company's shares through good performance and an active investor relations programme. The Board has a formal discount control policy whereby it seeks to maintain the discount in single digits in normal market conditions. The Company's share price, NAV and discount volatility are monitored daily by the Manager and regularly reported to the Board.
Gearing risk	The Company has the ability to invest up to the total of any loan facilities in equities. The principal risk is that the Portfolio Manager fails to use gearing effectively, resulting in a failure to outperform in a rising market or underperform in a falling market. 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$100,000,000 unsecured fixed rate facility agreement with Scotiabank Europe PLC which has been fully drawn down. In addition, the Company can also use contracts for difference ("CFDs") to obtain further gearing exposure. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Portfolio Manager must operate.
Cybercrime risk	The operational risk from cybercrime is significant. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever increasing threat. The risk is frequently re-assessed by Fidelity's information security and technology teams and has resulted in the implementation of new tools and processes as well as improvements to existing ones. Fidelity also has established a dedicated cybersecurity team which provides regular awareness updates and best practice guidance. Risks are increased due to the COVID-19 crisis, primarily related to phishing, remote access threats, extortion and DDoS. The Manager has a dedicated detect and respond resource specifically to monitor the Cyber threats associated with COVID-19.

Strategic Report continued

Principal Risks	Description and Risk Mitigation
Pandemic risk	As the COVID-19 outbreak continues to spread, there has been increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The Manager reviews its business continuity plans and operational resilience strategies on an ongoing basis and will take all reasonable steps to continue meeting its regulatory obligations and to assess operational risks, the ability to continue operating and the steps it needs to take to serve and support its clients, including the Board. For example, to enhance its resilience, the Manager has mandated work from home arrangements and implemented split team working for those whose work is deemed necessary to be carried out in an office. The Manager has also imposed self-isolation arrangements on staff in line with Government recommendations and guidance. Investment team key activities, including portfolio managers, analysts and trading/support functions, are performing well despite the operational challenges posed by working from home or split team arrangements. The Company's other third party service providers have also confirmed the implementation of similar measures to ensure no business disruption.

Other risks facing the Company include:

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

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

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

Operational Risks
The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements. The Registrar, Custodian and Depositary are all subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal control reports are received by the Board on an annual basis and any concerns are investigated. Risks associated with these service providers is rated as low, but the financial consequences could be serious, including reputational damage to the Company.

Viability Statement
In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long-term capital growth. The Board considers long-term to be at least five years, and accordingly, the Directors believe that 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 Company's NAV and share price performance;
- 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 for the five year reporting period to 31 March 2020 with a NAV total return of 51.3%, a share price total return of 60.4% and a Benchmark Index total return of 42.7%. The Board regularly reviews the investment policy and considers whether it remains appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

- The Investment Managers' compliance with the Company's investment objective and policy, 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;
- The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company's total assets; and
- The Board's assessment of the risks arising from COVID-19 as set out in the Principal Risks above.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement which is included in the Directors' Report on page 33.

Board Diversity

The Board's search for new non-executive directors is based on the benefits of having a diverse range of skills, knowledge, experience, perspectives and background, including gender. The Board's intention will always be to appoint the best person for the job and it confirms that there will be no discrimination on the grounds of gender, social and ethnic background and cognitive strengths.

The Board's overriding intention is to ensure that it is made up of the best combination of people in order to achieve long-term capital growth for the Company's shareholders from an actively managed portfolio of investments. To this effect, the Board, as part of its succession plan, will continue to appoint individuals who, together as a Board, will aim to ensure the continued optimal promotion of the Company in the marketplace. In terms of diversity, there were two female and three male Directors on the Board as at 31 March 2020. The Board's composition exceeds the target of 33% of women on FTSE 350 company boards by 2020 which has been set by the Hampton-Alexander Review. This is the independent review body which aims to increase the number of women on FTSE 350 boards. The Board meets the recommendations of the Parker Review Committee for each FTSE 250 company to have at least one director from an ethnic minority background by 2024 so as to improve the ethnic and cultural diversity of UK company boards.

Board Apprentice Scheme

In the past year, the Board participated in the Board Apprentice Scheme (the "Scheme") and offered Megan McCracken, who was the successful candidate, the opportunity to observe the workings of the Board and its Committees for a period of one year starting in July 2019. The objective of the Scheme is to increase diversity on boards. The Board Apprentice did not receive a fee but it is intended that the experience gained will assist her ambition to become a non-executive director elsewhere at a point in the future. The Board intends to participate in the Scheme again to offer the next successful candidate a similar experience. The process to engage a new Board Apprentice has been started. However, due to the current Government restrictions as a result of COVID-19, face to face interviews cannot be held and the process has been temporarily paused.

Environmental, Social and Governance ("ESG") in the Investment Process

The Board has contracted with Fidelity to provide the Company with investment management and administrative services. The Fidelity group of companies (including the Manager, FIL Investment Services (UK) Limited and FIL Investments International) sets out its commitment to responsible investing, and provides a copy of its detailed Responsible Investing at **https://www.fidelity.co.uk/responsible-investing/**

Fidelity has embedded Environmental, Social and Governance ("ESG") factors in its investment decision making process. Fidelity 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.

Proprietary ESG analysis and ratings are provided by the analysts in Fidelity's investment teams and the portfolio managers are also active in analysing the potential effects of ESG factors when making investment decisions.

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

Examples of ESG factors that Fidelity's investment teams may consider as part of its company and industry analysis includes:

- Corporate governance (e.g. Board structure, executive remuneration)
- Shareholder rights (e.g. election of directors, capital amendments)
- Changes to regulation (e.g. greenhouse gas emissions restrictions, governance codes)
- Physical threats (e.g. extreme weather, climate change, water shortages)
- Brand and reputational issues (e.g. poor health & safety record, cyber security breaches)
- Supply chain management (e.g. increase in fatalities, lost time injury rates, labour relations)
- Work practices (e.g. observation of health, safety and human rights provisions and compliance with the provisions of the Modern Slavery Act).

Fidelity operates analyst training and development programmes which include modules on ESG. This includes training throughout the year for equity and fixed income portfolio managers and analysts on various ESG themes, topics and strategies.

The ESG team will attend external seminars on the trending ESG issues in the market globally as well as conferences to explore new ways of integrating ESG into the investment process across all asset classes.

Fidelity uses a number of external research sources around the world that provide ESG-themed reports and it subscribes to an external ESG research provider and rating agency to supplement its organic analysis. Fidelity receives reports that include company specific and industry specific research as well as ad hoc thematic research looking at particular topics. The ESG ratings are industry specific and are calculated relative to industry peers and Fidelity uses these ratings in conjunction with its wider analysis. Fidelity's sources of ESG research are reviewed on a regular basis.

Strategic Report continued

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.

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. It delegates the responsibility for corporate engagement and shareholder voting to the Investment Managers who update the Board on any issues and activities. These activities are reviewed regularly by the Investment Managers' corporate governance team.

Other 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 and the Company has not adopted a policy on human rights as it would not be directly applicable.

As an investment company, the Company does not provide goods and services in the normal course of business and has no customers. Accordingly, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015.

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

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 and emerging risks. The factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 12.

By Order of the Board
FIL Investments International
Secretary
3 June 2020

Promoting the Success of the Company

Under Section 172(1) of the Companies Act 2006, the Directors have to explain how they have discharged their duties in promoting the success of Fidelity China Special Situations PLC (the "Company"). The Directors must act in the way that is most likely to promote the success of the Company for the benefit of its shareholders. This includes having regard (amongst other matters) to the likely consequences of any decision in the long-term, fostering relationships with the Company's stakeholders and the desirability of the Company in maintaining a reputation for high standards of business conduct.

The Company was launched in 2010 to offer investors the opportunity to include in their portfolio some exposure to the growing economy of China. The Board considers this is best achieved via the investment trust structure constructing a portfolio of individually chosen shares in underlying companies whose business is in China.

The stock market in China is not as well researched as some of the more developed economies and therefore considerable research is done in house by our Manager to identify suitable investments. The Board works with the Portfolio Manager to ensure that he has the necessary resources available to him and that those resources are of the desired quality.

The Board, with the Portfolio Manager, sets an overall investment strategy and reviews this at an annual strategy day which is separate from the regular cycle of board meetings.

In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the maximum size of individual holdings, the total aggregate percentage of unlisted investments in the portfolio, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored.

Our mandate is to invest in China, an emerging market with varying quality of available information. It is the Directors' view that well-governed companies make better investments and the Portfolio Manager and his team therefore perform extensive due diligence into the companies in which the Company invests and evaluate their standards of ESG.

It is one of our long-term objectives that the share price should trade at a level close to the underlying net asset value of the shares. In the past, we have attempted to achieve this through the mechanism of share repurchases and continue to do so. As reported in last year's Annual Report, the Board has adopted a formal discount control policy through which it seeks to maintain the discount in single digits in normal market conditions and will, subject to normal market conditions, repurchase shares with the objective of stabilising the share price discount within a single digit range.

Share price discounts and premiums are determined by supply and demand. The Directors have focused the marketing of the Company particularly on explaining, through the press, the characteristics of investing in China, largely to dispel sentiment-based negative misperceptions.

We are also mindful that investors expect their funds to be managed for a competitive fee. Over the years since launch, we have renegotiated the fees payable to the Managers and progressively reduced them to the current level. The Company's Ongoing Charge for the year of 0.99% compares favourably to the previous year of 1.02% and to the cost of competitor products in the market.

The opportunity to invest in China through a dedicated investment product is now more widely available and the Directors are keen to set out clearly their approach to investment and the Company's differentiation from competitor products, through the medium of the Annual Report and the Company's pages on the Manager's website.

It is important that shareholders have access to both the Portfolio Manager and the Board. The Portfolio Manager under normal circumstances, visits the UK twice a year from China to meet with shareholders, stock market analysts, journalists and other commentators. During the year, the Chairman and Senior Independent Director are both available to meet shareholders.

As long-term investors, we look to the future – the Portfolio Manager in constructing the portfolio and the Board in governing the Company. The performance of the Company and its reputation for transparency and good governance are paramount to its long-term success for the benefit of all its stakeholders.

On behalf of the Board

Nicholas Bull

Nicholas Bull
Chairman
3 June 2020

Forty Largest Holdings

as at 31 March 2020

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 contract for difference ('CFD') is held, the fair value reflects the profit or loss on the contract since it was opened and is based on how much the share price of the underlying shares has moved.

	Gross Asset Exposure £'000	Gross Asset Exposure %[1]	Fair Value £'000
Long Exposures – shares unless otherwise stated			
Tencent Holdings (shares and long CFDs) Internet, mobile and telecommunications services provider	194,998	15.3	148,050
Alibaba Group Holding (shares and long CFDs) e-commerce group	172,968	13.6	132,127
China Meidong Auto Holdings (shares and long CFD) Automobile dealership and maintenance group	104,040	8.2	86,199
21Vianet Group Internet and data center service provider	49,112	3.9	49,112
China Pacific Insurance Group (long CFDs) Insurance company	46,957	3.7	(10,797)
China Life Insurance Company (long CFDs) Insurance company	32,961	2.6	(40)
WuXi AppTec (long CFDs) Pharmaceutical, biopharmaceutical and medical device outsourcing provider	30,478	2.4	(4,155)
Hutchison China MediTech Pharmaceutical and healthcare group	28,241	2.2	28,241
Noah Holdings Asset managers	27,349	2.1	27,349
China Biologic Products Holdings Blood plasma-based biopharmaceutical company	26,673	2.1	26,673
SKSHU Paint Company Paint manufacturing company	26,601	2.1	26,601
Pony.ai (unlisted) Developer of artificial intelligence and autonomous driving technology solutions	25,695	2.0	25,695
Ctrip.com International Travel services provider	24,123	1.9	24,123
Kingsoft (long CFD) Software and internet services company	23,512	1.9	4,004
Innovent Biologics (long CFDs) Biopharmaceutical company	21,644	1.7	4,471
DJI International (unlisted) Manufacturer of drones	20,696	1.6	20,696
Vipshop Holdings e-commerce company specialising in online discount sales	19,746	1.6	19,746
Kweichow Moutai Moutai liquor producer and distributor	19,563	1.5	19,563
New Oriental Education & Technology Group Private educational services provider	19,355	1.5	19,355
Zhejiang Dahua Technology Provider of video surveillance products and services	19,274	1.5	19,274

	Gross Asset Exposure £'000	%[1]	Fair Value £'000
Xiaoju Kuaizhi (Didi) (unlisted) Mobile taxi booking applications developer	17,699	1.4	17,699
Shenzhen Yuto Packaging Technology High-end brand packaging solutions provider	16,754	1.3	16,754
CITIC Securities (long CFD) Investment bank	16,133	1.3	(91)
China Petroleum & Chemical Corporation (long CFD) Oil and gas company	15,048	1.2	(15,324)
China Taiping Insurance Holdings (long CFD) Insurance company	14,985	1.2	(260)
China International Capital Corporation (long CFDs) Financial services	14,298	1.1	(2,072)
Huami Cloud-based healthcare services provider	14,038	1.1	14,038
NetEase Internet technology company providing online services	13,512	1.1	13,512
Clear Media Advertising company	13,229	1.0	13,229
BOC Aviation Global aircraft operating leasing company	13,224	1.0	13,224
Hisense Home Appliances Group Manufacturer and distributor of household appliances	13,214	1.0	13,214
Yadea Group Holdings (long CFD) Two-wheel electric vehicle manufacturer	12,879	1.0	1,996
Asia Cuanon Technology Development, manufacturing and sales of decorated insulation products	12,441	1.0	12,441
Li Ning (long CFD) Sporting goods manufacturer	12,395	1.0	1,139
China Isotope & Radiation Manufacturer and distributor of nuclear products	12,125	1.0	12,125
Sunny Optical Technology Group Optic and optical related products designer and manufacturer	11,865	0.9	11,865
Chailease Holding Financial services	11,620	0.9	11,620
Intron Technology Holdings Automotive electronics solutions provider	11,341	0.9	11,341
HollySys Automation Technologies Provider of automation and control technologies and applications	10,722	0.8	10,722
Convenience Retail Asia Convenience store chain operator	10,667	0.8	10,667
Forty largest long exposures (2019: 80.4%)	**1,202,175**	**94.4**	**834,126**
Other long exposures (2019: 48.0%)	534,103	42.0	444,987
Total long exposures before hedges (139 companies)	**1,736,278**	**136.4**	**1,279,113**

Forty Largest Holdings continued

	Gross Asset Exposure £'000	Gross Asset Exposure %[1]	Fair Value £'000
Less: hedging exposures			
iShares FTSE A50 China Index ETF (short CFDs)	(25,370)	(2.0)	940
Hang Seng China Enterprises Index (future)	(63,384)	(5.0)	(2,098)
Hang Seng Index (future)	(24,126)	(1.9)	(1,075)
Hang Seng China Enterprises Index (put option)	(41,706)	(3.3)	4,849
Total hedging exposures	**(154,586)**	**(12.2)**	**2,616**
Total long exposures after the netting of hedges	**1,581,692**	**124.2**	**1,281,729**
Short exposures			
Short CFDs (4 holdings)	12,524	1.0	2,047
Gross Asset Exposure[2]	**1,594,216**	**125.2**	
Portfolio Fair Value[3]			**1,283,776**
Net Liabilities excluding derivative instruments			(10,729)
Net Assets			**1,273,047**

1 Gross Asset Exposure is expressed as a percentage of Net Assets.
2 Gross Asset Exposure comprises market exposure to investments of £1,289,807,000 (per Note 10: Investments on page 68) plus market exposure to derivative instruments of £304,409,000 (per Note 11: Derivative instruments on page 69).
3 Portfolio Fair Value comprises Investments of £1,289,807,000 plus derivative assets of £39,152,000 less derivative liabilities of £45,183,000 (per the Balance Sheet on page 58).

