FIDELITY CHINA SPECIAL SITUATIONS PLC

Annual Report for the year ended 31 March 2024

The purpose of the Company is to offer investors who are building a diversified portfolio a direct exposure to China, recognising the size and growing importance of the country 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 in China, both listed and unlisted, as well as Chinese companies listed elsewhere. The Company may also invest in companies with significant interests in China.

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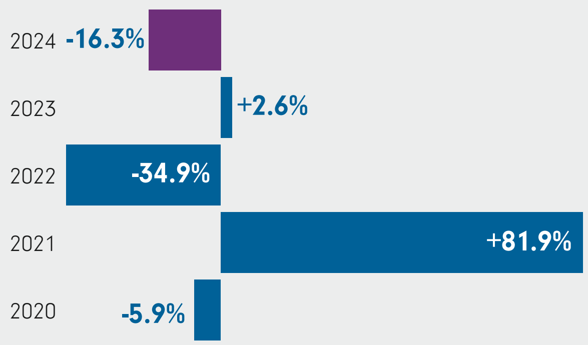
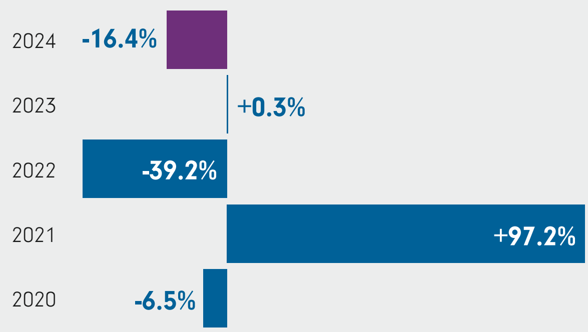
The Year at a Glance

In the reporting year, the Company's Net Asset Value per Share decreased by 16.3% and the Share Price decreased by 16.4%, whilst the Benchmark Index decreased by 18.8% (all performance data on a total return basis).

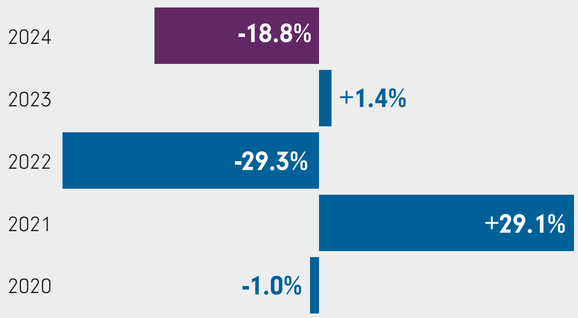
Net Asset Value per Share total return[1,2]
Year ended 31 March



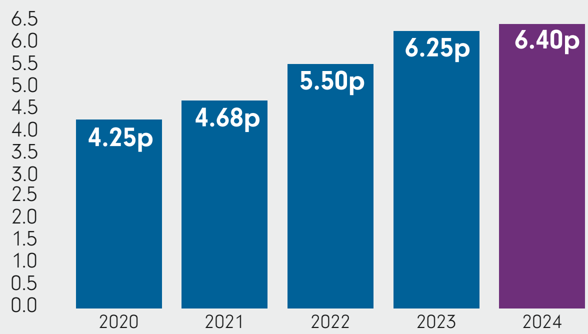
Share Price total return[1,2]
Year ended 31 March



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



Dividend per Share
Year ended 31 March



1 Includes reinvested income.
2 Alternative Performance Measures. See pages 92 and 93.
3 The Company's Benchmark Index.

As at 31 March 2024

Equity Shareholders' Funds

£1,176.0m

Market Capitalisation

£1,056.6m

Capital Structure
Ordinary Shares of 1 pence held outside of Treasury

525,681,434

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 when including companies 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.

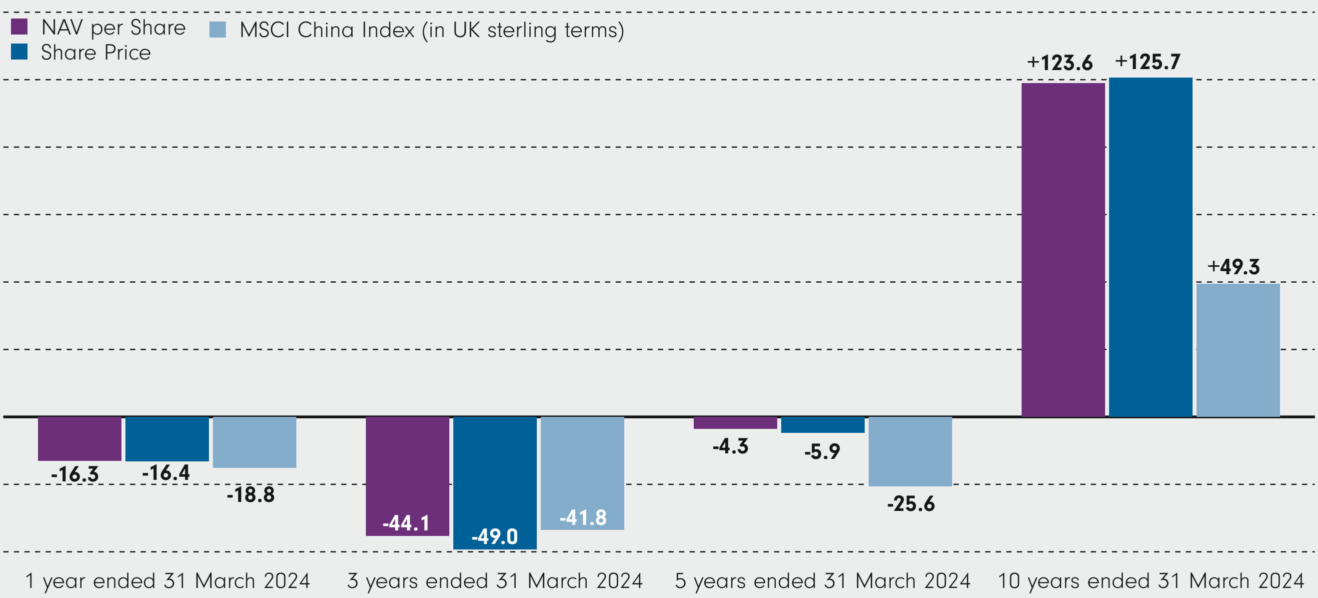
The Company operates a variable management fee arrangement which is calculated by referencing performance relative to the MSCI China Index (in UK sterling terms).

Financial Highlights

	2024	2023
Assets as at 31 March		
Gross Asset Exposure	**£1,450.9m**	£1,659.1m
Net Assets	**£1,176.0m**	£1,338.4m
Gross Gearing[1,2]	**23.4%**	23.9%
Net Gearing[1,2]	**20.8%**	21.1%
Net Asset Value ("NAV") per Share[2]	**223.71p**	274.08p
Share Price and Discount data as at 31 March		
Share Price at year end	**201.00p**	247.50p
Share Price: year high	**248.50p**	302.00p
Share Price: year low	**182.60p**	178.60p
Discount at year end[2]	**10.2%**	9.7%
Discount: year high[2]	**12.9%**	15.2%
Discount: year low[2]	**6.2%**	0.2%
Earnings for the year ended 31 March – see page 61		
Revenue Earnings per Share[2,3]	**5.78p**	7.05p
Capital Loss per Share[2,3]	**(50.18p)**	(2.42p)
Total (Loss)/Earnings per Share[2,3]	**(44.40p)**	4.63p
Ongoing Charges Ratio for the year to 31 March[2,4]	**0.98%**	0.98%
Variable Management Fee	**0.15%**	0.20%
Ongoing Charges Ratio including Variable Management Fee for the year to 31 March[2,4]	**1.13%**	1.18%

1 See Note 19 on page 90. Defined in the Glossary to the Annual Report on pages 99 and 100.
2 Alternative Performance Measures.
3 Based on the weighted average number of shares held outside of Treasury during the year.
4 Ongoing charges ratio (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). It is estimated that the ongoing charges ratio for the year ending 31 March 2025 will be 0.88%, the significant reduction reflecting the management fees waived by the Manager in lieu of its contribution to the costs of the Company's transaction with abrdn China Investment Company Limited ("ACIC"). The transaction with ACIC is covered in more detail on pages 2 and 65.

Standardised Performance Total Return[1] (%)



1 Includes reinvested income.

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

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Chairman's Statement

I have pleasure in presenting the Annual Report of Fidelity China Special Situations PLC for the year ended 31 March 2024.

Mike Balfour, Chairman

£1,176.0m
(As at 31 March 2024)
Equity Shareholders' Funds

-16.3%
(Year ended 31 March 2024)
Net Asset Value per Share total return

-16.4%
(Year ended 31 March 2024)
Share Price total return

-18.8%
(Year ended 31 March 2024)
Benchmark Index total return

With global uncertainties and geopolitical concerns remaining heightened, as well as a softer-than-expected economy recovery in the wake of COVID restrictions being lifted, investors in China have once more faced a challenging year. Overall returns were negative during the year with the small consolation that your Company did manage again to outperform its Benchmark Index, the MSCI China Index (in UK sterling terms).

In the reporting year to 31 March 2024, the net asset value ("NAV") per share total return of your Company was -16.3%, while the Benchmark Index returned -18.8%. The share price total return was -16.4%. After widening during the previous financial year, the share price discount to NAV was relatively stable beginning the period at 9.7% and ending it at 10.2%. Noticeably Chinese companies – even in the state-owned sector – are becoming increasingly focused on rewarding minority shareholders, including through the payment of dividends. While we have always expected your Company to generate the majority of its returns from capital, dividends from underlying companies also make a meaningful contribution to the total return. This has helped us to grow the dividend paid each year since launch.

The current Chinese Year of the Dragon marks Dale Nicholls' 10th anniversary as your Portfolio Manager. While there have undoubtedly been ups and downs for investors during this time (particularly during 2021 and 2022), Dale has built an impressive record, with the NAV outperforming the Benchmark Index over one, five and 10 years. Over his tenure, he has generated a total shareholder return of 125.7% (NAV total return of 123.0%), some 75 percentage points ahead of the Benchmark Index return of 49.3%.