Distribution of the Portfolio

as at 31 March 2020

	Gross Asset Exposure %	Benchmark Index £'000
Consumer Discretionary	47.5	27.5
Communication Services	21.0	22.0
Information Technology	18.0	4.4
Financials	15.7	19.4
Healthcare	12.8	4.6
Industrials	7.2	5.5
Materials	5.8	2.3
Consumer Staples	5.8	3.9
Energy	3.1	2.8
Real Estate	0.8	5.2
Utilities	–	2.4
Total excluding derivatives	**137.7**	**100.0**
Derivatives	–12.5	–
Total including derivatives	**125.2**	**100.0**
Share Type		
Listed in Hong Kong	47.2	25.5
Listed in US	31.7	22.5
China "H" Shares	19.0	27.4
China "A" Shares	10.7	13.9
Unlisted	6.4	–
Red Chips	5.9	10.6
Listed in United Kingdom	2.0	–
Listed in Taiwan	1.9	–
China "B" Shares	0.4	0.1
Total	**125.2**	**100.0**
Size of Company (Market Cap)		
Large – above £5bn	52.3	89.3
Medium – between £1bn – £5bn	38.3	10.7
Small – below £1bn	28.2	–
Unlisted	6.4	–
Total	**125.2**	**100.0**

Attribution Analysis

Analysis of NAV total return for the year ended 31 March 2020	%
Impact of:	
MSCI China Index (in Hong Kong dollar terms)	-7.0
Stock Selection (in Hong Kong dollar terms)	-2.5
Gearing (in Hong Kong dollar terms)	-1.0
Currency translation	+4.7
Share Repurchases	+0.2
Other Costs	-0.8
Cash	+0.5
NAV total return for the year ended 31 March 2020	**-5.9**

Ten Highest Contributors to NAV total return	%
China Meidong Auto Holdings	+6.1
21Vianet Group	+1.6
Hang Seng Hong Kong Indices	+1.6
Alibaba Group Holding	+1.3
Li Ning	+1.1
Tencent Holdings	+1.0
Vipshop Holdings	+0.8
SKSHU Paint Company	+0.8
Kingsoft	+0.6
China Online Education Group	+0.5

Ten Highest Detractors to NAV total return	%
Noah Holdings	-1.1
Hutchison China MediTech	-1.0
China Life Insurance Company	-1.0
China Taiping Insurance Holdings	-0.9
Aurora Mobile Limited	-0.9
China Pacific Insurance Group	-0.9
Ctrip.com International	-0.8
Sinosoft Tech	-0.6
China Petroleum & Chemical Corporation	-0.6
Shanghai Yiguo	-0.5

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

Record since Launch

For the year ended 31 March	**2020**	2019	2018	2017	2016	2015	2014	2013	2012	2011[1]
Investment Performance										
Net Asset Value per ordinary share total return (%)[2]	**-5.9**	-5.3	+22.2	+38.8	+0.0	+45.3	+19.5	+15.7	-18.5	+5.2
Share Price total return (%)[2]	**-6.5**	-0.3	+23.6	+45.8	-4.5	+39.9	+14.1	+15.0	-26.4	+10.0
MSCI China Index total return (in UK sterling terms) (%)	**-1.0**	+0.9	+23.8	+37.6	-16.2	+39.3	-6.9	+12.2	-12.6	+3.3
Assets										
Gross Asset Exposure (£m)	**1,594.2**	1,767.1	1,806.6	1,586.9	1,155.3	1,189.1	806.6	774.2	628.5	746.0
Net Assets (£m)	**1,273.0**	1,401.6	1,502.9	1,243.8	908.5	944.1	656.2	634.2	559.0	684.0
Gearing (%)[2]	**25.2**	26.1	20.2	27.6	27.2	25.9	22.9	22.1	23.8	15.8
Net Asset Value per ordinary share (pence)	**236.27**	255.03	272.55	225.36	164.18	165.27	114.84	97.09	84.72	104.20
Share price data at year end										
Share price (pence)	**216.00**	235.00	239.00	195.70	136.00	143.60	103.80	92.00	80.80	110.00
(Discount)/premium[2] (%)	**(8.6)**	(7.9)	(12.3)	(13.2)	(17.2)	(13.1)	(9.6)	(5.2)	(4.6)	5.6
Earnings and dividends paid										
Revenue earnings per ordinary share (pence)	**4.51**	4.06	3.80	2.92	2.07	1.41	1.18	1.25	0.99	0.47
Capital (loss)/earnings per ordinary share (pence)	**(19.67)**	(18.21)	45.86	60.01	(2.24)	50.17	16.39	11.76	(20.33)	3.67
Total (loss)/earnings per ordinary share (pence)	**(15.16)**	(14.15)	49.66	62.93	(0.17)	51.58	17.57	13.01	(19.34)	4.14
Dividend per ordinary share (pence)	**4.25**	3.85	3.50	2.50	1.80	1.30	1.15	1.00	0.75	0.25
Ongoing charges (%)[2]	**0.99**	1.02	1.11	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 Alternative Performance Measures.

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

Board of Directors

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

I M N

Mr Bull is the Senior Independent Director of Coats Group plc and Chairman of Conran Holdings Limited. He is a Trustee of the Design Museum, Camborne School of Mines Trust and also Deputy Chairman of the Trustees of the Conran Foundation; he is a member of the Advisory Panel of the charity INTO University. He was a Member of Council of the University of Exeter from 2009 until 2018 and 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.

Mike Balfour
Director
Appointed 1 October 2018

A I M N

Mr Balfour is a non-executive Director of Perpetual Income and Growth Investment Trust plc and Standard Life Investment Property Income Trust plc. He is also Chairman of the Investment Committee of TPT Retirement Solutions and sits on its Management Board. He is an adviser to the Investment Advisory Board of The Institute of Chartered Accountants of Scotland. He was chief executive of Thomas Miller Investment Ltd until 2016 and was previously chief executive at Glasgow Investment Managers and chief investment officer at Edinburgh Fund Managers Limited. His early investment management career was focused on the nascent equity markets of Asia. He is a qualified Chartered Accountant.

Linda Yueh
Director
Appointed 1 June 2019

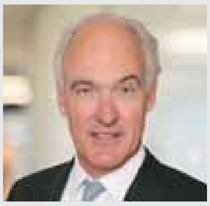
A M N

Dr Linda Yueh is a Fellow in Economics at St Edmund Hall, Oxford University and Adjunct Professor of Economics at London Business School. She is also Visiting Professor at LSE IDEAS, the foreign policy research centre at the London School of Economics, and was Visiting Professor of Economics at Peking University. She has written numerous books and served as editor for several series of books. She is a non-executive Director of Rentokil Initial plc and Chair of Baillie Gifford's The Schiehallion Fund. She is a past non-executive Director of JPMorgan Asian Investment Trust plc and Baillie Gifford's Scottish Mortgage Investment Trust plc.

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

A I M N

Ms Scott is a non-executive Director of Dunedin Income Growth Investment Trust PLC and Allianz Technology Trust PLC. She is also non-executive Chairman of India Capital Growth Fund Limited and the Deputy Chair of the Association of Investment Companies (AIC). She is a past non-executive Director of Pacific Horizon Investment 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

A I M N

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

All the Directors are non-executive Directors and all are considered to be independent by the Board.

Committee membership key

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

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 March 2020.

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 as an investment trust on the London Stock Exchange on 19 April 2010.

Management Company

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

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

The Board reviews the Management Agreements at least annually and details are included in the Corporate Governance Statement on page 38.

Fee Arrangements

The Company adopted a variable management fee ("VMF") arrangement on 1 July 2018 which provides an overall reduction from the previous fee structure.

The annual base fee is 0.90% of Net Assets per annum, with a +/-0.20% variation fee based on the Company's NAV per share performance relative to the MSCI China Index (in UK sterling terms) (the Company's Benchmark Index). The maximum fee that the Company will pay is 1.10% of Net Assets, but if the Company underperforms against the MSCI China Index, then the overall fee could fall as low as 0.70% of Net Assets.

The VMF element is calculated daily by referencing the performance of the Company's NAV to the performance of the MSCI China Index. The period used to assess the performance is from 1 July 2018 until a 3 year history has been established after which period, the performance period will start to roll on a 3 year basis. The variable element of the fee will increase or decrease 0.033% for each percentage point of 3 year NAV per share outperformance or underperformance over the MSCI China Index to a maximum of +0.20% or a minimum of -0.20%.

The total management fee for the year ended 31 March 2020 was £9,440,000 (2019: £11,543,000) as detailed on Note 4 on page 65. This was made up of a base fee of £12,125,000 (2019: £12,780,000) and a credit of £2,685,000 (2019: £1,237,000) on the variable element of the fee due to underperformance of the NAV against the Benchmark Index.

The Board

Nicholas Bull, Mike Balfour, Peter Pleydell-Bouverie and Elisabeth Scott all served on the Board throughout the year ended 31 March 2020 and up to the date of this report. Linda Yueh was appointed to the Board on 1 June 2019. David Causer did not stand for re-election at the AGM on 24 July 2019 and left the Board on that date. A brief description of all serving Directors as at the date of this report is shown on page 32 and indicates their qualifications for Board membership.

In line with the Board's succession plan, Peter Pleydell-Bouverie will not be seeking re-election at the AGM on 23 July 2020. The search for his successor has begun and the successful candidate will be appointed once the Board is able to carry out face to face interviews.

Directors' and Officers' Liability Insurance

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

Going Concern Statement

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt the going concern basis for at least twelve months from the date of this Annual Report. This conclusion also takes into account the Board's assessment of the risks arising from COVID-19 as set out in the Pandemic Risk on page 22. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on pages 22 and 23.

Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 23 July 2020.

Disclosure of Information to the Company's Auditor

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

a) so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

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

Directors' Report continued

Corporate Governance
The Corporate Governance Statement forms part of this report and can be found on pages 36 to 40.

Registrar, Custodian and Depositary Arrangements
The Company has appointed Link 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 65.

Share Capital
The Company's share capital comprises ordinary shares of 1 penny each whch are fully listed on the London Stock Exchange. As at 31 March 2020, the issued share capital was 571,354,480 (2019: 571,354,480) of which 32,545,437 (2019: 21,780,000) shares were held in Treasury. Shares in Treasury do not have voting rights, therefore the total number of shares with voting rights was 538,809,043 (2019: 549,574,480).

Premium/Discount Management: Enhancing Shareholder Value
The Board recognises the importance of the relationship between the Company's share price and the NAV per share and monitors this closely. It seeks authority from shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV, either for cancellation or holding in Treasury. The Board will exercise these authorities to endeavour to keep the discount in single digits in normal market circumstances and as mentioned in the Chairman's Statement on page 4.

Share Issues
No ordinary shares were issued during the year ended 31 March 2020 (2019: nil) and none has been issued since the year end and as at the date of this report.

The authorities to issue ordinary shares and to disapply pre-emption rights expire at the AGM on 23 July 2020 and therefore resolutions renewing these authorities will be put to shareholders at this AGM.

Share Repurchases
During the year ended 31 March 2020, the Company repurchased 10,765,437 (2019: 1,840,000) ordinary shares for holding in Treasury. Since the year end and as at the date of this report, a further 14,296,529 ordinary shares have been repurchased into Treasury. No shares have been repurchased for cancellation.

The authority to repurchase ordinary shares expires at the AGM on 23 July 2020 and a resolution to renew the authority to repurchase ordinary shares, either for cancellation or to buy into Treasury, will be put to shareholders at this AGM.

Substantial Share Interests
As at 31 March and 30 April 2020, notification had been received that the shareholders listed in the table below held more than 3% of the voting share capital of the Company.

Shareholders	**31 March 2020**	30 April 2020
Fidelity Platform Investors	**23.86**	23.92
Lazard Asset Management	**13.35**	13.26
Hargreaves Lansdown	**12.91**	12.91
City of London Investment Management	**7.33**	7.36
Allan & Gill Gray Foundation	**6.66**	6.70

An analysis of shareholders as at 31 March 2020 is detailed in the table below.

Shareholders as at 31 March 2020	**% of voting share capital**
Retail Investors[1]	**60.56**
Mutual Funds	**15.61**
Pension Funds	**14.72**
Charities	**6.66**
Insurance Funds	**2.34**
Other	**0.11**
Total	**100.00**

1 Includes Fidelity Platform Investors (23.86%).

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 18 to 24.

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.

In view of the public health impact of COVID-19 and in the interests of your well-being as investors, we have changed the format of the AGM this year and we are actively encouraging you to vote by proxy or through investor voting facilities available to you. As mentioned in the Chairman's Statement on page 6, and as at the date of this report, the current Government guidance stipulates that large gatherings of people are prohibited. Please do not attend the meeting in person as you will not be admitted. The AGM will be largely virtual in nature, with an online presentation by the Chairman and Portfolio Manager which will be made available online at fidelity.co.uk/china.

Fidelity Platform Investors
If you hold your shares in the Company through the Fidelity platform, then Fidelity passes on to you the right to vote on the proposed resolutions at the Company's AGM. As attendance in person is not possible at this year's AGM, Fidelity platform investors should vote online via the Broadridge Service (a company that specialises in investor voting facilities) as explained in previous correspondence from Fidelity. Investors can sign up to this facility via their Fidelity Investor Account.

Proxy Voting
Link Asset Services, the Registrar, introduced a paperless proxy voting process last year. However, in view of the public health impact of COVID-19 and your well-being as shareholders, and as attendance in person is not possible for this year's AGM, we are sending a paper Proxy Form to all shareholders who hold shares on the main share register so that you are able to vote in advance of the meeting.

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 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 23 July 2020, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 84 and 85, including the items of special business summarised below.

Authority to Allot Shares
Resolution 11 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £571,354. If passed, this resolution will enable the Directors to allot a maximum of 57,135,448 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company (including Treasury Shares) as at 3 June 2020, 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 NAV per share or at a premium to NAV per share.

Authority to Disapply Pre-Emption Rights
Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £571,354 (including Treasury shares) (approximately 10% of the issued ordinary share capital of the Company as at 3 June 2020 and equivalent to 57,135,448 ordinary shares).

Authority to Repurchase Shares
Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (78,624,425) of the ordinary shares in issue (excluding Treasury shares) on 3 June 2020, 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
3 June 2020

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 and provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council (the "FRC") in July 2018. The Board also follows the AIC Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies ("AIC") in February 2019. The AIC Code addresses the principles and provisions of the UK Code. The FRC has confirmed that investment companies which report against the AIC Code will meet their obligations under the UK Code and paragraph 9.8.6 of the Listing Rules. This Statement, together with the Statement of Directors' Responsibilities on page 44, set out how the principles have been applied.

The AIC Code 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. The Board considers that these provisions are not relevant to the position of the Company, as it is an externally managed investment company and all its day to day management and administrative functions are delegated to the Manager. It therefore has no executive directors, employees or internal operations.

THE BOARD

Board Composition

As at the date of this report, the Board, chaired by Nicholas Bull, consists of five 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 fulfills the role of sounding board for the Chairman, intermediary for the other Directors as necessary and acts as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate.

Biographical details of all Directors are on page 32.

Board's Succession Plan

Two of the current Directors have been in post since the launch of the Company on 19 April 2010 and to avoid losing valuable corporate history knowledge and specific skillsets simultaneously, the Board has put a clearly defined succession plan in place. Peter Pleydell-Bouverie remained on the Board for a tenth year and will step down at the AGM on 23 July 2020. Whilst this meant that the length of his tenure exceeded the recommended period of nine years, the Board considered him to remain independent. Elisabeth Scott will remain on the Board until the AGM of 2021 when she will have completed nine years. Nicholas Bull as Chairman will step down at the AGM in 2022 when he will have served six years as a Director and six years as Chairman. The Board considers him to continue to be independent.

Tenure Policy

Subject to the above, Directors are appointed to the Board, subject to election and subsequent annual re-election by shareholders at Annual General Meetings, for a maximum term of nine years.

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.

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

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

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 37 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.

Board's Attendance Record for the Reporting Year

	Regular Board Meetings	Audit and Risk Committee Meetings	Investment Committee Meetings	Management Engagement Committee Meetings	Nomination and Remuneration Committee Meetings
Nicholas Bull	5/5	n/a	7/7	1/1	1/1
Mike Balfour	5/5	3/3	7/7	1/1	1/1
David Causer[1]	2/2	1/1	1/2	1/1	1/1
Peter Pleydell-Bouverie	5/5	3/3	7/7	1/1	1/1
Elisabeth Scott	5/5	3/3	7/7	1/1	1/1
Linda Yueh[2]	4/4	2/2	n/a	n/a	n/a

1 Resigned on 24 July 2019.
2 Appointed on 1 June 2019.

Figures in the table above 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.

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

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

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 the appointment of a new Director is discussed and approved by the entire Board.

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

Election and Re-Election of Directors
All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. As the Company is a constituent member of the FTSE 350 Index, all other Directors are subject to annual re-election. Directors standing for re-election at this year's AGM are listed with their details on page 32. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the AGM.

Board Evaluation
An annual evaluation of the Board, its Directors and its Committees is undertaken ahead of each AGM. 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 in the Chairman's absence. It was concluded that the Chairman and each Director have been effective and that they continue to demonstrate commitment to their roles. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and action is taken on the basis of the results. The Board considers the tenure of individual Directors during the evaluation process.

As a FTSE 350 Company and in accordance with provision 21 of the 2018 UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation every third year. The next external evaluation will be for the year ending 31 March 2021.

Corporate Governance Statement continued

Directors' Remuneration and Share Interests
Details of the Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 42 and 43.

BOARD COMMITTEES

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

Audit and Risk Committee

The Audit and Risk Committee is chaired by Mike Balfour and consists of all of the Directors, except for Nicholas Bull which is in line with the recommendation of the 2018 UK Corporate Governance Code that a chairman of a board should not be a member of an audit committee. Mr Bull will generally be invited to attend the Audit and Risk Committee meetings.

Full details of the Audit and Risk Committee are disclosed in the Report of the Audit and Risk Committee on pages 45 to 47.

Investment Committee

Composition
The Investment Committee (the "Committee") is chaired by Peter Pleydell-Bouverie and consists of all of the Directors, except for Linda Yueh. A representative of the Unlisted Investment Manager, with the requisite investment experience, attends the Committee meetings on an advisory basis.

Role and Responsibilities
The Committee is charged with reviewing and monitoring the ongoing performance of the unlisted investments, discussing with the Investment Managers the strategy for the investment portfolios, and in particular reviewing pre-IPO investment opportunities. Once investments are made in unlisted companies, the Committee is responsible for determining the valuations proposed by the Manager's Fair Value Committee and agreeing the valuations with the Audit and Risk Committee and reporting to the Board as appropriate.

The Committee meets quarterly and also when events require additional meetings.

Management Engagement Committee

Composition
The Management Engagement Committee (the "Committee") is chaired by Nicholas Bull and consists of all of the Directors.

Role and Responsibilities
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. It meets at least once a year and reports to the Board, making recommendations as appropriate.

Managers Reappointment
Ahead of the forthcoming AGM, the Committee has reviewed the performance of the Investment Managers and the current fee basis and concluded that it is in the interests of shareholders that the appointments of the Investment Managers should continue. Details of the current fee arrangements are in the Directors' Report on page 33.

Nomination and Remuneration Committee

Composition
The Nomination and Remuneration Committee (the "Committee") is chaired by Elisabeth Scott and consists of all of the Directors because the Board deems them all to be independent.

Role and Responsibilities
The Committee is charged with reviewing the composition, size and structure of the Board and makes recommendations to the Board as appropriate. It is charged with nominating new Directors for consideration by the Board, and in turn for approval by shareholders. The search for a candidate is carried out against a set of objective criteria, with due regard for the benefits of diversity on the Board, including gender, social and ethnic backgrounds and cognitive strengths. New Directors are appointed on the basis of merit. When Vera Hong Wei resigned from the Board on 31 October 2018, Elisabeth Scott met with representatives of three professional recruitment companies. It was agreed that the services of Sapphire Partners, who have no connection with the Company, would be engaged to assist the Board in recruiting a new independent non-executive director. As a result of this process, Linda Yueh was appointed on the Board on 1 June 2019.

Peter Pleydell-Bouverie will be stepping down from the Board on 23 July 2020 and Sapphire Partners were engaged to find a replacement non-executive Director. Initial interviews with potential candidates have been held by video conference. However, the Board do not wish to appoint a new Director without having met them in person. Following the interviews, a shortlist of candidates has been drawn up and once the Government restrictions on meetings as a result of COVID-19 are lifted, meetings in person with the shortlisted candidates will be held and a decision made.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM, it has considered the performance and contribution to the Company of each Director and concluded that each Director has been effective and continues to demonstrate commitment to their role. Accordingly, the Committee has recommended their continued service to the Board with the exception of Peter Pleydell-Bouverie, who having completed ten years on the Board, will not seek re-election at the forthcoming AGM.

The Committee also considers the remuneration of the Directors, and takes into account their roles, their 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. Further details can be found in The Remuneration Policy on page 41.

Succession Planning
The Committee is responsible for succession planning and for Directors' appointments. Details of the Board's succession plan for the next two years is detailed on page 36.

ACCOUNTABILITY AND AUDIT

Financial Reporting
Set out on page 44 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 48 to 55.

The Board has a responsibility to present fair, balanced and understandable annual and half-yearly financial statements. All financial statements are reviewed by the Audit and Risk Committee and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

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

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

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. The purpose of this assessment is to identify any new emerging risks and take the action necessary to mitigate their potential impact. It confirms that there is an effective robust 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 2020 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 and Risk Committee meets the Manager's internal audit representative at least once a year. It receives a summary of the Manager's externally audited internal controls report on an annual basis.

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

Bribery Act 2010
The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has to reputation and business confidence. The Board, the Investment Managers, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

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

Criminal Finances Act 2017
The Company is subject to the Criminal Finances Act 2017 and follows a zero tolerance policy to tax evasion and its facilitation. The Directors are fully committed to complying with all legislation and appropriate guidelines which are designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Company, its service providers, counterparties and business partners operate.

Corporate Governance Statement continued

Responsibility as 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 which sets out the responsibilities of institutional shareholders and agents. Further details of the Manager's Principles of Ownership and voting may be found at **www.fidelity.co.uk**.

Relations with Shareholders
Communication with shareholders is given a high priority by the Board and it liaises with the Manager and the Company's broker who are in regular contact with the Company's major institutional investors to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors are available to meet with shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and receives regular reports from the Manager on meetings attended with shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. If any shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at **investmenttrusts@fil.com** or write to the address provided on page 92. 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.

Under normal circumstances, the Board would encourage investors to attend the AGM. However, in view of the public health impact of COVID-19, and having the well-being of investors, the Board and the Fidelity team in mind, the AGM this year will be largely virtual in nature, with an online presentation by the Chairman and Portfolio Manager which will be made available online at fidelity.co.uk/china. As at the date of this report, the current Government guidance stipulates that large gatherings of people are prohibited. Further information can be found on page 6.

The Notice of Meeting on pages 84 to 86 sets out the business of the AGM and the special business resolutions are explained more fully on page 35 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of Meeting and related papers are notified to shareholders at least 20 working days before the Meeting.

Voting Rights in the Company's Shares
Every person entitled to vote on a show of hands has one vote. On a poll, every shareholder who is present in person or by proxy or representative has one vote for every ordinary share held. At general meetings, all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. The proxy voting results are disclosed on the Company's 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
3 June 2020

Directors' Remuneration Report

Chairman's Statement
The Directors' Remuneration Report for the year ended 31 March 2020 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 23 July 2020. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 48 to 55.

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

The Board has a Remuneration Policy which is subject to a binding vote, in the form of an ordinary resolution at every third AGM. A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. The current policy, which was approved at the AGM on 26 July 2017, is set out below and no changes are proposed except for the update to the provision reference in relation to the updated 2018 UK Corporate Governance Code. The updated Policy will be put to shareholders for approval at the AGM on 23 July 2020.

The Remuneration Policy
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 provision 21 of the 2018 UK Corporate Governance Code, the Board is required to carry out an externally facilitated evaluation every third year of its performance and this 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 Annual General Meetings 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 at the same level of fees as current Board members.

Voting on the Remuneration Policy
The Remuneration Policy (the "Policy"), as set out above, was approved at the AGM on 26 July 2017 with 99.48% of votes cast in favour, 0.31% of votes cast against and 0.21% of votes withheld. The next vote will be put to shareholders at the AGM on 23 July 2020 and the votes cast will be disclosed on the Company's pages of the Manager's website at: **www.fidelityinvestmenttrusts.com**. The Policy has been followed throughout the year ended 31 March 2020 and up to the date of this report.

Voting on the Directors' Remuneration Report
At the AGM held on 24 July 2019, 99.94% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 March 2019, 0.05% of votes were cast against and 0.01% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 March 2020 will be put to shareholders at the AGM on 23 July 2020, and the votes cast will be disclosed on the Company's pages of the Manager's website at: **www.fidelityinvestmenttrusts.com**.

Single Total Figure of Directors' Remuneration
The single total aggregate Directors' remuneration for the year under review was £172,411 (2019: £167,986). This includes expenses incurred by Directors in attending to the affairs of the Company and are considered by HMRC to be a taxable expense. Information on individual Directors' fees and taxable Directors' expenses are shown in the table on the next page.

Directors' Remuneration Report continued

	2021 Projected Total (£)	**2020 Fees (Audited) (£)**	**2020 Taxable Expenses* (Audited) (£)**	**2020 Total (Audited) (£)**	2019 Fees (Audited) (£)	2019 Taxable Expenses* (Audited) (£)	2019 Total (Audited) (£)
Remuneration of Directors							
Nicholas Bull	42,000	**42,000**	**–**	**42,000**	42,000	–	42,000
Mike Balfour[1]	32,000	**30,294**	**4,515**	**34,809**	13,000	2,343	15,343
David Causer[2]	–	**10,215**	**–**	**10,215**	32,000	–	32,000
Peter Pleydell-Bouverie[3]	9,811	**31,500**	**304**	**31,804**	31,500	143	31,643
Elisabeth Scott	31,500	**31,500**	**–**	**31,500**	31,500	–	31,500
Vera Hong Wei[4]	n/a	**n/a**	**n/a**	**n/a**	15,500	–	15,500
Linda Yueh[5]	26,500	**22,083**	**–**	**22,083**	n/a	n/a	n/a
Total	141,811	**167,592**	**4,819**	**172,411**	165,500	2,486	167,986

* Travel expenses incurred in attending to the affairs of the Company.

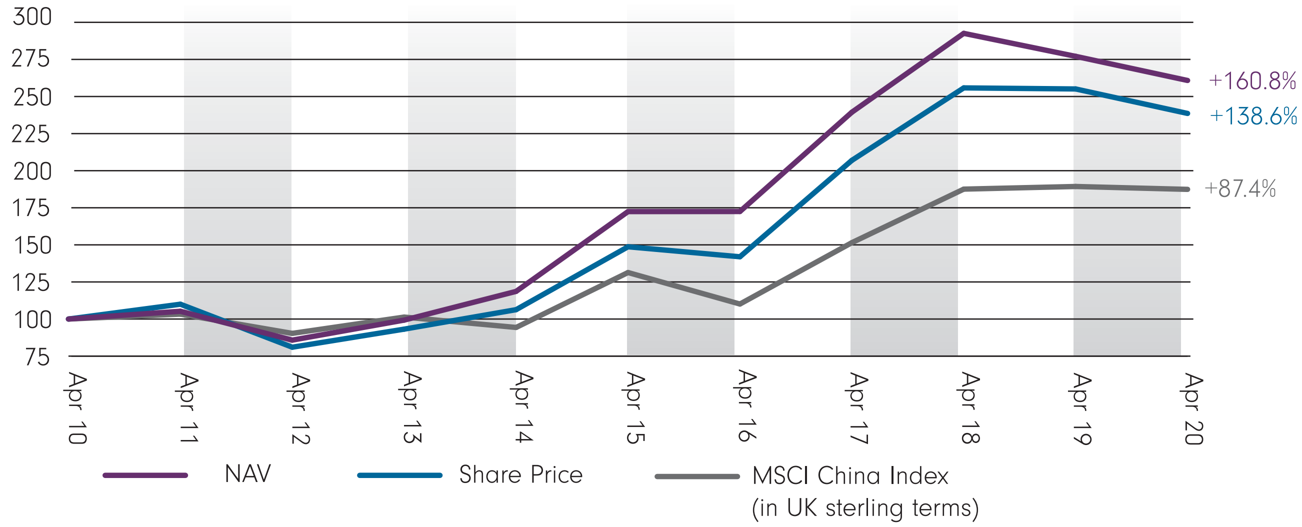
1 Appointed on 1 October 2018 and as Audit and Risk Committee Chairman on 24 July 2019.
2 Retired on 24 July 2019.
3 Retiring on 23 July 2020.
4 Retired on 31 October 2018.
5 Appointed on 1 June 2019.