A notable event during the year was the transaction by your Company with the abrdn China Investment Company Limited ("ACIC"). The transaction was concluded on 14 March 2024 and provides benefits to both existing shareholders of Fidelity China Special Situations PLC ("FCSS") and former holders of ACIC. Upon conclusion of the transaction (which was supported by 99.9% of ACIC shareholders voting at their shareholders meeting) the Company's assets grew by £126m, which brings greater liquidity to our shares and a larger asset base (now well over £1 billion) over which to spread the Company's fixed costs, helping to otherwise reduce the level of ongoing charges for all investors. As part of the transaction, the Manager (FIL Investment Services (UK) Limited) contributed to the transaction costs, waiving eight months of management fees on the assets transferred from ACIC, thereby offsetting direct expenses to the Company. It also reduced the fee level at the higher tier of assets (above £1.5 billion) from 0.70% to 0.65%. This is expected to lower the ongoing costs of the Company further as it grows over the longer-term. We welcome the former ACIC shareholders and look forward to their continued support being rewarded. The very short-term experience since the transaction has been encouraging for both new and existing shareholders with the share price rising from 197.40 pence on 14 March 2024 to 222.00 pence per share on 31 May 2024, an increase of 12.5%.

The main driving force of the Chinese economy in the past 10 years has been investment – whether at the government, business or household level – leading to improvements in infrastructure, strong export growth and a property boom. In the current environment, export growth has weakened as a result of global supply chain diversification away from China as well as US trade reluctance (expressed via tariffs and sanctions), and infrastructure is now developed to the point where the marginal impact of additional investment is reduced. Concerns in the property market – particularly in the new-build sector, which has a stronger contribution to overall growth – have been well documented in recent years. With these three stalwarts of economic growth curtailed a 5% GDP growth target – would be a good outcome that underscores China's resilience. While a US plan to further restrict sales of advanced semiconductors to China adds an element of uncertainty, particularly in some areas of technology and automation, it is leading to a wave of Chinese invention and investment to compensate. So far, China has surprised in its ability to keep innovating in microchips in particular. It is also leading the world in electric vehicles, green energy technologies and battery technology and is making strong progress with AI. All these are becoming increasingly important industries that China could seek to lead globally in the future.

Meanwhile, the Chinese stock market remains one of the most lowly-valued large, liquid markets in the world. Market-level performance has been disappointing for three years now, and it is always difficult to know when share prices will start to reflect intrinsic value rather than being marked down on poor sentiment. However, the companies in the portfolio continue to show strong earnings growth, and we remain confident that the market will come to appreciate the value on offer in the future; it may already have started to happen. As ever, having a large research team on the ground in China is fundamental to success in seeking out the best opportunities, particularly among smaller and medium-sized companies, where the relatively higher growth potential has yet to be reflected in share prices, and investor awareness is low.

Being structured as a closed-ended investment company means that your Company does not have the liquidity constraints of an open-ended fund, and it can use this flexibility to invest in less liquid assets with a longer-term view of returns. Up to 15% of Net Assets plus Borrowings may be invested in unquoted companies (those not yet listed on a stock exchange), allowing the Manager to take advantage of the faster growth trajectory of earlier-stage businesses before they are potentially listed on the public markets. During the period under review, the number of unquoted companies held in the portfolio reduced from nine to six, following the IPOs of Beisen, Cutia Therapeutics and Tuhu Car in April, June and September 2023 respectively. Unlisted holdings now make up 12.8% of Net Assets, compared with 13.6% on 31 March 2023. If the Company were to reach the 15% limit in unquoted companies, it does not preclude us from further investment in existing holdings if fresh capital was required by them. However, with valuations in the listed equity market currently at historically low levels, Dale has said that any potential new private investments would have to be very attractive in order to win a place in the portfolio.

We have confidence in the strength of the detailed process for the valuation of our unlisted holdings. They are assessed regularly by Fidelity's dedicated Fair Value Committee ("FVC"), with advice from Kroll, a third-party valuation specialist, as well as from the Fidelity analysts who follow the companies and the sectors in which they operate. The valuation process is set out in more detail on page 12 of this report. The Board receives regular updates from the FVC, with Alastair Bruce, our Audit and Risk Committee Chairman, also providing expertise in the area, having for many years been involved professionally in private equity investing.

The Board is mindful of the risks of investing in a single emerging market, however large and diverse it may be, and monitors both current risks and its perception of emerging risks. Dale's focus on consumption and the domestic economy mitigates much of the geopolitical risk that has increased in the last few years. In particular, a greater focus on the opportunities in the domestic market generated by industrial and technology companies is helping Chinese businesses continue to innovate and grow, even in a period of continued strain in the relationship between China and the US.

ESG

While your Company is not a 'green' or 'ethical' fund, ESG factors remain an important part of the work of the Portfolio Manager, as continuing deterioration in the climate and other social and governance concerns present a potential investment risk to your portfolio. Chinese businesses are under increasing pressure to ensure that their activities are environmentally sustainable and demonstrate social responsibility and good corporate governance. Although there is progress in the form of commitments and initiatives across a wide range of areas, more needs to be done. Fidelity has a sustainable investing approach, including engagement and voting principles and guidelines, as well as having developed its own proprietary forward-looking ESG ratings. The ratings of the companies in the portfolio are ahead of the broader market and continue to improve. Details of ESG engagements by the management team in the year under review are included in the Portfolio Manager's Review on the following pages, and an explanation of how Fidelity has embedded ESG factors in its investment decision-making can be found on pages 33 to 35.

Gearing

During the year, the Company repaid its US$100m loan from The Bank of Nova Scotia and replaced it with additional gearing by way of contracts for difference ("CFDs"). Previously CFDs accounted for around two-thirds of gearing and for the time being this has risen to 100% to control costs. We continue to believe that the judicious use of gearing (another benefit of the investment trust structure) can enhance long-term capital and income returns, although being more than 100% invested also means that the NAV and share price may be more volatile and can accentuate losses in a falling market. The overall level of gearing remains broadly unchanged, with net gearing beginning the year at 21.1% and ending it at 20.8%. Gearing in the past has typically been in the range of 10% to 25%, and the current level reflects Dale's view that the low valuation of the Chinese equity market means that there are many attractive investment opportunities available on a bottom-up basis. Going forward, the upper limit for net gearing will be 20% of Net Assets. Your Board will continue to monitor the cost of fixed term debt, with the ambition of reinstating an element of it in the future.

Chairman's Statement continued

Dividend

Although the Company's investment objective is to achieve long-term capital growth, it has paid an increased dividend each year since its inception, growing from 0.25 pence per share in 2011 to 6.25 pence per share in 2023, which is a compound annualised growth rate of 25.8%.

The Board is pleased to recommend once again an increased final dividend of 6.40 pence per share for the year ended 31 March 2024 for approval by shareholders at the Annual General Meeting ("AGM") to be held on 23 July 2024.

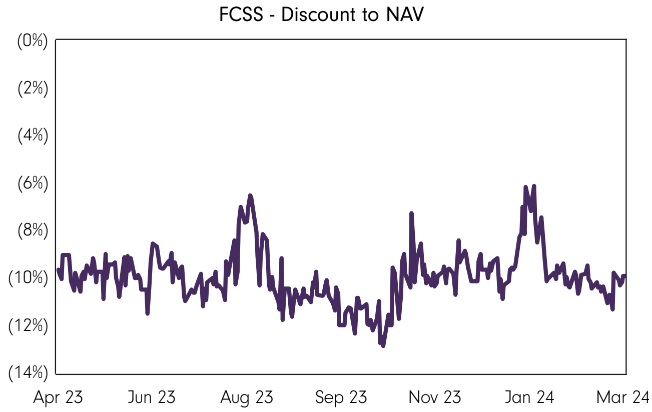
This represents an increase of 2.4% over the 6.25 pence paid in respect of the prior year. The dividend will be payable on 31 July 2024 to shareholders on the register on 21 June 2024 (ex-dividend date 20 June 2024).

The revenue per share earned by the Company during the year was 5.78 pence, which is a decrease of 18.0% compared with the 7.05 pence earned in the prior year. This is primarily due to the higher cost of gearing. This revenue per share does not fully cover the recommended dividend for the year and as a result Revenue Reserves, which have been built up over the years, will be used to cover the shortfall. Following this, there will remain 3.78 pence per share in Revenue Reserves.

Discount management

The Board believes that investors are best served when the share price trades close to the Company's NAV per share. However, we recognise that the share price is affected by the interaction of supply and demand in the market based on investor sentiment towards China, as well as the performance of the Company's portfolio. A discount control mechanism is in place whereby we seek to maintain the Company's discount in single digits in normal market conditions. Historically, shares bought back were held in Treasury and could be issued at a later date should the share price move to a premium to NAV per share. As the number of shares held in Treasury equated to 15% of the issued share capital by 11 May 2023, shares repurchased since then have been cancelled.

The Company's discount was broadly stable during the reporting year, widening marginally from 9.7% on 31 March 2023 to 10.2% at the end of the period. This is perhaps notable in a period in which many investment trusts saw their discounts widen, sometimes materially. With sentiment towards China in particular and investment trusts in general remaining challenging, the Board authorised the repurchase of 21,650,191 shares (the majority for cancellation) at a cost of £45,933,000, representing 3.5% of the issued share capital of the Company. Just under half of the repurchases (by number of shares) took place between August and November 2023. As well as helping to limit discount volatility, share repurchases are of benefit to the remaining shareholders, as the NAV per share is increased by purchasing shares at a discount. Since the year end and as at the latest practicable date of this report, the Company has repurchased a further 2,696,249 shares for cancellation. The graph in the next column shows the movement of the Company's discount during the year.



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.