Expenditure on Remuneration and Distributions to Shareholders
The table below shows the total amount paid out in remuneration and in distributions to shareholders. The projected Directors' remuneration for the year ending 31 March 2021 is disclosed in the table above.

	31 March 2020 £	31 March 2019 £
Expenditure on Remuneration:		
Aggregate of Directors' Fees	**172,411**	167,986
Distribution to Shareholders:		
Dividend payments	**21,153,000**	19,282,000
Shares repurchased	**24,313,000**	4,131,000

Performance
The Company's NAV and share price performance are measured against the return of the MSCI China Index (in UK sterling terms) as this is the most appropriate Benchmark in respect of its asset allocation. The graph below shows performance from launch to 31 March 2020.

Total return performance from launch to 31 March 2020



Directors' Interest in Ordinary Shares
Although there is no requirement for the Directors to hold shares in the Company, shareholdings by Directors are encouraged. The table below shows the interests of the Directors in the ordinary shares of the Company. All of the shareholdings are beneficial. The Portfolio Manager, Dale Nicholls, also holds shares in the Company.

Directors' Shareholdings (Audited)

	31 March 2020	31 March 2019	Change during year
Nicholas Bull	**110,804**	110,804	–
Mike Balfour[1]	**65,000**	45,000	20,000
David Causer[2]	**n/a**	65,804	–
Peter Pleydell-Bouverie	**93,758**	93,758	–
Elisabeth Scott	**19,819**	19,819	–
Linda Yueh[3]	**2,318**	n/a	2,318

1 Purchase of shares.
2 Retired on 24 July 2019.
3 Appointed on 1 June 2019 and purchase of shares.

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

On behalf of the Board

Nicholas Bull

Nicholas Bull
Chairman
3 June 2020

STRATEGY
GOVERNANCE
FINANCIAL
INFORMATION FOR SHAREHOLDERS

Statement of Directors' Responsibilities

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

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

In preparing these Financial Statements the Directors are required to:

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

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

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

The Directors have delegated to the Manager the 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**. 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 own jurisdictions.

The Directors confirm that to the best of their 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 loss of the Company; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

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

Approved by the Board on 3 June 2020 and signed on its behalf by:

Nicholas Bull

Nicholas Bull
Chairman

Report of the Audit and Risk Committee

I am pleased to present the formal report of the Audit and Risk Committee (the "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 2020.

Composition of the Committee
The members of the Committee are myself as Chairman, and all of the other Directors, except for Nicholas Bull. This is in line with the recommendation in the 2018 UK Corporate Governance Code that the Chairman of the Board should not be a member of the Audit and Risk Committee. He will generally be invited to attend the Committee meetings. The Committee members are considered independent non-executive Directors and collectively have sufficient recent and relevant financial experience to discharge their responsibilities fully.

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

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

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

Meetings and Business considered by the Committee
Since the date of the last Annual Report (4 June 2019), the Committee has met three times and the Auditor attended the February and May 2020 meetings.

The following matters were reviewed at each Committee meeting:

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

Report of the Audit and Risk Committee continued

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

November 2019	• The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Going Concern Statement
February 2020	• The Auditor's engagement letter and audit plan for the Company's year ending 31 March 2020 • The Managers' business continuity risks and the ability to operate in Hong Kong and China from the outbreak of the Coronavirus (COVID-19) in China • Review of emerging risks that could affect the Company • Internal Audit reporting, including review of the internal audit plan • Review of the Company's Ongoing Charge • Review of Variable Interest Entities • Review of the process of valuing unlisted investments
May 2020	• The Auditor's findings from the audit of the Company • The Auditor's performance, independence and reappointment • Compliance with Corporate Governance and regulatory requirements • The Annual Report and Financial Statements and recommendation of its approval to the Board • Review of the AAF Reports (Assurance reports on internal controls of service organisations made available for third parties) • The Viability, Fair, Balanced and Understandable and Going Concern Statements, including the impact of COVID-19 on the Company's performance, prospects and operations • The final dividend payment

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 44. 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 on 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 Committee during the year

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

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 62 and 63. 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, the Depositary and an additional internal controls report ("AAF" report) prepared on behalf of the Manager from PricewaterhouseCoopers LLP which concluded that controls around the valuation, existence and ownership of investments operate effectively. The valuation of the Company's unlisted investments is proposed by the Manager's Fair Value Committee ("FVC") to the Investment Committee and further reviewed by the Audit and Risk Committee. It receives reporting from the FVC and determines the proposed valuation methodologies for all unlisted investments. The FVC's proposals also include recommendations from IHS Markit, an external company that provides global financial information and services and detailed input from the Fidelity analysts covering the unlisted companies. In addition, the Auditor reviewed the valuations of the unlisted investments in the Company's portfolio and reported its findings at the year-end Audit and Risk Committee meeting.

Recognition of Investment Income	Investment income is recognised in accordance with Accounting Policy Note 2(f) on page 61. 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, including the AAF report prepared by PricewaterhouseCoopers LLP on behalf of the Manager, to satisfy itself that adequate systems were in place for properly recording the Company's investment income.
Management fee calculation	The Company has a variable management fee structure in place. At each Committee meeting, the Manager reports on the accruals for the variable part of the fee that have been included in the Company's NAV and confirms that it has been calculated in accordance with the Management Agreements. These variable management fee accruals are reviewed by the Committee. It also receives reporting on the work carried out by the Auditor that the Company's variable management 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 in relation to the performance and appointment of the Auditor, as set out below.

Independence and Effectiveness of the Audit Process
Ernst & Young LLP acted as the Company's Auditor for the year ended 31 March 2020. Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 65.

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

- The Auditor's arrangements for managing any conflicts of interest;
- The fact that no non-audit services were provided to the Company during the reporting year and as at the date of this report; and
- The statement by the Auditor that it remains independent within the meaning of the regulations and their professional standards.

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

- The fulfilment by the Auditor of the agreed audit plan, including the audit team's approach to significant risks;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 March 2020; and
- Feedback from the Manager on the audit of the Company.

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

Auditor's Appointment and Audit Tenure
Ernst & Young LLP was appointed as the Company's Auditor on 30 November 2015 following a formal audit tender process. The Committee has reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending its reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the fifth 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.

The audit fee has increased this year from £32,000 to £48,000, primarily as a result of the extra work undertaken to analyse the proposed valuations of the unlisted investments.

Mike Balfour
Chairman of the Audit and Risk Committee
3 June 2020

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

Opinion

We have audited the Financial Statements of Fidelity China Special Situations PLC for the year ended 31 March 2020 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related Notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the Annual Report set out on pages 20 to 22 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 20 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 33 in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on pages 22 and 23 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement • Incorrect valuation and/or defective title to unlisted securities • Incorrect valuation and/or defective title to the listed investment portfolio and derivatives • Impact of COVID-19
Materiality	• Overall materiality of £12.73m which represents 1% of the Company's Net Asset Value as at 31 March 2020

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

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

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement *Refer to the Report of the Audit and Risk Committee (page 47); Accounting Policies (page 61); and Note 3 of the Financial Statements (page 64).* The Company had reported revenue of £33.0m (2019: £30.9m), of which special dividends comprised £3.0m (2019: £2.7m). The investment income receivable by the Company during the year directly affects the Company's ability to pay a dividend to shareholders. There is a risk that income is recognised incorrectly through failure to recognise proper income entitlements or failure to apply appropriate accounting treatment. We identified the classification of special dividends between revenue and capital to be a fraud risk due to the level of judgement involved in this classification. Special dividends can be included within either the capital or revenue columns of the Income Statement, depending on the commercial circumstances behind the payments. There were two special dividends above our testing threshold received by the Company during the year amounting to £2.4m, out of which £1.8m was classified as capital and £0.6m classified as revenue.	We performed the following procedures: • Walked through the revenue recognition and classification of special dividends processes to obtain an understanding of the design and implementation of the controls; • Performed a review of the income and capital reports to identify special dividends, above our testing threshold, that have been received or accrued during the period; • For special dividends above our testing threshold, we considered the recognition criteria applied to the special dividends received during the year and their classification as revenue or capital; • Agreed a sample of dividends received from the income report to an independent data vendor. We re-calculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share as agreed to an external source. We agreed a sample to bank statements and, where applicable, we also agreed the exchange rates to an external source; • Agreed, for a sample of investee companies, the dividend announcements made by the investee company from an external third-party source to the income entitlements recorded by the Company; • For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the obligation arose prior to 31 March 2020. We agreed the dividend rate to corresponding announcements made by the investee company. Recognising that a number of companies have responded to the COVID-19 pandemic by cancelling their dividend payments, we traced 100% of the accrued dividend income to post year end bank statements; and • For a sample of dividends selected, we compared the exchange rate used to translate the dividend income received in foreign currency to an independent source.	Based on our testing we are satisfied that income has been appropriately recognised as revenue or capital and is complete.

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

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Incorrect valuation and/ or defective title to unlisted securities *Refer to the Report of the Audit and Risk Committee (page 46); Accounting Policies (page 62); and Note 19 of the Financial Statements (page 80).* At 31 March 2020, the Company had six unlisted investments amounting to £81.1m (2019: five amounted to £66.7m): • Pony.ai valued at £25.70m (2019: N/A) • DJI International valued at £20.70m (2019: £23.07m) • Xiaoju Kuaizhi (Didi) valued at £17.70m (2019: £22.1m); • SenseTime valued at £9.51m (2019: £6.9m); • ByteDance valued at £7.55m (2019: £7.2m); and • Shanghai Yiguo valued at £nil (2019: £7.4m). We considered that the degree of subjectivity, including the level of management judgement and the risk that the valuation does not reflect the most up to date information, results in a fraud risk over the valuation of unlisted securities.	We performed the following procedures: • Walked through the investment valuation process to obtain an understanding of the design and implementation of the controls; • Reviewed the valuation methodology used by the Fair Value Committee and confirmed that this was performed in accordance with IFRS and International Private Equity and Venture Capital Valuation Guidelines; • Challenged and assessed the assumptions and judgements made by the Fair Value Committee in determining the fair value of the unlisted securities held by the Company at the year end; • Independently revalued a sample of the four largest unlisted investments by using our own valuation specialists; • Agreed the cost of the new investment to supporting share purchase agreements and agreed the consideration paid to bank statements; • Considered the work of the Manager's external specialist, obtained an understanding of the assumptions made and assessed the reasonableness of these assumptions as support for the valuation of the unlisted securities; • Agreed 100% of exchange rates to a relevant independent source; and • Agreed 100% of unlisted investment holdings in the portfolio to third party confirmations received from the Custodian.	Based on the procedures performed, we are satisfied that unlisted securities have been appropriately valued and that existence has been confirmed.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Incorrect valuation and/ or defective title to the listed investment portfolio and derivatives *Refer to the Report of the Audit and Risk Committee (page 46); Accounting Policies (pages 62 and 63); and Notes 10 and 11 of the Financial Statements (pages 68 and 69).* The valuation of the listed investment portfolio and derivatives at 31 March 2020 was £1,202.7m (2019: £1,285.6m) comprising £1,208.7m (2019: £1,356.5m) of investments and (£6.03)m (2019: (£70.9)m) of net derivatives. The valuation of the investments and derivatives held in the portfolio is the key driver of the Company's net asset value and total return. The fair value of investments and derivatives is determined by reference to stock exchange quoted market bid prices at the close of business on the year-end date. The incorrect valuation of the investment portfolio, including incorrect application of exchange rates, could have a significant impact on the Financial Statements. In addition, there is a risk of defective title of the entire investment portfolio.	We performed the following procedures: • Obtained an understanding of the processes and controls surrounding investment valuation and portfolio liquidity by performing a walkthrough; • Obtained and reviewed the Manager's liquidity assessment and performed an independent evaluation of the portfolio's liquidity using trading volumes obtained from an external data vendor, where available; • Independently valued 100% of the listed investments and derivatives prices in the portfolio using independent pricing sources; • For those investments priced in currencies other than sterling we compared the exchange rates to an independent source; and • Agreed 100% of the holdings in the listedinvestment portfolio and derivatives to third party confirmations received from the Custodian or Brokers.	Based on our testing we are satisfied that the listed investment portfolio and derivatives have been appropriately valued and that the existence has been confirmed.

STRATEGY
GOVERNANCE
FINANCIAL
INFORMATION FOR SHAREHOLDERS

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

<table>
<tr><th>Risk</th><th>Our response to the risk</th><th>Key observations communicated to the Audit and Risk Committee</th></tr>
<tr><td>
Impact of COVID-19
Refer to the Report of the Audit and Risk Committee (page 46); and Accounting Policies (page 60).
The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets, but as of the date of our audit report, the precise extent of that impact remains uncertain. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the Financial Statements.
The COVID-19 pandemic and resultant uncertainties had the most significant impact on our audit of the Financial Statements in the following areas:
Going concern and the viability statement
There is increased risk due to the degree of uncertainty in the assumptions underlying management's assessment of future prospects, including the impact of COVID-19 on the Company continuing to meet its stated objective.
Revenue recognition
There is a risk that revenue could be incorrectly stated due to dividends accrued at the year end on underlying investments being subsequently cancelled or adjusted.
Valuation of unlisted investments
There is a risk that the impact of COVID-19 on the underlying businesses of the Company's unlisted investments could be subject to increased estimation uncertainty and could impact the valuation in the Financial Statements.
Financial Statements disclosures
There is a risk that the impact of COVID-19 is not adequately disclosed in the Financial Statements.
</td><td>
We performed the following procedures:
Going concern and the viability statement

We obtained and reviewed the assessment of going concern and viability which includes consideration of the impact of COVID-19 and challenged the assumptions made by the Manager in the preparation of the forecast;
We reviewed the revenue forecast which takes account of the impact COVID-19 may have on the Company and which supports the Directors' assessment of going concern.
We assessed the liquidity of the portfolio as set out in our response to the risk on inappropriate valuation and/or defective title of the investment portfolio above;
We reviewed the Company's compliance with debt covenants set out in the February 2020 loan agreement, which do not involve any subjectivity and would require a substantial fall in the value of the investments at 31 March 2020 to place the Company in breach;
We confirmed through discussion with the Directors and review of reporting to the Audit and Risk Committee by the Manager's risk function that they are in close contact with key service providers and that Business Continuity Plans are in place with no significant deterioration of service being experienced.

Revenue recognition

In response to a number of companies cancelling or adjusting their dividend payments due to COVID-19, we have performed our audit procedures the recoverability of accrued dividend income up to the date of the approval of the Annual Report and Financial Statements, as set out in our response to the risk on incomplete and/or inaccurate revenue recognition.

</td><td>
Based on the procedures performed, we are satisfied that Directors have appropriately considered the impact of COVID-19 on the going concern assessment, the viability statement, revenue recognition and valuation of unlisted investments and that adequate disclosures have been presented in the Financial Statements.
</td></tr>
</table>

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
	Valuation of unlisted investments • We challenged whether the valuations approved by the Manager's Fair Value Committee and the Company's Investment Committee had included sufficient consideration of the impact of COVID-19 on current trading and future prospects for all material unlisted investments by analysing the assumptions used in the valuation and by monitoring performance of the companies up to the date of our report. **Financial Statements disclosures** • We reviewed the disclosures contained within the Annual Report and Financial Statements, including the going concern and viability disclosures and the commentary in the Chairman's Statement and the Portfolio Manager's Review, to ensure that the impact of COVID-19 has been appropriately considered and presented.	

We re-assessed the risks determined at the planning stage of the audit and, due to the uncertainty in global markets caused by the COVID-19 pandemic, we revised our risk assessment to include the Key Audit Matter 'Impact of COVID-19'.

An overview of the scope of our audit

Our application of materiality

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

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 £12.73m (2019: £14.0m), which is 1% (2019: 1%) of Company's Net Asset Value. We believe that Net Asset Value provides the most important financial metric on which shareholders would judge the performance of the Company.

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% (2019: 75%) of our planning materiality, namely £9.6m (2019: £10.5m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

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

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.64m (2019: £0.70m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Given the importance of the distinction between revenue and capital for investment trusts, we also applied a separate testing threshold of £1.3m (2019: £1.2m) for the revenue column of the Income Statement, being 5% of profit before taxation.

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

Other information

The other information comprises the information included in the Annual Report set out on page 34, including the Strategic Report on pages 18 to 24 and the Directors' Report set out on pages 33 to 35, other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 44** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit and Risk Committee reporting set out on page 45** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 36** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 44, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.

- We understood how the Company is complying with those frameworks through discussions with the Audit and Risk Committee and the Company Secretary and review of the Company's documented policies and procedures.

- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by key risks impacting the Financial Statements. We identified a fraud risk with respect to the incomplete and/or inaccurate revenue recognition through incorrect classification of special dividends and the valuation and defective title to unlisted investments. Further discussion of our approach is set out in the section on key audit matters above.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations, review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the Financial Statements to ensure compliance with the reporting requirements of the Company.

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

Other matters we are required to address

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

  The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 31 March 2016 to 31 March 2020.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

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

Matthew Price
Senior Statutory Auditor
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
4 June 2020

Notes:

1. The maintenance and integrity of the Fidelity International website is the responsibility of Fidelity International; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

2. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Income Statement

for the year ended 31 March 2020

	Notes	**year ended 31 March 2020** revenue £'000	capital £'000	total £'000	year ended 31 March 2019 revenue £'000	capital £'000	total £'000
Revenue							
Investment income	3	**22,520**	**–**	**22,520**	19,359	–	19,359
Derivative income	3	**9,015**	**–**	**9,015**	10,287	–	10,287
Other income	3	**1,481**	**–**	**1,481**	1,264	–	1,264
Total income		**33,016**	**–**	**33,016**	30,910	–	30,910
Losses on investments at fair value through profit or loss	10	**–**	**(57,341)**	**(57,341)**	–	(25,386)	(25,386)
Losses on derivative instruments	11	**–**	**(33,597)**	**(33,597)**	–	(51,505)	(51,505)
Foreign exchange gains on other net assets		**–**	**3,634**	**3,634**	–	3,878	3,878
Foreign exchange losses on bank loans		**–**	**(3,321)**	**(3,321)**	–	(8,357)	(8,357)
Total income and losses		**33,016**	**(90,625)**	**(57,609)**	30,910	(81,370)	(50,460)
Expenses							
Investment management fees	4	**(3,031)**	**(6,409)**	**(9,440)**	(3,195)	(8,348)	(11,543)
Other expenses	5	**(1,177)**	**–**	**(1,177)**	(1,214)	–	(1,214)
Profit/(loss) before finance costs and taxation		**28,808**	**(97,034)**	**(68,226)**	26,501	(89,718)	(63,217)
Finance costs	6	**(3,590)**	**(10,771)**	**(14,361)**	(3,490)	(10,470)	(13,960)
Profit/(loss) before taxation		**25,218**	**(107,805)**	**(82,587)**	23,011	(100,188)	(77,177)
Taxation	7	**(488)**	**–**	**(488)**	(688)	–	(688)
Profit/(loss) after taxation for the year		**24,730**	**(107,805)**	**(83,075)**	22,323	(100,188)	(77,865)
Earnings/(loss) per ordinary share	8	**4.51p**	**(19.67p)**	**(15.16p)**	4.06p	(18.21p)	(14.15p)

The Company does not have any income or expenses that are not included in the profit/(loss) after taxation for the year. Accordingly the 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 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 60 to 82 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2020

	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 2019		**5,713**	**211,569**	**914**	**331,362**	**818,370**	**33,660**	**1,401,588**
Repurchase of ordinary shares	17	**–**	**–**	**–**	**(24,313)**	**–**	**–**	**(24,313)**
(Loss)/profit after taxation for the year		**–**	**–**	**–**	**–**	**(107,805)**	**24,730**	**(83,075)**
Dividend paid to shareholders	9	**–**	**–**	**–**	**–**	**–**	**(21,153)**	**(21,153)**
Total equity at 31 March 2020		**5,713**	**211,569**	**914**	**307,049**	**710,565**	**37,237**	**1,273,047**
Total equity at 31 March 2018		5,713	211,569	914	335,493	918,558	30,619	1,502,866
Repurchase of ordinary shares	17	–	–	–	(4,131)	–	–	(4,131)
(Loss)/profit after taxation for the year		–	–	–	–	(100,188)	22,323	(77,865)
Dividend paid to shareholders	9	–	–	–	–	–	(19,282)	(19,282)
Total equity at 31 March 2019		5,713	211,569	914	331,362	818,370	33,660	1,401,588

The Notes on pages 60 to 82 form an integral part of these Financial Statements.

Balance Sheet

as at 31 March 2020
Company number 7133583

	Notes	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Investments at fair value through profit or loss	10	**1,289,807**	1,423,161
Current assets			
Derivative instruments	11	**39,152**	19,235
Amounts held at futures clearing houses and brokers		**39,495**	81,451
Other receivables	12	**1,407**	737
Cash and cash equivalents		**38,523**	86,963
		118,577	188,386
Current liabilities			
Derivative instruments	11	**(45,183)**	(90,161)
Bank loans	13	**–**	(115,331)
Other payables	14	**(9,855)**	(4,467)
		(55,038)	(209,959)
Net current assets/(liabilities)		**63,539**	(21,573)
Total assets less current liabilities		**1,353,346**	1,401,588
Non-current liabilities			
Bank loans	15	**(80,299)**	–
Net assets		**1,273,047**	1,401,588
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	**307,049**	331,362
Capital reserve	17	**710,565**	818,370
Revenue reserve	17	**37,237**	33,660
Total equity		**1,273,047**	1,401,588
Net asset value per ordinary share	18	**236.27p**	255.03p

The Financial Statements on pages 56 to 82 were approved by the Board of Directors on 3 June 2020 and were signed on its behalf by:

Nicholas Bull

Nicholas Bull
Chairman

The Notes on pages 60 to 82 form an integral part of these Financial Statements.

Cash Flow Statement
for the year ended 31 March 2020

	year ended 31 March 2020 £'000	year ended 31 March 2019 £'000
Operating activities		
Cash inflow from investment income	**21,465**	19,592
Cash inflow from derivative income	**9,004**	10,271
Cash inflow from other income	**1,481**	1,264
Cash outflow from Directors' fees	**(124)**	(207)
Cash outflow from other payments	**(10,377)**	(13,180)
Cash outflow from the purchase of investments	**(476,779)**	(452,059)
Cash outflow from the purchase of derivatives	**(154,858)**	(8,770)
Cash inflow from the sale of investments	**558,055**	502,367
Cash inflow from the settlement of derivatives	**57,544**	30,959
Cash inflow/(outflow) from amounts held at futures clearing houses and brokers	**41,956**	(51,204)
Net cash inflow from operating activities before servicing of finance	**47,367**	39,033
Financing activities		
Cash outflow from repayment of loan	**(38,353)**	–
Cash outflow from loan interest paid	**(3,665)**	(3,538)
Cash outflow from CFD interest paid	**(10,595)**	(7,380)
Cash outflow from short CFD dividends paid	**(1,362)**	(2,056)
Cash outflow from the repurchase of Ordinary Shares	**(24,313)**	(4,131)
Cash outflow from dividends paid to shareholders	**(21,153)**	(19,282)
Cash outflow from financing activities	**(99,441)**	(36,387)
(Decrease)/increase in cash and cash equivalents	**(52,074)**	2,646
Cash and cash equivalents at the start of the year	**86,963**	80,439
Effect of foreign exchange movements	**3,634**	3,878
Cash and cash equivalents at the end of the year	**38,523**	86,963

The Notes on pages 60 to 82 form an integral part of these Financial Statements.

Notes to the Financial Statements

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

2 Accounting Policies
The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), to the extent that they have been adopted by the European Union, the Companies Acts that apply to companies reporting under IFRS, IFRC interpretations and, as far as it is consistent with IFRS, with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC") in October 2019. 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. The Company's Going Concern Statement in the Directors' Report takes account of all events and conditions up to the date of approval of these Financial Statements and includes the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt the going concern basis for at least twelve months from the date of this Annual Report.

b) Adoption of new and revised International Financial Reporting Standards – the accounting policies adopted are consistent with those of the previous financial year, other than those stated below.

- IFRS 16: Leases – This standard is not applicable to the Company as it has no leases.

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

- IAS 1 Presentation of Financial Statements (amendments)
- IAS 8 Accounting Policies, Changes in Accounting estimates and errors (amendments)

The Directors do not expect that the adoption of the above Standards will have a material impact on the Financial Statements of the Company in future periods.

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 revenue profit after taxation for the year 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, assumptions and judgements – The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates.

The key sources of estimation and uncertainty relate to the fair value of the unlisted investments.

Judgements
The Directors consider whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used (see Note 2(l) below) for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates
The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Manager's Fair Value Committee ('FVC') for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. When no recent primary or secondary transaction in the company's shares have taken place, the fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The estimates involved in the valuation process inputs include the following:

2 Accounting Policies continued

(i) the selection of appropriate comparable companies. Comparable companies are chosen on the basis of their business characteristics and growth patterns;

(ii) the selection of a revenue metric;

(iii) the selection of an appropriate illiquidity discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;

(iv) the estimation of the likelihood of a future exit of the position through an initial public offering ('IPO') or a company sale;

(v) the selection of an appropriate industry benchmark index to assist with the valuation; and

(vi) the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plans/forecasts of the business into the valuation).

As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in Note 19 below to illustrate the effect on the Financial Statements of an over or under estimation of fair value.

The risk of an over or under estimation of fair value is greater when methodologies are applied using more subjective inputs.

Assumptions
The determination of fair value by the FVC involves key assumptions dependent upon the valuation technique used. The valuation process recognises that the price of a recent investment may be an appropriate starting point for estimating fair value. The Multiples approach involves subjective inputs and therefore presents a greater risk of over or under estimation, particularly in the absence of a recent transaction.

f) Income – Income from equity investments and long contracts for difference ("CFDs") 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 received on CFDs, collateral and bank deposits are accounted for on an accruals basis.

g) Functional currency and foreign exchange – The functional and reporting currency of the Company is UK sterling, which is the currency of the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are reported in UK sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on translation are recognised in the Income Statement as a revenue or a capital item depending on the nature of the underlying item to which they relate.

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

- The base investment management fee is allocated 25% to revenue and 75% to capital;
- The variable investment management fee, effective 1 October 2018, is charged/credited to capital as it is based on the performance of the net asset value per share relative to the Benchmark Index; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

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

j) Taxation – The taxation charge 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.

Notes to the Financial Statements continued

2 Accounting Policies continued
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) Dividend 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. Under IFRS 9 investments are 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 Directors' best estimate of fair value. The Manager's Fair Value Committee ('FVC'), which is independent of the Portfolio Manager's team, provides a recommendation of fair values to the Directors. These are based on the principles outlined in Note 2 (e) above.

The unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the FVC.

The techniques applied by the FVC when valuing the unlisted investments are predominantly market-based approaches. The market-based approaches are set out below and are followed by an explanation of how they are applied to the Company's unlisted portfolio:

- Multiples;
- Industry Valuation Benchmarks; and
- Available Market Prices.

The nature of the unlisted investment will influence the valuation technique applied. The valuation approach recognises that the price of a recent investment, if resulting from an orderly transaction, generally represents fair value as at the transaction date and may be an appropriate starting point for estimating fair value at subsequent measurement dates. However, consideration is given to the facts and circumstances as at the subsequent measurement date, including changes in the market or performance of the investee company. Milestone analysis is used where appropriate to incorporate the operational progress of the investee company into the valuation. Consideration is also given to the input received from the Fidelity analyst that covers the company and an external valuer. Additionally, the background to the transaction must be considered. As a result, various multiples-based techniques are employed to assess the valuations particularly in those companies with established revenues. An absence of relevant industry peers may preclude the application of the Industry Valuation Benchmarks technique and an absence of observable prices may preclude the Available Market Prices approach.

The unlisted investments are valued according to a three monthly cycle of measurement dates. The fair value of the unlisted investments will be reviewed before the next scheduled three monthly measurement date on the following occasions:

- at the year end and half year end of the Company; and
- where there is an indication of a change in fair value (commonly referred to as 'trigger' events).

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

2 Accounting Policies continued

m) Derivative instruments – When appropriate, permitted transactions in derivative instruments are used. Derivative transactions into which the Company may enter include CFDs, futures, options, warrants and forward currency contracts. Under IFRS 9 derivatives are classified at 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 difference between contract price and the quoted trade price; and
- Options – the quoted trade price for the contract.

Where such transactions are used to protect or enhance income, if the circumstances support this, 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 losses 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 on the Balance Sheet at their fair value within current assets or current liabilities.

The Company obtains equivalent exposure to equities through the use of CFDs. All gains and losses in the fair value of the CFDs are included in losses 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 segregated accounts on behalf of brokers 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 prepayments 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. Other receivables are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method and as reduced by appropriate allowance for estimated irrecoverable amounts.

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, investment management, secretarial and administration 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.

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;
- Variable investment management fees;
- 75% of base investment management fees;

Notes to the Financial Statements continued

2 Accounting Policies continued

- 75% of finance costs;
- Dividends receivable which are capital in nature; and
- Taxation charged or credited relating to items which are capital in nature.