Ongoing Charges Ratio

The Ongoing Charges Ratio (the costs of running the Company) for the year was 0.98% (2023: 0.98%). The variable element of the management fee (due to outperformance of the Benchmark Index) was a charge of 0.15% (2023: 0.20%). Therefore, the Ongoing Charges Ratio, including this variable element, for the year was 1.13% (2023: 1.18%).

Management fee

Your Board continues to focus on achieving good value for the Company's shareholders. During the year under review, the management fee paid to the Manager, FIL Investment Services (UK) Limited, on the first £1.5 billion of Net Assets was reduced from 0.90% to 0.85% (effective 1 July 2023). As mentioned above, in tandem with the transaction with ACIC, the fee payable on Net Assets should they exceed £1.5 billion has also been renegotiated, falling from 0.70% to 0.65%. The variable element of the fee of +/-0.20% remains unchanged.

Continuation Vote

Following the completion of the transaction with abrdn China Investment Company Limited, your Board has committed to give shareholders the opportunity to vote on the continuation of the Company. The first vote will be at the AGM in 2029 and every five years thereafter.

Board of Directors

After a programme of Board refreshment in recent years (with all the Directors, including myself, having been appointed since 2020 as the Company's founding Directors retired), there have been no changes to the Board of Directors in the year under review. We are pleased that your Company's Board includes a real diversity and balance of relevant skills and experience, covering China itself, accountancy, investment management (including private equity and private equity valuations) and marketing expertise. I noted in last year's Annual Report that with two women and four men, our Board currently falls short of the voluntary target of 40% of FTSE 350 board members to be women, as set by the new FCA Listing Rules. It should, however, be noted that from July 2019 to January 2023 at least 40% of the Board was comprised of women. In order to meet this target in the near term, we would need to increase the number of Directors from six to seven, a move that we have carefully assessed – in consultation with some of our larger shareholders – and concluded that it would not currently represent the best value for shareholders. It remains our longer-term ambition to move closer to gender parity as and when any of our current Directors retire from the Board.

In accordance with the UK Corporate Governance Code for Directors of FTSE 350 companies, all Directors are subject to annual re-election at the AGM on 23 July 2024. The Directors' biographies can be found on page 36, and, between them, they have a wide range of appropriate skills and experience to form a balanced Board to support and oversee the Company in the best interests of all shareholders.

Annual General Meeting
The Company's AGM is at 11.00 am on Tuesday, 23 July 2024. While the meeting will once again be hybrid in format, with online attendance available, the Board and I hope to see as many of you as possible in person on the day to mark Dale's 10-year record of outperformance. Details of the AGM are on the next page.

Outlook
While the Chinese economy remains sluggish, having failed to reap fully the benefits from the post-COVID reopening, there are undoubtedly signs of improvement. The March PMI figure – a measure of the economic health of the manufacturing sector – moved into positive territory (a reading above 50) for the first time in six months, reaching its highest level since March 2023 and potentially signalling a more sustained period of improvement. April trade data was good and showed a rise in imports, indicating a possible rise in domestic demand. At the same time, it is heartening to see that the Chinese authorities have not been panicked into implementing one-off large measures to boost the economy. They are going about things in a gradually stimulating fashion on both the fiscal and the monetary side, which will hopefully lead to a more balanced outcome. Meanwhile, with Chinese equity market valuations at particularly low levels, both relative to their own history and in a global context, there should be many opportunities for investors to participate profitably in the recovery.

Perhaps the major risk to our cautiously positive outlook is the forthcoming US Presidential election. US relations with China have stabilised somewhat, although increasing tariffs and trade restrictions remain a concern. There is a significant risk that relations could worsen and US may implement measures such as raising tariffs on imports from China to 60%, which would significantly harm Chinese exporters and would depress global trade and exacerbate US inflation trends.

In Chinese culture, the Year of the Dragon is associated with great change, good fortune and prosperity, to such an extent that Dragon years have historically experienced 'baby booms'. While there can be no certainty that the Chinese equity market is itself on the verge of a boom, the structural trends at play in the economy, coupled with Dale and his team's focus on selecting the stocks best positioned to deliver value to shareholders, should continue to support our positive medium to long-term view.

Meanwhile, we hope to see you, in person or virtually, at our Annual General Meeting on 23 July 2024.

Mike Balfour
Chairman
10 June 2024

Chairman's Statement continued

Annual General Meeting – Tuesday, 23 July 2024 at 11.00 am

The AGM of the Company will be held at **11.00 am on Tuesday, 23 July 2024** at 4 Cannon Street, London EC4M 5AB (nearest tube stations are St Paul's or Mansion House) and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 94 to 97.

For those shareholders who are unable to attend in person, we will live-stream the formal business and presentations of the meeting online.

Dale Nicholls, the Portfolio Manager, will be making a presentation to shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. He and the Board will be very happy to answer any questions that shareholders may have. Copies of his 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.

Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 9 to the Notes to the Notice of Meeting on page 96 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and we will answer as many of these as possible at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's website at **www.fidelity.co.uk/china**. On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the website **https://web.lumiagm.com**.

Please note that investors on platforms, such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest, will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome your online participation as a guest. Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **134-206-210**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions, but you will not be able to vote.

Portfolio Manager's Review

Dale Nicholls was appointed as Portfolio Manager of Fidelity China Special Situations PLC on 1 April 2014. He has over 30 years of investment experience and also manages one other major Fidelity 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 each year. He is supported by 35 analysts based in Hong Kong, Shanghai and Singapore, of which 26 are dedicated to covering Greater China stocks.

Question

How has the investment company performed in the year to 31 March 2024?

Answer

The Company's NAV delivered a total return of -16.3% for the financial year ended 31 March 2024, outperforming the MSCI China Index (the Benchmark Index), which returned -18.8%. While overall returns were negative, the biggest contributors to outperformance were stock selection in the consumer discretionary (our largest sector weighting), industrials and consumer staples sectors. We were overweight in all these sectors compared to the Benchmark. In absolute terms, our energy stocks were the best performers, although their weighting is a very small part of the portfolio (c. 2% of total net assets), and is underweight versus the Benchmark. Our overweight exposures to financials and materials were the biggest drag on relative returns, while the worst absolute performance was in real estate – perhaps unsurprisingly, given another year of negative headlines – although our exposure did outperform the Benchmark. This is another small weighting, at only around 3% of total net assets.

Question

What stocks have been the main drivers of performance during the period and why?

Answer

Four of our top 10 relative performers are consumer discretionary stocks, the best of which has been Hisense Home Appliances Group. While the 'white collar' area of the consumer market has had a tougher time, the lower end has been much more resilient, supported by government stimulus in the case of home appliances. Hisense has executed well in the mass-market segment, growing its market share and margins in both 2023 and so far in 2024. It had also been trading at a very cheap valuation. The market began to recognise the value on offer with the share price almost doubling in the year under review. It is also among our best performing shares over the past 10 years.

Elsewhere in the consumer space, two clothing companies – Crystal International Group and JNBY Design – were also notable contributors. Crystal International is an apparel manufacturer, with strong growth in sportswear, supported by excellent relationships with the likes of Adidas and lululemon. JNBY is a designer fashion brand offering a good value proposition for its niche higher-end customers, and has been posting resilient sales numbers despite economic headwinds. Its loyal and sophisticated customer base with high fashion awareness helps mitigate macro risks.

Logistics firm Sinotrans falls into the industrial sector, but also benefits from consumer trends, with an increase in international e-commerce transportation leading to strong performance. Disruption in the Red Sea has also provided some support as air transportation freight rates have increased.

Portfolio Manager's Review continued

HollySys Automation Technologies, a firm engaged in industrial automation, was also among the largest contributors to positive returns in the year. The company is in the process of being taken private after a bid from a Hong Kong-based private equity group. We decided to exit the position following its share price strength prompted by the bid.

The portfolio does not have heavy exposure to Chinese auto makers, mostly on the back of competition concerns, but, as a global leader in the electric vehicle (EV) market, China offers many opportunities to participate in growth. Our two biggest detractors have exposure to the autos value chain. Hesai Group is a global leader in three-dimensional LiDAR (laser range determining) sensors, which are an important component in the development of autonomous vehicles. While Hesai's stock price suffered over the reporting period, and was the largest detractor to performance, we still see this as a structural growth opportunity over the long-term. Intron Technology's automotive electronic components are applied in new energy, body control, safety and power train systems. It detracted from performance amid a tough market environment, with a price war in auto parts putting pressure on margins.

Relative returns were also hurt by not holding state-owned banks, China Construction Bank and Bank of China. We preferred not to own these stocks given a poor outlook for their net interest margins, due to falling lending rates, weak loan growth and the potential impact on credit quality, if the government steps up policies to encourage more lending. The portfolio did include China Merchants Bank to mitigate this risk and for its consumer lending franchise.

Question

The expected recovery of the Chinese consumer has been somewhat disappointing. Could 2024 see a change in both consumer confidence and retail sales?

Answer

Consumer confidence has indeed been weak but there are reasons to anticipate an improvement. Bank deposits saw huge growth during COVID and household balance sheets are very strong, so there is spending power available, but people need confidence to unlock it. Deposit growth has slowed down more recently, which suggests a more optimistic outlook on spending. There has been a bifurcation in confidence, with the white-collar area suffering most, presumably hurt by bigger redundancies. In general, lower-end products have performed better. Job cuts by the big technology companies may now be largely behind us, and a slowly improving employment picture could bring back some confidence.

Consumer services have also outperformed consumer goods, for example in the growth of travel since the lifting of COVID restrictions. For now, we believe service-led consumption will continue to dominate the recovery in China. Recent data has shown that Chinese tourists spent more per trip now than the pre-pandemic era. Railway travel has doubled year-to-date, and air travel has almost tripled compared with 2023. Sectors such as Macau gaming, tourism and internet platforms related to services are well positioned to benefit. On the consumer goods side, the government has announced measures to encourage durable goods upgrades through subsidies or targeted credit support, such as lowering the down payment requirement for car purchases. We believe this should support increased industrial production and manufacturing opportunities.

Weakness in the property sector has clearly been a significant drag on overall economic growth, including the obvious impact on consumer sentiment. Although retail sales have been more volatile in the post-COVID period than previously, they continue on a broadly upward trend, indicating some resilience in the face of falling property sales. We feel confident that we will continue to see ongoing policy loosening to support the property sector.

Question

We are reading about challenges in the region with potential higher tariffs being explored in the US and Europe, along with other domestic challenges. How are you managing this risk, and does this bring with it opportunities?

Answer

With regard to US executive orders and sanctions, we are working closely with Fidelity International's legal and regulatory experts to understand the policy direction and potential policy response. In general, we believe that China would be keen to have better relations with the US, and the greater dialogue between Presidents Xi and Biden is encouraging. There is no denying, however, that strategic competition between the two countries is going to be a factor that will be with us for decades. The good thing is that the market is becoming more comfortable with this reality. China has been dealing with US tariffs for years, and companies are well aware of the prospect that they might be higher in the future. Former President Trump has even suggested raising import tariffs to 60%, although one has to think that stickier inflation in the US could mean it will be harder for the government there to implement hikes of this magnitude.

In terms of corporate-level geopolitical risk, it is something we look at on a stock by stock basis. For example, we try to incorporate sanction risks on companies with any significant technology exporting from China to the US into our analysis. In general, within our portfolio, revenue exposure to the US is limited and any risk would appear to be mostly priced in. While the video platform TikTok has again been in the headlines because of a new US bill that would require it to be sold off or risk being banned, it is important to remember that as a percentage of its parent company ByteDance's operations, TikTok is relatively small and also loss-making, whereas the domestic business is highly profitable and growing strongly. Meanwhile, the vast majority of companies are largely unaffected by such geopolitical concerns.

Question

How have you utilised the investment company structure this year? Has it been beneficial?

Answer

Our approach to managing the gearing of the Company mostly reflects the opportunity set that we see at any one time. Gearing will naturally be higher when that opportunity set is plentiful and vice versa. Given the significant swings in sentiment towards the China market, we tend to see better risk-reward prospects when sentiment is weak and valuations are lower. Gearing is primarily deployed using contracts for difference ("CFDs"), which are low-cost and represent a flexible way of increasing investment exposure. During the year, we repaid the fixed-term loan facility, and all gearing is currently via CFDs. However, this is something we continue to evaluate and may look to reinstate an element of fixed-term borrowing in the future if the terms are attractive.

We like to utilise all the tools the investment company structure gives us, with historically a working maximum net exposure of around 25% and a hard limit of 30% of gross assets. At the start of the period under review, net gearing was 21.1%, which rose over the following months, peaking at 25.5% by the end of August 2023 before falling slightly. At 31 March 2024, the portfolio's net market exposure was 120.8% (net gearing of 20.8%), which, while marginally lower than at the start of the period, is still a notable increase since late 2021, reflecting the compellingly attractive valuations of the Chinese market and, therefore, the relative appeal of greater levels of gearing to take advantage of opportunities on offer. It is not anticipated that net gearing will materially exceed 20% in the future, following a change of the Board's policy.

Because gearing increases market exposure, it magnifies returns in strong market conditions, but also acts as a drag in times of poor returns. As such, it was a negative contributor to relative performance in the period under review, detracting by 3.75 percentage points. Nevertheless, we continue to believe that the judicious use of gearing can be accretive to long-term capital and income returns, allowing us the opportunity to capitalise on the volatility in the Chinese market.

Question

Looking longer-term, what do you see as the drivers of returns for China equities?

Answer

At a basic level, returns will be driven by a Company's earnings and the multiple that the market is willing to put on those earnings. As mentioned, this multiple can swing significantly depending on sentiment, which is often influenced by factors such as geopolitics, which in many cases bear little influence on a company's earnings outlook. This is why we spend most of our efforts analysing company fundamentals, and looking to capitalise at times when these fundamentals are underappreciated.

While China's economy is forecast to slow from its current growth rate of around 5%, it is expected to remain one of the fastest growing major economies in the world. Its gradual shift towards consumption-driven growth, fuelled by an expanding middle class, rising incomes and technological innovation, provides a solid backdrop for companies to thrive.

However, China's financial markets in the shorter-term are often heavily influenced by geopolitics and macro decisions, which have been more of an issue in the last few years, amid one of the longest and harshest regulatory environments. Despite this, regulation trends are typically somewhat cyclical, and the government is now increasingly focused on economic growth.

What is often not appreciated is the level of change that is apparent on the ground, with winners emerging and innovation flourishing across sectors, reflecting companies' commitment to building a competitive edge. Coupled with trends such as rapid automation implementation driven by an aging population and the energy transition, this continues to create interesting investment opportunities. Consumer trends like experience-based spending, health consciousness and premiumisation continue to grow. There is also an increasing preference among Chinese consumers and corporates for Chinese brands and local suppliers, resulting in domestic companies taking ever greater market share in what remains one of the world's largest markets.

At the same time, and importantly, companies are increasingly rewarding shareholders through dividends and share buybacks, supported by recent government policy reforms and shareholders demands. This trend is particularly prominent in the financial sector, where state-owned enterprise companies have increased dividend payout ratios, while smaller financial companies have engaged in buybacks or boosted dividends.

Companies have started to recognise the potential value accretion when valuations are at extreme levels. Internet companies like Alibaba Group Holding and Tencent Holdings have been some of the most aggressive in hiking both dividends and buybacks. For many of these companies, we are seeing shares outstanding decline for the first time.

Portfolio Manager's Review continued

The Japanese equity market has been in the headlines in the past year as a similar focus on boosting shareholder returns has helped the main index to finally regain highs last seen more than 30 years ago. We have been closely monitoring Chinese companies' dividend payouts, buybacks and restricted share units (RSU) for many years and believe that across the board – be it state-owned or private companies, large or small-cap, utilities, internet stocks or consumer names – management teams are emphasising returns for minority shareholders.

In addition to this encouraging trend towards increasing shareholder value, the Chinese stock markets also offer earnings growth opportunities that compare well to other markets. However, there will be differences across sectors and companies, which underscores the importance of bottom-up stock selection. Identifying companies with good long-term growth prospects, that are cash generative and have strong management teams, remains key to constructing a resilient portfolio that compounds growth over the long-term.

Question

Which sectors are you particularly excited about?

Answer

We continue to find companies offering compelling long-term growth prospects within the industrial sector, driven by factors such as ongoing industry consolidation and the continued fast pace of innovation. China's share of global patent applications is approaching 50%, and companies are investing ever more into research and development (R&D), which over time should feed through into improved competitiveness, pricing power and returns on capital. This is clear in areas like robotics and the related supply chain. Fragmented industries like building materials, including paint, pipes and waterproofing, are poised for further consolidation, following the trajectory seen in more developed markets. Moreover, many businesses are also benefiting from the re-orientation of global supply chains and an increasing preference for local suppliers.

In emerging sectors such as EVs and renewable energy, we are finding opportunities among enablers in the EV value chain, particularly those providing key components and services, such as EV battery manufacturers or auto parts suppliers. Healthcare also presents opportunities, especially in areas with low penetration like medical devices. Chinese companies also now have the third-largest number of innovative drugs in development globally, and are fast catching up with Europe, which currently lies second behind the US.

In addition, despite macroeconomic challenges, many companies will continue to benefit from China's long-term shift from export and investment-led growth towards higher-quality growth driven by consumption. Urbanisation and a growing middle class are important factors underlying stronger consumer purchasing power, offering notable structural growth opportunities for under-penetrated products and services. Therefore, we are equally excited about long-term structural beneficiaries in the consumption space, with an abundance of investment opportunities given many companies have seen their valuations dragged down by weak overall market sentiment.

Question

You have just reached the milestone of 10 years managing the Trust. With strong NAV and share price comparative performance versus the Benchmark Index, outperforming by over 76% since your tenure, what has been the key to that success over the longer-term?

Answer

For me, the past 10 years has underlined how important it is for us to stay focused on company level fundamentals. We operate in a volatile market with significant swings in sentiment. Even through tough markets of the last few years, we have had huge winners driven by great market opportunities supported by great management execution.

Supporting this is the calibre of the team of people we have on the ground in China. Our analysts understand the DNA of companies; they have long-standing relationships with the companies they cover, and they understand the nuances of trends. The 'challenge' of stock price volatility is also the opportunity, and we are now finding many great companies trading at bargain valuations. As long as our earnings forecasts are accurate, we believe share prices will reflect the delivery of those growth opportunities in the long-term.

The main driver of the Company's performance has always been – and will always be – the individual stocks that we invest in, the ability to choose from the whole market cap spectrum, from tech giants through to entrepreneurial small and medium-sized companies, and even new businesses yet to launch on the stock market. This all-cap strategy allows me to unearth and invest in a multitude of stocks that play into the growth and development of the domestic consumer. While confidence remains weak, spending power is significant, and we see the ongoing emergence of strong domestic brands leveraging a deep understanding of the local consumer and operating environment.

Question

Environmental, social and governance ("ESG") themes are very topical among investors. How do you approach ESG, and can you outline specific examples where engagement has resulted in good outcomes for stakeholders?

Answer

Fidelity International integrates ESG factors into its investment process, with research analysts incorporating ESG into company assessments using proprietary Sustainability Rating and Climate Rating frameworks. We also actively engage with companies to improve their ESG practices.

Chinese companies have not historically performed well in third-party ESG assessments, but a great deal of this is about disclosure. If a company is not transparent about its supply chains or its emissions, then the market will tend to assume the worst. We have been working with the companies in our portfolio to improve their disclosures, and this is resulting in good progress on the governance front.

One such example through the review period was our engagement with Medlive Technology, one of the largest online physician platforms. The engagement focused on their cybersecurity and data privacy practices, which had been lacking in the past. We found that while the company places a strong emphasis on data systems and policies, this was not adequately reflected in their disclosures. Therefore, we recommended that the company improves its transparency for all stakeholders, strengthens cybersecurity privacy practices and increases engagements with rating agencies. Subsequently, Medlive took proactive steps, leading to enhanced cybersecurity, privacy management and disclosures. These efforts were recognised by rating agencies, contributing to an upgrade of the company's ESG rating. Additionally, Medlive established a board-level committee to oversee key areas of information and data security.