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, the determination of realised profits and losses in the context of distributions under the Companies Act 2006, states that 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 losses of £13,650,000 (2019: gains of £5,115,000).

3 Income

	year ended 31 March 2020 £'000	year ended 31 March 2019 £'000
Investment income		
Overseas dividends	**22,333**	19,359
Overseas scrip dividends	**187**	–
	22,520	19,359
Derivative income		
Dividends received on long CFDs	**8,047**	9,797
Interest received on CFDs	**968**	490
	9,015	10,287
Other income		
Interest received on collateral and deposits	**1,481**	1,264
Total income	**33,016**	30,910

Special dividends of £1,822,000 (2019: £1,393,000) have been recognised in capital.

4 Investment Management Fees

	year ended 31 March 2020			year ended 31 March 2019		
	revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Investment management fee – base	**3,031**	**9,094**	**12,125**	3,195	9,585	12,780
Investment management fee – variable	**–**	**(2,685)**	**(2,685)**	–	(1,237)	(1,237)
	3,031	**6,409**	**9,440**	3,195	8,348	11,543

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").

From 1 July 2018 the Company adopted a new fee arrangement which reduced the base management from 1.00% of the net assets to 0.90% of net assets per annum and has removed the existing performance fee of up to 1.00%. In addition, with effect from 1 October 2018, there is a +/-0.20% variation fee based on the Company's NAV per share performance relative to the Company's Benchmark Index. Fees are payable monthly in arrears and are calculated on a daily basis.

Further details of the terms of the Management Agreements are given in the Directors' Report on page 33.

5 Other Expenses

	year ended 31 March 2020 £'000	year ended 31 March 2019 £'000
AIC fees	**21**	20
Custody fees	**226**	255
Depositary fees	**64**	66
Directors' expenses	**48**	58
Directors' fees*	**168**	166
Legal and professional fees	**120**	73
Marketing expenses	**175**	238
Printing and publication expenses	**74**	77
Registrars' fees	**52**	44
Secretarial and administration fees payable to the Investment Manager	**100**	100
Other expenses	**81**	85
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements	**48**	32
	1,177	1,214

* Details of the breakdown of Directors' fees are provided within the Directors' Remuneration Report on page 42.

Notes to the Financial Statements continued

6 Finance Costs

	year ended 31 March 2020			year ended 31 March 2019		
	revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Interest on bank loans and overdrafts	**876**	**2,628**	**3,504**	892	2,676	3,568
Interest paid on CFDs	**2,374**	**7,121**	**9,495**	2,084	6,252	8,336
Dividends paid on short CFDs	**340**	**1,022**	**1,362**	514	1,542	2,056
	3,590	**10,771**	**14,361**	3,490	10,470	13,960

7 Taxation

	year ended 31 March 2020			year ended 31 March 2019		
	revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation charge	**488**	**–**	**488**	688	–	688
Taxation charge for the year (see Note 7b)	**488**	**–**	**488**	688	–	688

b) Factors affecting the taxation charge for the year
The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 19% (2019: 19%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	year ended 31 March 2020			year ended 31 March 2019		
	revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Profit/(loss) before taxation	**25,218**	**(107,805)**	**(82,587)**	23,011	(100,188)	(77,177)
Profit/(loss) before taxation multiplied by the standard rate of UK corporation tax of 19% (2019: 19%)	**4,791**	**(20,483)**	**(15,692)**	4,372	(19,036)	(14,664)
Effects of:						
Capital losses not taxable*	**–**	**17,219**	**17,219**	–	15,460	15,460
Income not taxable	**(4,278)**	**–**	**(4,278)**	(3,678)	–	(3,678)
Expenses not deductible	**–**	**1,551**	**1,551**	–	1,539	1,539
Excess expenses	**(513)**	**1,713**	**1,200**	(694)	2,037	1,343
Overseas taxation	**488**	**–**	**488**	688	–	688
Taxation charge (Note 7a)	**488**	**–**	**488**	688	–	688

* 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 £22,320,000 (2019: £18,897,000), in respect of excess expenses of £117,472,000 (2019: £111,156,000) has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 Earnings/(Loss) per Ordinary Share

	year ended 31 March 2020			year ended 31 March 2019		
	revenue £'000	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Earnings/(loss) per ordinary share - basic and diluted	**4.51p**	**(19.67p)**	**(15.16p)**	4.06p	(18.21p)	(14.15p)

Earnings/(loss) per ordinary share are based on the revenue profit after taxation for the year of £24,730,000 (2019: £22,323,000), the capital loss after taxation for the year of £107,805,000 (2019: capital loss of £100,188,000) and the total loss after taxation for the year of £83,075,000 (2019: total loss of £77,865,000) and on 548,133,431 (2019: 550,331,713) ordinary shares, being the weighted average number of ordinary shares held outside Treasury during the year. Basic and diluted earnings per share are the same as the Company has no dilutive financial instruments.

9 Dividends Paid to Shareholders

	year ended 31 March 2020 £'000	year ended 31 March 2019 £'000
Dividend paid		
Dividend paid of 3.85 pence per Ordinary Share paid for the year ended 31 March 2019	**21,153**	–
Dividend paid of 3.50 pence per Ordinary Share paid for the year ended 31 March 2018	**–**	19,282
	21,153	19,282
Dividend proposed		
Dividend proposed of 4.25 pence per Ordinary Share paid for the year ended 31 March 2020	**22,292**	–
Dividend proposed of 3.85 pence per Ordinary Share paid for the year ended 31 March 2019	**–**	21,159
Total dividends paid	**22,292**	21,159

The Directors have proposed the payment of a dividend for the year ended 31 March 2020 of 4.25 pence per Ordinary Share which is subject to approval by shareholders at the Annual General Meeting on 23 July 2020 and has not been included as a liability in these Financial Statements. The dividend will be paid on 28 July 2020 to shareholders on the register at the close of business on 19 June 2020 (ex-dividend date 18 June 2020).

Notes to the Financial Statements continued

10 Investments at Fair Value through Profit or Loss

	2020 £'000	2019 £'000
Total investments*	**1,289,807**	1,423,161
Opening book cost	**1,194,625**	1,155,104
Opening investment holding gains	**228,536**	340,714
Opening fair value of investments	**1,423,161**	1,495,818
Movements in the year		
Purchases at cost	**482,280**	446,028
Sales – proceeds	**(558,293)**	(493,299)
Losses on investments	**(57,341)**	(25,386)
Closing fair value	**1,289,807**	1,423,161
Closing book cost	**1,188,495**	1,194,625
Closing investment holding gains	**101,312**	228,536
Closing fair value of investments	**1,289,807**	1,423,161

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

The Company received £558.3m (2019: £493.3m) from investments sold in the year. The book cost of these investments when they were purchased was £488.4m (2019: £406.5m). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

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

	year ended 31 March 2020 £'000	year ended 31 March 2019 £'000
Purchases transaction costs	**901**	601
Sales transaction costs	**773**	609
	1,674	1,210

The portfolio turnover rate for the year was 37.6% (2019: 32.7%). The portfolio turnover rate measures the Company's trading activity. It is calculated by taking the average of the total amount of securities purchased and the total amount of securities sold in the reporting year divided by the average investment portfolio value of the Company.

11 Derivative Instruments

	year ended 31 March 2020 £'000	year ended 31 March 2019 £'000
Net losses on derivative instruments		
Realised (losses)/gains on CFDs	**(118,418)**	21,083
Realised gains on futures	**7,895**	2,505
Realised gains/(losses) on options	**13,327**	(7,375)
Movement in investment holding gains/(losses) on CFDs	**62,482**	(63,613)
Movement in investment holding losses on futures	**(2,436)**	(1,073)
Movement in investment holding gains/(losses) on options	**3,553**	(3,032)
	(33,597)	(51,505)

	2020 fair value £'000	2019 fair value £'000
Fair value of derivative instruments recognised on the Balance Sheet*		
Derivative instrument assets	**39,152**	19,235
Derivative instrument liabilities	**(45,183)**	(90,161)
	(6,031)	(70,926)

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

	fair value £'000	**2020 gross asset exposure £'000**	fair value £'000	2019 gross asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	**(10,694)**	**446,471**	(65,953)	376,578
Short CFDs	**2,047**	**12,524**	(6,441)	36,784
Short CFDs (hedging exposure)	**940**	**(25,370)**	2,205	(26,539)
Futures (hedging exposure)	**(3,173)**	**(87,510)**	(737)	(42,859)
Put options (hedging exposure)	**4,849**	**(41,706)**	–	–
	(6,031)	**304,409**	(70,926)	343,964

Notes to the Financial Statements continued

12 Other Receivables

	2020 £'000	2019 £'000
Securities sold for future settlement	**274**	36
Accrued income	**1,037**	646
Other receivables	**96**	55
	1,407	737

13 Bank Loans - repayable within one year

	2020 £'000	2019 £'000
Fixed rate unsecured US dollar loan		
US dollar 150,000,000 fixed at a rate of 3.01%	**–**	115,331

The prior loan agreement with Scotiabank Europe PLC was repaid on 14 February 2020.

14 Other Payables

	2020 £'000	2019 £'000
Securities purchased for future settlement	**8,350**	1,858
Investment management, secretarial and administration fees	**782**	820
Finance costs payable	**–**	1,100
Accrued expenses	**723**	689
	9,855	4,467

15 Bank Loans – repayable after more than one year

	2020 £'000	2019 £'000
Fixed rate unsecured US dollar loan		
US dollar 100,000,000 fixed at a rate of 2.606%	**80,299**	–

On 14 February 2020, the Company entered into a three year unsecured loan agreement with Scotiabank Europe PLC. The interest rate is fixed at 2.606% per annum until the agreement terminates on 14 February 2023.

16 Share Capital

	2020 number of shares	2020 £'000	2019 number of shares	2019 £'000
Issued, allotted and fully paid				
Ordinary shares of 1 penny each held outside Treasury				
Beginning of the year	**549,574,480**	**5,496**	551,414,480	5,514
Ordinary shares repurchased into Treasury	**(10,765,437)**	**(108)**	(1,840,000)	(18)
End of the year	**538,809,043**	**5,388**	549,574,480	5,496
Ordinary shares of 1 penny each held in Treasury*				
Beginning of the year	**21,780,000**	**217**	19,940,000	199
Ordinary shares repurchased into Treasury	**10,765,437**	**108**	1,840,000	18
End of the year	**32,545,437**	**325**	21,780,000	217
Total share capital		**5,713**		5,713

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

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 10,765,437 (2019: 1,840,000) ordinary shares were repurchased and held in Treasury. The cost of these repurchases amounting to £24,313,000 (2019: £4,131,000) was charged to this reserve.

The capital reserve represents realised gains or losses on investments and derivatives sold, increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund share repurchases and it is distributable by way of dividend. The Board has stated that it has no current intention to pay dividends out of capital. See Note 2(t) above for further details.

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 £1,273,047,000 (2019: £1,401,588,000) and on 538,809,043 (2019: 549,574,480) ordinary shares, being the number of ordinary shares held outside Treasury at the year end. It is the Company's policy that shares held in Treasury will only be reissued at net asset value per ordinary share or at a premium to net asset value per ordinary share and, therefore, shares held in Treasury have no dilutive effect.

Notes to the Financial Statements continued

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, economic and geopolitical, investment performance, key person, discount control, gearing, cybercrime and pandemic risks. Other risks identified are tax and regulatory 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 20 to 22.

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 (listed and unlisted), 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.

Market price risk

Interest rate risk

The Company finances its operations through its share capital raised. In addition, the Company has derivative instruments and an unsecured fixed rate loan facility for US$100,000,000 expiring on 14 February 2023. The Company has drawn down the whole of this facility as disclosed in Note 15 above.

Interest rate risk exposure

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

	2020 £'000	2019 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	**457,165**	442,531
Bank loans	**80,299**	115,331
	537,464	557,862
Exposure to financial instruments that earn interest		
Short CFDs – exposure plus fair value	**40,881**	59,087
Amounts held at futures clearing houses and brokers	**39,495**	81,451
Cash and cash equivalents	**38,523**	86,963
	118,899	227,501
Net exposure to financial instruments that bear interest	**418,565**	330,361

19 Financial Instruments continued

Foreign currency risk

The Company's loss after taxation and its net assets can be affected by foreign exchange 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.

Currency exposure of financial assets

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

Currency	investments held at fair value through profit or loss £'000	gross asset exposure to long derivative instruments[1] £'000	other receivables[2] £'000	cash and cash equivalents £'000	2020 total £'000
Canadian dollar	144	–	–	–	144
Chinese renminbi	145,293	–	–	19,109	164,402
Hong Kong dollar	596,560	267,060	12,300	19,382	895,302
South Korean won	–	–	–	7	7
Taiwan dollar	30,155	–	–	24	30,179
UK sterling	28,600	–	96	–	28,696
US dollar	489,055	24,825	28,506	1	542,387
	1,289,807	291,885	40,902	38,523	1,661,117

1 The gross asset exposure of long CFDs after the netting of hedging exposures.
2 Other receivables include amounts held at futures clearing houses and brokers.

Notes to the Financial Statements continued

19 Financial Instruments continued

Currency	investments held at fair value through profit or loss £'000	gross asset exposure to long derivative instruments[1] £'000	other receivables[2] £'000	cash and cash equivalents £'000	2019 total £'000
Australian dollar	7,183	–	–	–	7,183
Canadian dollar	234	–	–	–	234
Chinese renminbi	163,545	–	–	15,731	179,276
Hong Kong dollar	706,607	295,042	4,116	71,202	1,076,967
South Korean won	–	–	–	7	7
Taiwan dollar	45,304	–	–	22	45,326
UK sterling	42,088	–	56	–	42,144
US dollar	458,200	12,138	78,016	1	548,355
	1,423,161	307,180	82,188	86,963	1,899,492

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

Currency	**gross asset exposure to short derivative instruments* £'000**	**US dollar bank loan £'000**	**other payables £'000**	**2020 total £'000**
Hong Kong dollar	**7,286**	**–**	**7,167**	**14,453**
Taiwan dollar	**–**	**–**	**172**	**172**
UK sterling	**–**	**–**	**1,573**	**1,573**
US dollar	**5,238**	**80,299**	**943**	**86,480**
	12,524	**80,299**	**9,855**	**102,678**

Currency	gross asset exposure to short derivative instruments* £'000	US dollar bank loan £'000	other payables £'000	2019 total £'000
Hong Kong dollar	30,777	–	2,202	32,979
UK sterling	–	–	1,075	1,075
US dollar	6,007	115,331	1,190	122,528
	36,784	115,331	4,467	156,582

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

19 Financial Instruments continued

Other price risk

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

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's assets mainly comprise readily realisable securities and derivative instruments which can be sold easily 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$100,000,000 (2019: US$150,000,000) until 14 February 2023. The current borrowing is shown in Note 15 above.