Other noteworthy progress included our multi-year engagement with leading Chinese sports equipment company ANTA Sports Products. We encouraged enhancements in sustainable supply chain management, an area that we identified as lagging global best practices. By explaining essential aspects of industry leading supply chain practices during our discussions, the company was open to suggestions and proactively made improvements and new commitments. For example, the company committed to further measures for improving labour supply chain management, workforce disclosure, publishing health and safety practices, and supporting suppliers in obtaining ISO/Bluesign certifications.

As discussed in the question above on the drivers of returns for China equities, better capital management is a key aspect of improving governance. We actively engaged with many of the companies we hold, and it is positive to see increased buyback and dividend activity across the whole market. For example, we encouraged wealth management firm Noah Holdings to improve its capital allocation, for which, in our view, returns have been held back by an over-capitalised balance sheet. Over the past year, the company has made some improvements, including the removal of dual share classes and the introduction of a (small) dividend. In its most recent earnings release, it announced a 50% payout ratio (which was at the top end of the newly announced policy), as well as an additional 50% special dividend payout.

Question

Finally, with the completion of the combining of assets with abrdn China Investment Company Limited (ACIC), how have you allocated these assets within the portfolio?

Answer

The transaction with ACIC was a real team effort and thank you to all involved. From a portfolio management perspective, I was involved in the transition of assets throughout the transaction process, making sure individual companies that I already owned or would own came across 'in-specie' and the residual cash from the ACIC portfolio was implemented into my best ideas. This cash was invested as soon as the transaction was completed.

The key benefits of the transaction for the Company were greater scale, an enhanced profile and increased liquidity. While we were already by some way the largest in our Association of Investment Companies (AIC) sector, the increased scale and liquidity should help to bring Fidelity China Special Situations PLC to the attention of more professional fund buyers, many of whom may not consider investing in a portfolio below £1 billion.

Dale Nicholls
Portfolio Manager
10 June 2024

Unlisted Investments

The Company can invest up to 15% of its Net Assets plus Borrowings in unlisted securities which carry on business, or have significant interests, in China. The limit is applied at the time of purchase.

The Directors believe that the ability to invest in unlisted securities is a differentiating factor for the Company and can be a source of additional investment performance. It allows the Portfolio Manager to take advantage of the growth trajectory of early-stage companies before they potentially become listed and this can offer good opportunities for patient and long-term investors.

In the reporting year, the following companies listed on the Hong Kong Stock Exchange: Beisen on 13 April 2023; Cutia Therapeutics on 12 June 2023; and Tuhu Car on 26 September 2023.

No new investments were made in unlisted securities in the reporting year.

At the year end, the Company had six unlisted investments valued at £151,212,000 being 12.8% of its Net Assets (2023: nine unlisted investments valued at £192,878,000 being 13.6% of Net Assets plus Borrowings).

Overview of the Unlisted Investments Valuation Process

Unlisted investments in the Company's portfolio are held at fair value, which is defined as the value that would be paid for a holding in an open-market transaction. The Manager's Fair Value Committee ("FVC"), which is independent of the Portfolio Manager, provides recommended fair values to the Directors.

Twice yearly, ahead of the Company's interim and its year end, the Company's Audit and Risk Committee receives a detailed presentation from the FVC, Fidelity's unlisted investments specialist and Kroll (independent third-party valuers), in order to satisfy itself that the unlisted investments are carried at an appropriate value in accordance with Accounting Policies Notes 2 (e) and (l) on pages 66 to 68 at the balance sheet date. The external Auditor attends the unlisted valuations meeting ahead of the Company's year end.

The work completed by the Audit and Risk Committee on the unlisted investments is set out in its report on page 52.

Workings of the Fair Value Committee

The valuation of each unlisted investment is set by the Manager's FVC and includes input from the analysts covering the securities, Fidelity's unlisted investments specialist and also advised upon by the independent third-party valuers, Kroll.

Kroll, as independent valuers, undertake a detailed review of each of the unlisted investments on a quarterly basis. The Board is provided with the quarterly updates from the FVC, which includes recommendations from the analysts' and Fidelity's unlisted investments specialist, enabling the Board to have oversight of and confidence in Fidelity's process. Outside of the normal quarterly cycle, the unlisted investments are monitored daily for trigger events such as funding rounds or news of fundamentals which may require the FVC to adjust the valuation price as soon as the Fidelity analyst has been consulted. In addition to this, the unlisted investments are monitored on a weekly basis within a comparable movement model. If the average movement of the selected proxies is +/-15%, a revaluation of the relevant investment is considered.

Value of Unlisted Investments

Private companies in China are staying private for longer, with their value increasing significantly in recent years. In 2015, there were 60 private companies valued at over $1 billion; in 2023 there were over 340, showing the growth in number of these private companies before they enter the public markets. The current split of unlisted investments is as follows:

Equity value at the time of investment	Company count	% of total unlisted
Micro (<$300 million) – Venturous Holdings	1	20%
Small ($300 million–$2 billion) – Chime Biologics	1	20%
Medium ($2 billion–$10 billion) – Pony.ai	1	20%
Large (>$10 billion) – DJI International & ByteDance	2	40%
Total	**5***	

* Shanghai Yiguo, the sixth unlisted investment in the Company's portfolio, is in liquidation and valued at nil.

Unlisted companies held in the Company's portfolio as at 31 March 2024.

DJI International

(Purchased: May 2018)

DJI International is the world's largest manufacturer of drones. Its platforms empower creators to capture images that were once out of reach. Its flying and camera stabilisation systems redefine camera placement and motion through a commitment to research and development and a focus on transforming complex technology into easy-to-use devices worldwide. Building on the ethos of "form follows function", DJI's products combine advanced technology with dynamic designs in industries such as filmmaking, agriculture, conservation, search and rescue, energy infrastructure. Its high-precision control modules are also widely applied to flying toys.

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 its best-known products are Douyin, TikTok, Toutiao, BuzzVideo and Vigo Video. With products available in over 150 markets, the company has offices in 126 cities and has more than 60,000 employees and 15 research and development centres around the globe.
The US has given ByteDance until January 2025 to sell its TikTok product or face a ban by citing a threat to national security. ByteDance has claimed that it would prefer to shut down TikTok if it exhausts all legal options to fight the ban.

Pony.ai

(Purchased: March 2020)

Founded in 2016, in Silicon Valley, Pony.ai has quickly become a global leader in autonomous mobility and is a pioneer in extending autonomous mobility technologies and services at a rapidly expanding footprint of sites around the world. Operating Robotaxi, Robotruck and Personally Owned Vehicle (POV) business units, Pony.ai is an industry leader in the commercialisation of autonomous driving. In 2022, Pony.ai became the first autonomous company to receive a licence to operate its self-driving taxis in China.

Venturous Holdings

(Purchased: December 2020)

Venturous Holdings' mission is to make cities smart – more liveable, sustainable and productive, contributing to the buildout of an All-Digital Urban Economy in China. Venturous' focus is the four 'must-have' areas of Smart Energy, Smart Buildings, Smart Computing and Smart City Management. It also provides strategic advice to CEOs and their management teams, which covers corporate architecture designs, strategies, market expansions, capital plans, business model expansions, partnerships and ecosystems.

Chime Biologics

(Purchased: March 2021)

Chime Biologics is a leading biologics Contract Development and Manufacturing Organization (CDMO) company. The company leverages its comprehensive capabilities and internationally recognised expertise to support its clients from early-stage biopharmaceutical development through to late-stage clinical and commercial manufacturing, catering to the needs of the biopharmaceutical industry.

Shanghai Yiguo, purchased in December 2016 as an unlisted company in the portfolio, has not performed as expected. It is in liquidation and valued at nil (2023: nil).

Spotlight on the Top 10 Holdings

as at 31 March 2024

Based on Asset Exposure expressed as a percentage of Net Assets. Asset Exposure comprises the value of direct equity investments plus market exposure to derivative instruments.

Industry Communication Services

Tencent Holdings

% of Net Assets 11.0%

Tencent Holdings has a dominant position in social networking in China and has enriched the user experience and benefits from a sizeable user base. As China's internet user growth slows down and the internet industry focuses increasingly on monetisation, Tencent is one of the best-positioned companies because of its very sticky user base and strong ecosystem which should lead to overall margin expansion. An improving government tone towards mobile gaming and an acceleration of new game approvals since early 2023 and strong domestic game pipelines should underpin growth in its gaming segment. Its increasing shareholder returns also underpin its long-term investment thesis.

Industry Financials

Ping An Insurance Company of China

% of Net Assets 3.9%

Ping An Insurance Company of China is a financial services holding company whose subsidiaries provide insurance, banking, asset management, and financial services. It has a strong presence in China, Hong Kong, and Macau, with expanding operations overseas. It has a robust structural growth outlook and, within the broader sector, its operations are of relatively better quality with the best distribution channels, earnings quality, and a strong management team. It trades at an attractive valuation in comparison to its historical averages and the broader index.

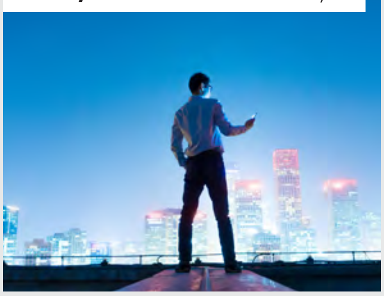
Industry Consumer Discretionary

Pony.ai (unlisted)

% of Net Assets 3.6%

Founded in 2016, in Silicon Valley, Pony.ai has quickly become a global leader in autonomous mobility and is a pioneer in extending autonomous mobility technologies and services at a rapidly expanding footprint of sites around the world. Operating Robotaxi, Robotruck and Personally Owned Vehicle (POV) business units, Pony.ai is an industry leader in the commercialisation of autonomous driving. In 2022, Pony.ai became the first autonomous company to receive a licence to operate its self-driving taxis in China.

Industry Consumer Discretionary



Alibaba Group Holding

% of Net Assets 3.5%

Alibaba Group Holding has a leading position in the e-commerce market. Its core e-commerce categories, including apparel and makeup, will stand to benefit from any recovery and consumption upgrades in China. Its new management team is focused on a clearer strategy by investing in technology and user experiences, including logistics, product return, and customer service. Its strategy to exit from non-core businesses, cut losses, and improve shareholder returns also underpins a strong growth outlook.

Industry Consumer Discretionary

PDD Holdings

% of Net Assets 3.5%

PDD Holdings is the third largest e-commerce platform by Gross Merchandise Value (GMV) in China, with outstanding efficiency in supply chain management and cost control. With its unique traffic distribution method, PDD is able to offer the cheapest version of products and continuously gains market share. The company is also expanding internationally to more than 50 countries via a new shopping app called Temu by leveraging domestic supply chains in order to meet offshore demand.

Industry Consumer Discretionary

Crystal International Group

% of Net Assets **2.7%**

Crystal International Group is a leading international clothing manufacturer. It delivers over 470 million pieces of apparel a year to the best-in-class apparel brands in the world, with a focus on offering the right product at the right time and at the right cost. Its Dongguan factory is advanced in automation and digitalisation after years of investment, which will also likely benefit its overseas factories. It has achieved fully local-for-local operations in China and its relationships with sportswear customers are getting stronger, supporting a robust growth outlook.

Industry Consumer Discretionary

Hisense Home Appliances Group

% of Net Assets **2.6%**

Hisense Home Appliances Group is principally engaged in the development, manufacture and distribution of home electric appliances. The company's main products include barrel washing machines, rotary drum washing machines, on-hook air conditioners, cabinet air conditioners, side-by-side combination refrigerators, multi-door refrigerators, computer refrigerators, and mechanical refrigerators, among others. It has good brand value across its assets (Hisense Hitachi is the second largest air conditioning brand in China; Hisense washer & fridge products are popular tier-2 brands) and is on track to gain market share and improve overall margins.

Industry Information Technology

DJI International (unlisted)

% of Net Assets **2.6%**

DJI International is the world's largest manufacturer of drones. Its platforms empower creators to capture images that were once out of reach. Its flying and camera stabilisation systems redefine camera placement and motion through a commitment to research and development and a focus on transforming complex technology into easy-to-use devices worldwide. Building on the ethos of "form follows function", DJI's products combine advanced technology with dynamic designs in industries such as filmmaking, agriculture, conservation, search and rescue, and energy infrastructure. Its high-precision control modules are also widely applied to flying toys.

Industry Consumer Staples

China Foods

% of Net Assets **2.4%**

China Foods is a beverage company engaged in the processing, bottling and distribution of sparkling beverage products, and the distribution of still beverage products. It has the franchise to produce and distribute Coca-Cola products in selected territories in China, giving them access to a globally recognised and popular brand portfolio.

Industry Manufacturing

Chime Biologics (unlisted)

% of Net Assets **2.3%**

Chime Biologics is a leading biologics Contract Development and Manufacturing Organization (CDMO) company. The company leverages its comprehensive capabilities and internationally recognised expertise to supports its clients from early-stage biopharmaceutical development through to late-stage clinical and commercial manufacturing, catering to the needs of the biopharmaceutical industry.

Forty Largest Holdings
as at 31 March 2024

The Asset Exposures shown below measure the exposure of the Company's portfolio to market price movements in the shares, equity linked notes and convertible bonds 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.

	Asset Exposure		Fair Value
	£'000	%[1]	£'000
Long Exposures – shares unless otherwise stated			
Tencent Holdings (shares and long CFDs) Internet, mobile and telecommunications service provider	128,967	11.0	76,892
Ping An Insurance Company of China (shares and long CFD) Provider of insurance, banking and investment products	46,017	3.9	12,977
Pony.ai (unlisted) Developer of artificial intelligence and autonomous driving technology solutions	42,805	3.6	42,805
Alibaba Group Holding e-commerce group	41,428	3.5	41,428
PDD Holdings (long CFD) e-commerce group	40,975	3.5	(3,740)
Crystal International Group Clothing manufacturer	31,842	2.7	31,842
Hisense Home Appliances Group Developer, manufacturer and distributor of household appliances	30,901	2.6	30,901
DJI International (unlisted) Manufacturer of drones	30,769	2.6	30,769
China Foods (shares and long CFDs) Processor and distributor of food and beverages	27,877	2.4	2,683
Chime Biologics Convertible Bond (unlisted) Contract Development and Manufacturing Organization	27,312	2.3	27,312
Venturous Holdings (unlisted) Investment company	25,602	2.2	25,602
ByteDance (unlisted) Technology company	24,724	2.1	24,724
Sinotrans (shares and long CFD) Logistics, storage and terminal services provider	23,369	2.0	13,776
China Life Insurance (shares and long CFDs) Insurance company	23,277	2.0	980
Luk Fook Holdings International (long CFD) Jewellery company	19,627	1.7	(1,147)
HUTCHMED China Biopharmaceutical company	18,387	1.6	18,387
NetEase (shares and long CFD) Internet technology company	18,139	1.5	12,767
Haitian International Holdings Manufacturer and distributor of plastic injection moulding machines	18,111	1.5	18,111
Lenovo Group (long CFDs) Multinational technology company	18,104	1.5	(296)
JD.com (shares and long CFDs) Online retailer	18,062	1.5	4,691

	Asset Exposure £'000	%[1]	Fair Value £'000
Meituan (shares and long CFDs) Shopping platform for locally found consumer products and retail services	17,868	1.5	7,947
Focus Media Information Technology (shares and equity linked notes) Advertising solution provider	17,086	1.5	17,086
China Oilfield Services (shares and equity linked notes) Oilfield services provider	16,943	1.4	16,943
Autohome Online portal for automobile buyers	16,490	1.4	16,490
Precision Tsugami (China) High precision machine tool manufacturer	15,395	1.3	15,395
Noah Holdings Wealth management company	14,882	1.3	14,882
China Merchants Bank Commercial bank	14,847	1.3	14,847
Full Truck Alliance (shares and long CFD) Online commercial freight platform	14,534	1.2	748
RS Technologies (long CFDs) Silicon wafer manufacturer	13,903	1.2	1,256
WH Group Meat and food processing company	13,829	1.2	13,829
Li-Ning Sportswear and sports equipment company	13,697	1.2	13,697
Qifu Technology (shares and long CFD) Credit-Tech services company	13,668	1.2	6,481
JNBY Design Designer and seller of fashion apparel and footwear	13,618	1.2	13,618
Kweichow Moutai Producer and distributor of alcoholic beverages	11,732	1.0	11,732
iQIYI (long CFD) Provider of online entertainment video services	11,632	1.0	192
China Hongqiao Group Producer of aluminium	11,590	1.0	11,590
Sinopec Kantons Holdings (shares and long CFD) Storage and logistics company in the crude oil, petroleum and petrochemical industry	11,555	1.0	4,660
Qingdao Port International Provider of port services	11,180	0.9	11,180
ANTA Sports Products Sportswear company	10,974	0.9	10,974
Haier Smart Home Manufacturer and distributor of household electrical appliances	10,903	0.9	10,903
Forty largest long exposures (2023: 83.9%)	**932,621**	**79.3**	**625,914**
Other long exposures (2023: 53.5%)	641,881	54.6	531,868
Total long exposures before hedges (149 companies)	**1,574,502**	**133.9**	**1,157,782**

Forty Largest Holdings continued

	Asset Exposure £'000	%[1]	Fair Value £'000
Less: hedging exposures			
Hang Seng Index (futures)	(94,883)	(8.1)	(192)
Hang Seng China Enterprises Index (futures)	(43,519)	(3.7)	(283)
Total hedging exposures	**(138,402)**	**(11.8)**	**(475)**
Total long exposures after the netting of hedges	**1,436,100**	**122.1**	**1,157,307**
Short exposures			
Short CFDs (3 holdings)	14,766	1.3	(1,246)
Gross Asset Exposure[2]	**1,450,866**	**123.4**	
Portfolio Fair Value[3]			**1,156,061**
Net current assets (excluding derivative instruments)			**19,953**
Net Assets			**1,176,014**

1 Asset Exposure expressed as a percentage of Net Assets.
2 Gross Asset Exposure comprises market exposure to investments of £1,162,265,000 plus market exposure to derivative instruments of £288,601,000.
3 Portfolio Fair Value comprises investments of £1,162,265,000 plus derivative assets of £7,103,000 less derivative liabilities of £13,307,000.

A full list of the Company's holdings as at 31 March 2024 will be available on the Company's website at **www.fidelity.co.uk/china** from the day of the posting of this Annual Report.