Counterparty risk

Certain 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 and Derivatives 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, this risk is minimised by only entering into transactions with counterparties which are believed 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 2020, £13,217,000 (2019: £nil) was held by the brokers, in a segregated collateral account, on behalf of the Company, to reduce the credit risk exposure of the Company. This collateral comprised: Goldman Sachs International Ltd £1,148,000 in cash denominated in US dollars and HSBC Bank plc £12,069,000 in cash denominated in US dollars. As at 31 March 2020, £39,495,000 (2019: £81,451,000), 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. The collateral comprised: Deutsche Bank AG £nil (2019: £20,471,000) in cash, Goldman Sachs International Ltd £nil (2019: £4,852,000) in cash, HSBC Bank plc £nil (2019: £33,938,000) in cash, Morgan Stanley & Co. International Ltd £1,100,000 (2019: £nil) and UBS AG £38,395,000 (2019: £22,190,000) in cash.

Offsetting

To 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 in the Balance Sheet and amounts that could be subject to netting in the event of a default or termination are shown on the next page:

Notes to the Financial Statements continued

19 Financial Instruments continued

Financial assets	gross amount £'000	gross amount of recognised financial liabilities set off on the balance sheet £'000	net amount of financial assets presented on the balance sheet £'000	related amounts not set off on balance sheet: financial instruments £'000	related amounts not set off on balance sheet: margin account received as collateral £'000	2020 net amount £'000
CFDs	**34,303**	**–**	**34,303**	**(16,485)**	**(13,217)**	**4,601**
Put options	**4,849**	**–**	**4,849**	**–**	**(4,849)**	**–**
	39,152	**–**	**39,152**	**(16,485)**	**(18,066)**	**4,601**

Financial liabilities	gross amount £'000	gross amount of recognised financial assets set off on the balance sheet £'000	net amount of financial liabilities presented on the balance sheet £'000	related amounts not set off on balance sheet: financial instruments £'000	related amounts not set off on balance sheet: margin account pledged as collateral £'000	2020 net amount £'000
CFDs	**(42,010)**	**–**	**(42,010)**	**16,485**	**25,525**	**–**
Futures (exchange traded)	**(3,173)**	**–**	**(3,173)**	**–**	**3,173**	**–**
	(45,183)	**–**	**(45,183)**	**16,485**	**28,698**	**–**

Financial assets	gross amount £'000	gross amount of recognised financial liabilities set off on the balance sheet £'000	net amount of financial assets presented on the balance sheet £'000	related amounts not set off on balance sheet: financial instruments £'000	related amounts not set off on balance sheet: margin account received as collateral £'000	2019 net amount £'000
CFDs	19,235	–	19,235	(19,235)	–	–

Financial liabilities	gross amount £'000	gross amount of recognised financial assets set off on the balance sheet £'000	net amount of financial liabilities presented on the balance sheet £'000	related amounts not set off on balance sheet: financial instruments £'000	related amounts not set off on balance sheet: margin account pledged as collateral £'000	2019 net amount £'000
CFDs	(89,424)	–	(89,424)	19,235	70,189	–
Futures (exchange traded)	(737)	–	(737)	–	737	–
	(90,161)	–	(90,161)	19,235	70,926	–

19 Financial Instruments continued

Credit risk

Financial instruments may be adversely affected if any of the institutions with which money is deposited suffer insolvency or other financial difficulties. All transactions are carried out with brokers that have been approved by the 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 instrument contracts and cash at bank.

Derivative instrument 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 events 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, with all other variables held constant, would have increased the loss after taxation for the year and decreased the net assets of the Company by £846,000 (2019: increased the loss after taxation and decreased the net assets by £538,000). 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 currency exchange rates ruling at the Balance Sheet date, a strengthening of the UK sterling exchange rate by 10% against other currencies, with all other variables held constant, would have increased the loss after taxation for the year and decreased the net assets of the Company by the following amounts:

Currency	2020 £'000	2019 £'000
Australian dollar	–	653
Canadian dollar	13	21
Chinese renminbi	14,946	16,297
Hong Kong dollar	80,077	94,908
South Korean won	1	–
Taiwan dollar	2,728	4,121
US dollar	41,446	38,712
	139,211	154,712

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

Notes to the Financial Statements continued

19 Financial Instruments continued

Currency	2020 £'000	2019 £'000
Australian dollar	–	798
Canadian dollar	16	26
Chinese renminbi	18,267	19,920
Hong Kong dollar	97,872	115,998
South Korean won	1	1
Taiwan dollar	3,334	5,036
US dollar	50,656	47,314
	170,146	189,093

Other price risk sensitivity analysis
Changes in market prices affect the 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 18 to 24.

An increase of 10% in the share prices of the listed investments held at the Balance Sheet date would have decreased the loss after taxation for the year and increased the net assets of the Company by £120,866,000 (2019: decreased the loss after taxation and increased the net assets by £135,647,000). A decrease of 10% in share prices of the investments designated at fair value through profit or loss would have had an equal but opposite effect.

An increase of 10% in the valuation of unlisted investments held at the Balance Sheet date would have decreased the loss after taxation for the year and increased the net assets of the Company by £8,115,000 (2019: decreased the loss after taxation and increased the net assets by £6,669,000). A decrease of 10% in the valuation would have had an equal but opposite effect.

Derivative instruments exposure sensitivity analysis
The Company invests in derivative instruments to gain or reduce exposure to the equity market. An increase of 10% in the share prices of the investments underlying the derivative instruments at the Balance Sheet date would have decreased the loss after taxation for the year and increased the net assets of the Company by £27,936,000 (2019: decreased the loss after taxation and increased the net assets by £27,040,000). A decrease of 10% in 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 Notes 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.

	2020 fair value £'000	2020 book value £'000	2019 fair value £'000	2019 book value £'000
Fixed rate unsecured loan of US dollar 100,000,000	82,687	80,299	–	–
Fixed rate unsecured loan of US dollar 150,000,000	–	–	114,111	115,331

Fair Value of 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.

19 Financial Instruments continued

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to quoted prices for similar assets or liabilities or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be CFDs
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 Notes 2(l) and (m). The table below sets out the Company's fair value hierarchy:

Financial assets at fair value through profit or loss	**level 1 £'000**	**level 2 £'000**	**level 3 £'000**	**2020 total £'000**
Investments – shares	**1,208,661**	**–**	**81,146**	**1,289,807**
Derivative instrument assets	**4,849**	**34,303**	**–**	**39,152**
	1,213,510	**34,303**	**81,146**	**1,328,959**
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	**(3,173)**	**(42,010)**	**–**	**(45,183)**
Financial liabilities at fair value				
Bank loan	**–**	**(82,687)**	**–**	**(82,687)**

Financial assets at fair value through profit or loss	level 1 £'000	level 2 £'000	level 3 £'000	2019 total £'000
Investments – shares	1,356,458	–	66,703	1,423,161
Derivative instrument assets	–	19,235	–	19,235
	1,356,458	19,235	66,703	1,442,396
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(737)	(89,424)	–	(90,161)
Financial liabilities at fair value				
Bank loan	–	(114,111)	–	(114,111)

Notes to the Financial Statements continued

19 Financial Instruments continued
Level 3 Investments (unlisted and delisted investments)

	2020 £'000	2019 £'000
Pony.ai	**25,695**	–
DJI International	**20,696**	23,066
Xiaoju Kuaizhi (Didi)	**17,699**	22,132
SenseTime	**9,508**	6,812
ByteDance	**7,548**	7,227
Shanghai Yiguo	**–**	7,449
3 listed investments whose listings are currently suspended	**–**	17
	81,146	66,703

Pony.ai
Pony.ai develops artificial intelligence and autonomous driving technology solutions for transportation and is an unlisted company. The valuation at 31 March 2020 is based on the cost of the investment when it was purchased in March 2020. As at 31 March 2020, its fair value was £25,695,000.

DJI International
DJI International is a manufacturer of drones and is an unlisted company. The valuation at 31 March 2020 is based on benchmarking the position to a range of comparable market data. As at 31 March 2020, its fair value was £20,696,000.

Xiaoju Kuaizhi (Didi)
Xiaoju Kuaizhi (Didi) is a leading Chinese e-commerce company providing transport services and is an unlisted company. The valuation at 31 March 2020 is based on the company results for 2019 and the outlook for 2020 given the impact of COVID-19. As at 31 March 2020, its fair value was £17,699,000.

SenseTime
SenseTime develops application technology and is an unlisted company. During the year, the Company increased its shareholding by subscribing to a further round of fundraising. The valuation at 31 March 2020 is based on the company results for 2019 and the outlook for 2020 given the impact of COVID-19. As at 31 March 2020, its fair value was £9,508,000.

ByteDance
ByteDance develops application software and is an unlisted company. Following internal and external review, the original purchase price in November 2018 remained appropriate for the valuation as at 31 March 2020. As at 31 March 2020, its fair value was £7,548,000. Since the end of the year, ByteDance's valuation has been increased. See Note 22 on page 82.

Shanghai Yiguo
Shanghai Yiguo operates an e-commerce platform, selling fruit and vegetables online to customers in China and is an unlisted company. The valuation at 31 March 2020 is based the financial information received in November 2019. As at 31 March 2020, its fair value was £nil.

Companies whose listings are suspended
Three listed companies in the portfolio have had their listing suspended: DBA Telecommunication (Asia) Limited (suspended July 2014), China Animal Healthcare Limited (suspended March 2015) and BNN Technology Limited (suspended September 2017).
The Directors have valued each holding at £nil.

19 Financial Instruments continued

Movements in level 3 investments during the year	2020 level 3 £'000	2019 level 3 £'000
Level 3 investments at the beginning of the year	**66,703**	64,357
Purchases at cost	**33,206**	35,202
Transfers out of Level 3*	**–**	(33,113)
Unrealised (losses)/profits recognised in the Income Statement	**(18,763)**	257
Level 3 investments at the end of the year	**81,146**	66,703

* Financial instruments are transferred out of level 3 when they become listed.

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 19 and 20. The principal risks and their management are disclosed in the Strategic Report on pages 20 to 22 and in Note 19 above.

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

	2020 gross asset exposure £'000	%[1]	2020 net asset exposure £'000	%[1]
Investments	1,289,807	101.3	1,289,807	101.3
Long CFDs	446,471	35.1	446,471	35.1
Total long exposures before hedges	**1,736,278**	**136.4**	**1,736,278**	**136.4**
Less: short derivative instruments hedging the above	(154,586)	(12.2)	(154,586)	(12.2)
Total long exposures after the netting of hedges	**1,581,692**	**124.2**	**1,581,692**	**124.2**
Short CFDs	12,524	1.0	(12,524)	(1.0)
Gross/net asset exposure	**1,594,216**	**125.2**	**1,569,168**	**123.2**
Net Assets	**1,273,047**		**1,273,047**	
Gearing[2]		**25.2%**		**23.2%**

	2019 gross asset exposure £'000	%[1]	2019 net asset exposure £'000	%[1]
Investments	1,423,161	101.5	1,423,161	101.5
Long CFDs	376,578	26.9	376,578	26.9
Total long exposures before hedges	1,799,739	128.4	1,799,739	128.4
Less: short derivative instruments hedging the above	(69,398)	(4.9)	(69,398)	(4.9)
Total long exposures after the netting of hedges	1,730,341	123.5	1,730,341	123.5
Short CFDs	36,784	2.6	(36,784)	(2.6)
Gross/net asset exposure	1,767,125	126.1	1,693,557	120.9
Net Assets	1,401,588		1,401,588	
Gearing[2]		26.1%		20.9%

1 Exposure to the market expressed as a percentage of Net Assets.
2 Gearing is the amount by which gross/net asset exposure exceeds Net Assets expressed as a percentage of Net Assets.

Notes to the Financial Statements continued

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 current fee arrangements are given in the Directors' Report on page 33. During the year, management fees of £9,440,000 (2019: £11,543,000), and accounting, administration and secretarial fees of £100,000 (2019: £100,000) were payable to the Managers. At the Balance Sheet date, management fees of £774,000 (2019: £820,000), and accounting, administration and secretarial fees of £8,000 (2019: £nil) were accrued and included in other payables. Fidelity also provides the Company with marketing services. The total amount payable for these services was £175,000 (2019: £238,000). At the Balance Sheet date, £20,000 (2019: £nil) for marketing services was accrued and included in other payables.

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and taxable expenses, relating to reasonable travel expenses, payable to the Directors are given in the Directors' Remuneration Report on pages 42 and 43. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £18,000 (2019: £17,000) of employers' National Insurance contributions were paid by the Company. At the Balance Sheet date, Directors' fees of £57,000 (2019: £14,000) were accrued and payable.

22 Post Balance Sheet Event

As the result of a secondary market transaction, the valuation of ByteDance was increased by 27.4% in May 2020. If this price increase had been applied at 31 March 2020, the uplift in the value of ByteDance would have increased the net assets of the Company by 0.16%.

Alternative Performance Measures

Total Return

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

The tables below provide information relating to the NAV per ordinary share and share prices of the Company, the impact of the dividend reinvestments and the total returns for the years ended 31 March 2020 and 31 March 2019.

2020	**Net asset value per ordinary share**	**Share price**
31 March 2019	**255.03p**	**235.00p**
31 March 2020	**236.27p**	**216.00p**
Change in the year	**-7.4%**	**-8.1%**
Impact of dividend reinvestment	**+1.5%**	**+1.6%**
Total return for the year	**-5.9%**	**-6.5%**

2019	Net asset value per ordinary share	Share price
31 March 2018	272.55p	239.00p
31 March 2019	255.03p	235.00p
Change in the year	-6.4%	-1.7%
Impact of dividend reinvestment	+1.1%	+1.4%
Total return for the year	-5.3%	-0.3%

Ongoing charges

Ongoing charges are considered to be an alternative performance measure. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of management fees and other expenses expressed as a percentage of the average net assets throughout the year

	2020 £'000	2019 £'000
Investment management fees (£'000)	**12,125**	12,780
Other expenses (£'000)	**1,177**	1,214
Ongoing charges (£'000)	**13,302**	13,994
Variable management fee (£'000)	**(2,685)**	(1,237)
Average net assets (£'000)	**1,344,131**	1,376,023
Ongoing charges ratio	**0.99%**	1.02%
Ongoing charges ratio including variable management fee	**0.79%**	0.93%

Gearing

Gearing is considered to be an alternative performance measure. See Note 20 on page 81 for details of the Company's gearing.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity China Special Situations PLC will be held at **Flat 2, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ** on Thursday 23 July 2020 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 2020.

2. To declare that a final dividend for the year ended 31 March 2020 of 4.25 pence per ordinary share be paid to shareholders who appear on the register as at close of business on 19 June 2020.

3. To re-elect Mr Mike Balfour as a Director.

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

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

6. To re-elect Dr Linda Yueh as a Director.

7. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 41) for the year ended 31 March 2020.