Distribution of the Portfolio

as at 31 March 2024

Sector	Asset Exposure %[1]	Benchmark Index %
Consumer Discretionary	40.0	29.6
Communication Services	21.3	20.8
Financials	17.6	16.5
Industrials	17.4	5.2
Healthcare	11.0	4.5
Consumer Staples	10.2	5.2
Information Technology	7.5	6.1
Materials	3.9	3.5
Energy	3.1	3.8
Real Estate	2.5	2.2
Utilities	0.7	2.6
Total excluding hedging	**135.2**	**100.0**
Hedging	(11.8)	–
Total including hedging	**123.4**	**100.0**
Share Type		
Listed in Hong Kong	43.4	46.2
Listed in US	21.3	8.1
China 'H' Shares	18.1	23.9
Unlisted	12.8	–
Red Chips	12.2	4.5
China 'A' Shares	10.1	17.0
Listed in Japan	2.4	–
Listed in UK	1.5	–
Listed in Germany	0.9	–
Listed in Taiwan	0.7	–
China 'B' Shares	–	0.3
Total	**123.4**	**100.0**
Size of Company (Market Cap)		
Large – above £5bn	48.1	87.7
Medium – between £1bn – £5bn	28.5	12.2
Small – below £1bn	34.0	0.1
Unlisted	12.8	–
Total	**123.4**	**100.0**

1 Asset Exposure expressed as a percentage of Net Assets.

Attribution Analysis
as at 31 March 2024

Analysis of NAV total return for the year ended 31 March 2024	**%**
Impact of:	
MSCI China Index (in Hong Kong dollar terms)	-17.3
Stock Selection (in Hong Kong dollar terms)	+11.3
Gearing (in Hong Kong dollar terms)	-7.9
Currency translation into sterling	-1.4
Share Repurchases	+0.1
Other Costs	-1.0
Cash	-0.1
NAV total return for the year ended 31 March 2024	-16.3

Ten Highest Contributors to NAV total return	**%**
Hisense Home Appliances Group	+1.5
PDD Holdings	+1.4
BC Technology Group	+1.3
GNI Group	+1.1
Sinotrans	+0.9
Hollysys Automation Technology	+0.8
Sharkninja Hong Kong	+0.8
Crystal International Group	+0.5
JNBY Design	+0.5
Shanghai Kelai Mechatronics Engineering	+0.3

Ten Highest Detractors to NAV total return	**%**
Tencent Holdings	-2.5
Alibaba Group Holding	-1.7
Ping An Insurance Company of China	-0.9
Hesai Group	-0.9
Intron Technology Holdings	-0.8
China Tourism Group Duty Free	-0.7
Tuhu Car (unlisted)	-0.7
Lufax Holding	-0.7
WuXi AppTec	-0.6
Peijia Medical	-0.6

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

Ten Year Record

For the year ended 31 March	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Investment Performance										
Net Asset Value per Share total return (%)[1]	**-16.3**	+2.6	-34.9	+81.9	-5.9	-5.3	+22.2	+38.8	+0.0	+45.3
Share Price total return (%)[1]	**-16.4**	+0.3	-39.2	+97.2	-6.5	-0.3	+23.6	+45.8	-4.5	+39.9
MSCI China Index total return (in UK sterling terms) (%)	**-18.8**	+1.4	-29.3	+29.1	-1.0	+0.9	+23.8	+37.6	-16.2	+39.3
Assets										
Gross Asset Exposure (£m)	**1,450.9**	1,659.1	1,765.6	2,754.9	1,594.2	1,767.1	1,806.6	1,586.9	1,155.3	1,189.1
Net Assets (£m)	**1,176.0**	1,338.4	1,400.6	2,183.0	1,273.0	1,401.6	1,502.9	1,243.8	908.5	944.1
Gross Gearing (%)[1]	**23.4**	23.9	26.1	26.2	25.2	26.1	20.2	27.6	27.2	25.9
Net Gearing (%)[1]	**20.8**	21.1	23.5	18.4	23.2	20.9	14.2	22.4	27.2	21.1
Net Asset Value per Share (pence)[1]	**223.71**	274.08	272.52	423.50	236.27	255.03	272.55	225.36	164.18	165.27
Share Price data at year end										
Share Price (pence)	**201.00**	247.50	252.00	419.00	216.00	235.00	239.00	195.70	136.00	143.60
Discount (%)[1]	**10.2**	9.7	7.5	1.1	8.6	7.9	12.3	13.2	17.2	13.1
Earnings and Dividends paid										
Revenue Earnings per Share (pence)[1]	**5.78**	7.05	6.42	4.70	4.51	4.06	3.80	2.92	2.07	1.41
Capital (Loss)/Earnings per Share (pence)[1]	**(50.18)**	(2.42)	(152.81)	186.11	(19.67)	(18.21)	45.86	60.01	(2.24)	50.17
Total (Loss)/Earnings per Share (pence)[1]	**(44.40)**	4.63	(146.39)	190.81	(15.16)	(14.15)	49.66	62.93	(0.17)	51.58
Dividend per Share (pence)	**6.40**	6.25	5.50	4.68	4.25	3.85	3.50	2.50	1.80	1.30
Ongoing Charges Ratio										
Ongoing Charges Ratio (excluding variable element of the management fee) (%)[1]	**0.98**	0.98	0.94	0.97	0.99	1.02	1.11	1.16	1.20	1.29
Variable Management Fee	**0.15**	0.20	0.20	0.12	(0.20)	(0.09)	0.00	n/a	n/a	n/a
Ongoing Charges Ratio (including variable management fee)[1]	**1.13**	1.18	1.14	1.09	0.79	0.93	1.11	1.16	1.20	1.29

1 Alternative Performance Measures.

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

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 11 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.

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

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

Strategy
In order to achieve the investment 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.

As part of the strategy, the Board has delegated the management of the portfolio and certain other services to the Manager (FIL Investment Services (UK) Limited). The Manager delegates the investment management to FIL Investment Management (Hong Kong) Limited and the company secretariat function to FIL Investments International. 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 strategy and principal activity have remained unchanged throughout the year ended 31 March 2024.

Investment Management Philosophy, Style and Process
The Portfolio Manager makes full use of Fidelity International'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 may invest in companies listed in China and Chinese companies listed elsewhere. He may also invest in companies with significant interests in China. The Company is also able to invest up to 15% of its Net Assets plus Borrowings in unlisted companies with a view to their Initial Public Offering, thereby providing investors in the Company with very wide-ranging investment opportunities in China.

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

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

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

Unlisted Investments
The Company is able to invest up to 15% of Net Assets plus Borrowings in unlisted securities which carry on business, or have significant interests, in China.

As at 31 March 2024, the Company held six (2023: nine) unlisted investments with a fair value of £151,212,000 (2023: £192,878,000) representing 12.8% of Net Assets (2023: 13.6% of Net Assets plus Borrowings).

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 Net Assets plus Borrowings.

As at 31 March 2024, the Company's exposure to short derivative instruments represented 13.5% of Net Assets (2023: 14.1% of Net Assets plus Borrowings).

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 Net Assets plus Borrowings. Derivative exposures are included after the netting off of off-setting positions and allowing for any collateral placed by the counterparty with the Company.

As at 31 March 2024, the Company's largest exposure to any single counterparty from all derivative activities was 0.2% of Net Assets (2023: 0.3% of Net Assets plus Borrowings).

Investment in other Listed Investment Companies
The Company may invest no more than 10%, in aggregate, of its Net Assets plus Borrowings at the time of acquisition in other listed investment companies (including listed investment trusts), but this restriction 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 Net Assets plus Borrowings in other listed investment companies (including listed investment trusts).

As at 31 March 2024, the Company held no investments in other listed investment companies (2023: 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. The Board has requested that, in the future, the Portfolio Manager limits net gearing to 20% of Net Assets.

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 2024, Gross Asset Exposure in excess of Net Assets was 23.4% (2023: 23.9%).

As at the year end, the Company did not have any loan facilities.

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.

Performance
The Company's performance for the year ended 31 March 2024, including a summary of the year's activities, and details on trends and factors that may impact future performance, are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 11. The Forty Largest Holdings, the Distribution of the Portfolio, the Attribution Analysis and the Ten Year Record are on pages 16 to 21.

Results and Dividends
The Company's results for the year ended 31 March 2024 are set out in the Income Statement on page 61. The revenue earnings per share was 5.78 pence and the capital loss per share was 50.18 pence, giving a total loss of 44.40 pence per share.

Under Section 1159 of the Corporation Tax Act 2010, the Company is not able to retain more than 15% of its net income in any reporting year to qualify as an investment company. The Directors recommend that a final dividend of 6.40 pence (2023: 6.25 pence) per ordinary share be paid on 31 July 2024 to shareholders who appear on the register as at close of business on 21 June 2024 (ex-dividend date 20 June 2024).

Key Performance Indicators
The Board's intention is for the NAV and share price to outperform the Benchmark Index over the longer-term and that the discount should be maintained in single digits in normal market conditions. It regularly considers the costs of running the Company with the aim of keeping the Ongoing Charges Ratio as low as possible. The Board 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 2024 %	Year ended 31 March 2023 %
Net Asset Value per Share total return[1]	**-16.3**	+2.6
Share Price total return[1]	**-16.4**	+0.3
MSCI China Index total return	**-18.8**	+1.4
Discount to Net Asset Value[1]	**10.2**	9.7
Ongoing Charges Ratio[1]	**0.98**	0.98

1 Alternative Performance Measures. See pages 92 and 93.

Strategic Report continued

The Board also monitors the factors contributing to investment results, as set out in the NAV Attribution Analysis table on page 20. Long-term performance is also monitored and is set out in the Ten Year Record on page 21.

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 continues 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 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.

Climate change, which refers to a large scale shift in the planet's weather patterns and average temperatures, continues to be a key emerging as well as a principal risk confronting asset managers and their investors. Globally, climate change effects are already being experienced in the form of changing weather patterns. Extreme weather events can potentially impact the operations of investee companies, their supply chains and their customers. The Board notes that the Manager has integrated ESG considerations, including climate change, into the Company's investment process. Further details are on pages 33 to 35. The Board will continue to monitor how this may impact the Company as a risk to investment valuations and potentially shareholder returns.

Other emerging risks may continue to evolve from unforeseen geopolitical and economic events.

The Board, together with the Manager, is also monitoring the emerging risks posed by the rapid advancement of artificial intelligence ("AI") and technology and how it may threaten the Company's activities and its potential impact on the portfolio and investee companies. Although advances in computing power mean that AI is a powerful tool that will impact society, there are risks from its increasing use and manipulation with the potential to harm, including a heightened threat to cybersecurity.

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

The Board considers the risks listed on pages 25 to 29 as the principal risks and uncertainties faced by the Company.