8. To approve the Remuneration Policy as stated in the Directors' Remuneration Report on page 41.

9. To reappoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.

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

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

Authority to Allot Shares and Disapply Pre-Emption Rights

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of ordinary shares (or sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary shareholders pro-rata to their existing holdings. The limit set by the Board is 10% of the number of ordinary shares of the Company (including Treasury shares) in issue on 3 June 2020. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority in order to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so. Any ordinary shares held in Treasury would be re-issued at no less than Net Asset Value ("NAV") per share, or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per share.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company ("relevant securities") up to an aggregate nominal amount of £571,354 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 3 June 2020) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury Shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting ("AGM") of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

12. THAT, subject to the passing of Resolution 11, as set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 11 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:

    a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £571,354 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 3 June 2020); and

    b) by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the NAV per share.

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

Authority to Repurchase Shares

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 3 June 2020, either for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary shares will be at the discretion of the Directors and within guidelines set by them from time to time in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share, thereby resulting in an increased NAV per share.

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

    a) the maximum number of shares hereby authorised to be purchased shall be 78,624,425;;

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

    c) the maximum price (excluding expenses) which may be paid for each share is the higher of:

        (i) an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased; and

        (ii) the amount stipulated by Regulatory Technical Standards adopted by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;

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

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

By Order of the Board
FIL Investments International
Secretary
3 June 2020

Notes to the Notice of Meeting:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. To appoint a proxy via the share portal at **www.signalshares.com**, you will need to log in to your share portal account or register if you have not previously done so. To register you will need your Investor Code which can be found on your share certificate or dividend confirmation or by contacting our Registrar, Link Asset Services.

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 on Tuesday 21 July 2020. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.

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

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

5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11:00 on Tuesday 21 July 2020. 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

Notice of Meeting continued

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 on Tuesday 21 July 2020.

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 Tuesday 21 July 2020.

7. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.

8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.

9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by close of business on Tuesday 21 July 2020. 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 3 June 2020 (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 46,841,966. Therefore, the total number of voting rights in the Company as at 3 June 2020 was 524,512,514.

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

AAF Report
A report prepared in accordance with the Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

ADR (AMERICAN DEPOSITARY RECEIPT)
A negotiable certificate issued by a US bank representing a specified number of shares in a foreign stock that is traded on a US Exchange.

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

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

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

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

AIM (ALTERNATIVE INVESTMENT MARKET)
A sub-market designed to help smaller companies access capital from the public market. AIM allows these companies to raise capital by listing on a public exchange with greater flexibility compared to the main market.

ALTERNATIVE PERFORMANCE MEASURES
The Company uses the following Alternative Performance Measures which are all defined in this Glossary of Terms:

- Discount/Premium;
- Gearing;
- Net Asset Value (NAV) per Share;
- Ongoing Charges;
- Return (Revenue, Capital and Total Returns); and
- Total Return Performance.

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 terms) and is a composite of China "A", "B", "H", "Red Chip" and "P Chip" share classes and foreign listings (e.g. ADRs).

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.

CHINEXT
ChiNext is a NASDAQ-style board of the Shenzhen Stock Exchange for innovative, fast-growing companies including high-tech enterprises, especially high tech companies. It started trading in October 2009. The MSCI will add stocks trading on Shenzhen's ChiNext board to its indexes for the first time in May 2019, allowing foreign investors to tap the tech-focused board by investing in the indexes.

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.

Glossary to the Annual Report continued

DEBT
Bank borrowings and long contracts for difference.

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

DERIVATIVES
Financial instruments whose value is derived from the value of an underlying asset or other financial instruments. 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 (ELNS)
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, at a specified future date and at a pre-agreed price.

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.

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).

GROSS GEARING
Gross Asset Exposure in excess of Net Assets.

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.

IHS Markit
IHS Markit provides critical information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing insights in order to make well-informed decisions.

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

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

INVESTMENT MANAGER
FIL Investment Management (Hong Kong) Limited.

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

LINK ASSET SERVICES
The Company's Registrar.

MANAGEMENT AGREEMENT
The agreement between FIL Investment Management (Hong Kong) Limited and the Company regarding the management of the Company's investments.

MANAGEMENT AGREEMENTS
Together, represents the Management Agreement and the Unlisted Management Agreement.

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

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

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.

NASDAQ
A global electronic marketplace for buying and selling securities, as well as the benchmark index for US technology stocks.

NET ASSETS
The value of the Company's assets minus its liabilities.

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 ordinary 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.

NET GEARING
Net Gearing is the total of all long exposures, less short exposures and less exposures hedging the portfolio in excess of Net Assets.

NET MARKET EXPOSURE
Net Market Exposure is the total of all long exposures, less short exposures and less exposures hedging the portfolio.

ONGOING CHARGES (EXCLUDING VARIABLE MANAGEMENT FEE ELEMENT)
Total operating expenses (excluding finance costs and taxation) incurred by the Company as a percentage of the average daily Net Asset Values 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 calls (buy) or puts (sell) and are used to gain or reduce exposure to the underlying asset on a conditional basis.

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

PEEL HUNT LLP
The Company's Broker.

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

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

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

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

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

PROSPECTUS
The Prospectus of the Company dated 7 January 2011.

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

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

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

Glossary to the Annual Report continued

RETURN
The return generated in a given period from investments:

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

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

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.

SIZE OF COMPANY (MARKET CAP)
Large – above £5bn
Medium – between £1bn – £5bn
Small – below £1bn

TOTAL RETURN PERFORMANCE
The return on the share price or Net Asset Value per share taking into account the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by the shareholder are assumed to have been reinvested in additional shares (for share price total return) or the Company's assets (for Net Asset Value total return).

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

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

UNLISTED INVESTMENT MANAGER
FIL Investment Services (UK) Limited.

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

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

VARIABLE INTEREST ENTITY ("VIE")
A variable interest entity ("VIE") structure is designed to facilitate foreign investment in sectors of the Chinese domestic economy which prohibit foreign ownership. The essential purpose of the VIE structure is to convey the economic benefits and operational control of ownership without direct equity ownership itself. As the controlling interest is not based on having the majority of voting rights, there may be a risk to an investor of being unable to enforce their ownership rights in certain circumstances.

VARIABLE MANAGEMENT FEE ("VMF")
The Company adopted a Variable Management Fee structure ("VMF") from 1 July 2018. The base fee is 0.90% of net assets per annum plus a +/- 0.20% variation fee based on performance relative to the Company's Benchmark Index (the MSCI China Index). The maximum fee that the Company will pay is 1.10% of Net Assets, but if the Company underperforms against the Benchmark Index, then the overall fee could be as low as 0.70% of Net Assets.

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

Shareholder Information

Investing in Fidelity China Special Situations PLC

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

Contact information

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

Shareholders on the main share register

Contact Link Asset Services, Registrar to Fidelity China Special Situations PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Email: **enquiries@linkgroup.co.uk**

Telephone: **0371 664 0300** (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 9:00 – 17:30 Monday to Friday, excluding public holidays in England and Wales).

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

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

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

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0371 664 0391** (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 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Link Share Dealing Service

Link Asset Services offer a low cost share dealing service to buy or sell shares. Further information is available at **www.linksharedeal.com**, or by telephoning **0371 664 0445** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8:00 – 16:30, Monday to Friday excluding public holidays in England and Wales).

The Link Share Dealing Service allows you to deal in the shares of other companies for which Link Asset Services acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

Dividend Reinvestment Plan

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

For more information and an application pack call **0371 664 0381** between 9:00 – 17:30 Monday to Friday. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Alternatively you can email: **shares@link.co.uk** or log onto **www.signalshares.com**.

Fidelity Platform Investors

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

Website: **www.fidelity.co.uk/its**

Private investors: call free on **0800 41 41 10**, 9:00 – 18:00, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 8:00 – 18:00, Monday to Friday.

General enquiries

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

Telephone: **01732 361144**

Email: **investmenttrusts@fil.com**

Website: **www.fidelityinvestmenttrusts.com**

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

ShareGift

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

Shareholder Information continued

Managers and Advisors

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

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

Unlisted Investment Manager, Secretary and Registered Office
FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP
Email: **investmenttrusts@fil.com**

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

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

Financial Adviser and Stockbroker
Peel Hunt LLP
Moor House,
120 London Wall
London
EC2Y 5ET

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

Lawyer
Charles Russell Speechlys LLP
5 Fleet Street
London
EC4M 7RD

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

Company Information

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

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

Price Information

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

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

Net Asset Value ("NAV") Information

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

Capital Gains Tax

All UK individuals under present legislation are permitted to have £12,300 of capital gains in the current tax year 2020/2021 (2019/2020: £12,000) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependant on the total amount of taxable income.

General Data Protection Regulation ("GDPR")

What personal data is collected and how it is used

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

Any personal data collected will be kept securely on computer systems and in some circumstances on paper. Personal information is kept secure in line with Fidelity's Information Security policies and standards. If you are unhappy with how we have used your personal data, you can complain by contacting the UK Data Protection Officer at Fidelity International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth Surrey KT20 6RP.

Sharing personal data

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

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

How long will personal data be kept for?

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

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

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

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers' Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the investment management (other than in unlisted securities) to FIL Investment Management (Hong Kong) Limited. It has delegated the investment management of the unlisted securities and the company secretarial function to FIL Investments International (another Fidelity group company). Details of current Management Agreements can be found in the Directors' Report on page 33.

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

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investment Management (Hong Kong) Limited (other than the unlisted securities) and for unlisted securities to FIL Investments International. The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 18 and 19.
Risk management	The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management. The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing. The Board, as part of UK corporate governance, remains responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.	The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of risk management and internal controls and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 20 to 22 and in Note 19 to the Financial Statements on pages 72 to 81.
Valuation of illiquid assets	The Directive requires the disclosure of the percentage of the Alternative Investment Fund'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.

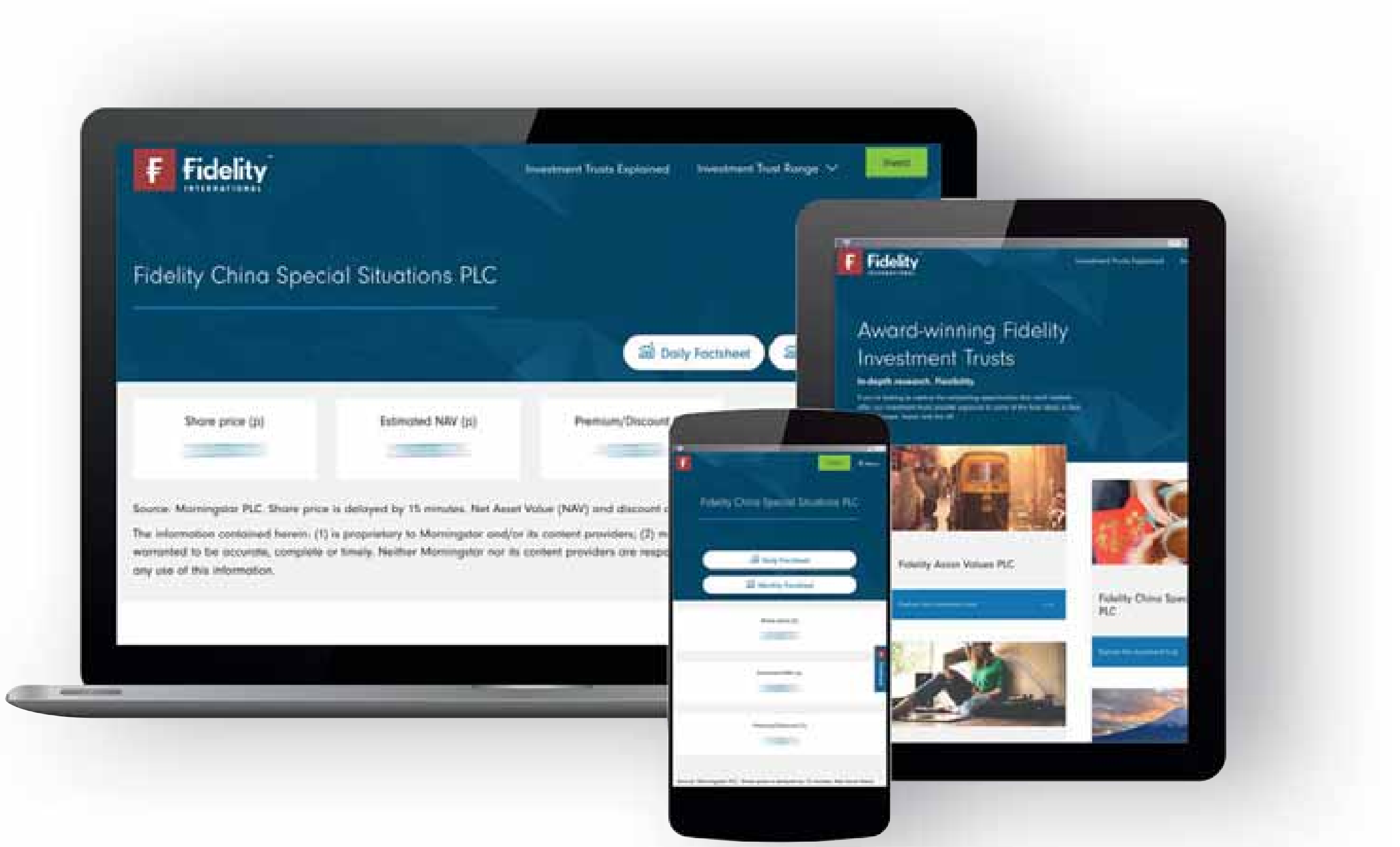
Function	AIFM Role and Responsibility	AIFMD Disclosure
Leverage	The Company uses leverage to increase its exposure primarily to the stockmarkets of China and currently holds long derivatives to achieve this. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times. There are two methods of calculating leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.	The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. At 31 March 2020, actual leverage was 1.55 for the Gross Method and 1.40 for the Commitment Method.
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 19 on page 75.
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/default.page**

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

As at 31 March 2020, all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £'000	Percentage of Net Assets	Collateral held by the broker £'000	Collateral held by the Company £'000
Goldman Sachs International (UK)	**4,403**	**0.35%**	**1,148**	**–**
HSBC Bank plc (UK)	**13,415**	**1.05%**	**12,069**	**–**
Morgan Stanley & Co International (UK)	**(851)**	**–0.07%**	**–**	**1,100**
UBS AG (UK)	**(24,674)**	**–1.94%**	**–**	**26,844**

Collateral granted was denominated in US dollars and held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 March 2020 from CFDs was a loss of £57,778,000.



To find out more about Fidelity China Special Situations PLC, visit our new website www.fidelityinvestmenttrusts.com where you can read articles and watch videos on the Company.

www.fidelityinvestmenttrusts.com

Printed on FSC® certified paper.

100% of the inks used are vegetable oil based 95% of press chemicals are recycled for further use and on average 99% of any waste associated with this production will be recycled.

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

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

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

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C001785