Principal Risks	Risk Description and Impact	Risk Mitigation	Trend
Geopolitical Risk	• Impact on the value of investments and the Manager's ability to access markets freely. • Continuing political and trade tensions between China and the US, e.g. trade sanctions. • Challenging regulatory environment hindering foreign investment, including US Executive Orders prohibiting transactions by US persons in certain publicly traded Chinese companies. • The ongoing Ukraine/Russia conflict remains a driver of uncertainty impacting the global geopolitical landscape, consumer spending and industrial activity with the potential for increased energy costs, rising food prices and currency instability. • The escalation of the Middle East conflict has added another source of geopolitical risks and economic instability, elevating oil supply concerns and driving prices upwards. China is a major trading partner with countries in the region and any disruption in trade may have an impact on exports/imports and the shipping sector. • A South China Sea dispute could have a negative impact on Chinese companies, including reduced access to global markets and technology, potential sanctions and retaliatory measures and possible weakening of investment and confidence in Chinese companies. • Implications of tensions in the Taiwan Strait region for China include potential military conflict and increased tensions over trade and economic issues over competing territorial claims.	• The Board receives insights and information, including research notes, from the Manager and independent sources on a regular basis. • The portfolio is tilted to domestic Chinese markets. • The Board receives and reviews reports from the Portfolio Manager on a regular basis. • Major adverse market events are stress-tested for operational resilience and financial impact.	**Increasing**

Strategic Report continued

Principal Risks	Risk Description and Impact	Risk Mitigation	Trend
Market and Economic Risks (including Currency Risk)	• Whilst China's outlook for "controlled stabilisation" is supported by targeted policy measures, the property sector is a source of increased uncertainty. Growth in consumption remains subdued. • The momentum from the growth in size and wealth of the middle class depends on China's ability to generate sustained productivity gains. • China's economy is vulnerable to uncertain world growth prospects, tightening in global financial conditions, energy costs, rising food prices, currency instability and challenging regulatory environment. • China faces several economic headwinds, including an aging population, environmental pollution, isolation of the financial system and debt concerns in its corporate and local government sectors. • China's economy is vulnerable to uncertain world growth prospects, tightening in global financial conditions, energy costs, rising food prices and currency instability. • The ability of China's centralised government system to enact regulation rapidly can adversely affect sectors or individual companies and as a result affect their stock market prices negatively. • The currency in which the Company reports its results is sterling and its ordinary shares trade in sterling, whilst the underlying investments are in different currencies. The Company does not hedge currencies.	• Growth may still exceed economic targets as the stable policy setting may help restore private sector confidence after a policy-induced slowdown in the prior year. • The Portfolio Manager and the Manager's ability to understand and predict events in China. Independent risk management insight is provided on a regular basis. • The Company holds a diversified portfolio emphasising sectors of strategic importance to China. • Current projections are for China's GDP to continue to grow at above the global average.	**Stable**
Investment Performance Risk (including Gearing Risk)	• The Portfolio Manager may fail to outperform the Benchmark Index and peers over the longer-term. • High gearing levels in a falling market accentuates share price weakness. NAV performance can be affected by selling stock in a falling market to keep the gearing level within pre-agreed limits.	• An investment strategy overseen by the Board to optimise returns from investing in China. • Diversification of investments through investment restrictions and guidelines which are monitored and reported upon by the Investment Manager. • A well-resourced team of experienced analysts covering the market. • Board scrutiny of the Manager and the ability in extreme circumstances to change the Manager. • Limit on gearing and oversight of the Manager's use of gearing by the Board.	**Stable**

Principal Risks	Risk Description and Impact	Risk Mitigation	Trend
Discount Management Risk	• The Board may fail to implement its discount management policy successfully to keep the level of the discount in single digits and in the face of heavy selling pressure, may exhaust its authorised buyback facility. The impact of excessive market volatility on the Company's NAV may also lead to a widening of the discount. • If investor perception towards China is negative, then the shares in the Company may trade at an increasing discount to its underlying NAV.	• The Company's discount management policy is aimed at keeping the discount in single digits during normal market conditions. • Continuing scrutiny by the Board, the Manager and the Company's Broker within parameters set. • Maintaining a reputation for standing in the marketplace when required in order to keep the discount in single digits. • Maintaining close communications with major shareholders.	**Stable**
Unlisted Securities Risk	• Valuations of unlisted securities may be adversely affected by market conditions. • Initial public offering (IPO) of the unlisted companies may face delays leading to longer holding periods. • Potential for less stringent standards of governance compared with those of listed entities. • The valuation of unlisted shares relies on third-party judgements.	• The Company has set a limit on the level of investments in unlisted companies and the Manager has a track record of identifying profitable opportunities. • The Board's Audit and Risk Committee scrutinises the carrying value of unlisted investments, and this is supported by the Manager, Fidelity's unlisted investments specialist and an external advisor.	**Stable**
Climate Change Risk	• Impact on investment valuations, business operations, the supply chain of investee companies and shareholder expectations. • China's climate change credentials are likely to be less favourable when compared to similar economies in developed western markets. • Reputational impact may arise by being invested in a company with poor climate change performance.	• The Board is provided with insights and reports by the investment management team. • Fidelity uses a proprietary climate rating designed to complement broader sustainability ratings and is considered in the investment process where appropriate. • Fidelity's climate rating analyses companies in three core areas - net zero target alignment, climate governance and capital allocation to the transition - which are in line with the guidance from the Task Force on Climate-related Financial Disclosures (TCFD) and the Institutional Investors Group on Climate Change (IIGCC).	**Stable**

Strategic Report continued

Principal Risks	Risk Description and Impact	Risk Mitigation	Trend
Environmental, Social and Governance ("ESG") Risk	• Investor expectations and/or regulatory requirements related to ESG factors of the underlying investee companies and the portfolio are not perceived to be met. • Reputational damage to the Company may arise from perception in the marketplace.	• Whilst the investment portfolio does not target or employ any set limit on ESG investments, the Manager is expected to engage with companies where sustainability issues arise. • Fidelity carries out ESG considerations at the fundamental research level. • The Portfolio Manager and analysts carry out additional quantitative and qualitative analysis of potential investments to form a view on ESG characteristics of every investee company. • The Manager has developed an ESG investment risk oversight framework to reinforce its Investment Risk Policy to set minimum controls.	**Stable**
Key Person Risk	• Loss of the Portfolio Manager or other key individuals could lead to potential performance and/or operational issues.	• The Manager has succession plans for key dependencies. • The depth of the team within Fidelity. • The experience of the analysts covering China.	**Stable**
Cybercrime and Information Security Risks	• Cybersecurity risk from cyberattacks or threats to the functioning of global markets and to the Manager's own business model, including its and the Company's outsourced suppliers. • Risk of cybercrime such as phishing, remote access threats, extortion and denial-of-services attacks from geopolitically motivated attacks.	• The risk is monitored by the Board with the help of the Manager's global cybersecurity team and their extensive Strategic Cyber and Information Security program and assurances from outsourced suppliers. • Key performance indicators and metrics have been developed by the Manager to monitor the overall efficacy of cybersecurity processes and controls and to further enhance the Manager's cybersecurity strategy and operational resilience.	**Stable**
Business Continuity Risk	• Business process disruption risk from continued threats of cyberattacks, geopolitical threats and natural events, such as earthquakes, resulting in financial and/or reputational impact to the Company affecting the functioning of the business.	• Fidelity has Business Continuity and Crisis Management Frameworks in place to deal with business disruption and assure operational resilience.	**Stable**

Principal Risks	Risk Description and Impact	Risk Mitigation	Trend
Operational Risk	• Financial losses or reputational damage from inadequate or failed internal processes, people and systems or from external parties and events.	• Fidelity's Operational Risk Management Framework is designed to pro-actively prevent, identify and manage operational risks inherent in most activities. • Fidelity uses robust systems and procedures dedicated to its operational processes. Its risk management structure is designed according to the FCA's three lines of defence model.	**Decreasing**
Variable Interest Entity Structures Risk	• The Company's exposure to a number of companies with all or part of their businesses in Variable Interest Entities ("VIEs") is expected to remain significant. The ability of overseas investors to invest in VIEs could be amended. • Regulatory risk from the China Security Regulatory Commission ("CSCR") guidelines that companies with VIE structures require CSCR approval to list overseas and are required to comply with Chinese laws.	• Whilst it is not expected that China will change the rules to the extent that it will ban foreign investment, this risk is closely monitored.	**Stable**

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.

Third-Party 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 level of gearing;
- The Company's NAV and share price performance compared to its Benchmark Index;
- The principal and emerging risks and uncertainties facing the Company and their potential impact, as set out on page 24 to above;
- 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;

Strategic Report continued

- Future income and expenditure forecasts; and
- Introduction of a continuation vote with effect from 2029 and every five years thereafter.

The Company's performance for the five year reporting period to 31 March 2024 was a NAV total return of -4.3% and a share price total return of -5.9%, both outperforming the Benchmark Index total return of -25.6%. 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 Manager's compliance with the Company's investment objective and policy, its investment strategy and asset allocation;
- The portfolio comprises sufficient readily realisable securities which can be sold to meet funding requirements if necessary; and
- The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company's total assets.

In preparing the Financial Statements, the Directors have considered the impact of climate change as detailed on page 24. The Board has also considered the impact of regulatory changes, continuing tensions between the US and China, and China and Taiwan, unforeseen market events and also the ongoing global implications of the Russia and Ukraine war and the Middle East conflict, and how this may affect the Company.

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 37.

PROMOTING THE SUCCESS OF THE COMPANY

Under Section 172(1) of the Companies Act 2006, the Directors of a company must act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decision in the long-term; the need to foster relationships with the Company's suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

As an externally managed Investment Trust, the Company has no employees or physical assets, and a number of the Company's functions are outsourced to third parties. The key outsourced function is the provision of investment management services by the Manager, but other professional service providers support the Company by providing administration, custodial, banking and audit services. The Board considers the Company's key stakeholders to be the existing and potential shareholders, the externally appointed Manager (FIL Investment Services (UK) Limited) and other third-party professional service providers. The Board considers that the interest of these stakeholders is aligned with the Company's objective of delivering long-term capital growth to investors, in line with the Company's stated objective and strategy, while providing the highest standards of legal, regulatory and commercial conduct.

The Board, with the Portfolio Manager, sets the 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 use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored and reviewed and are set out on pages 22 and 23.

The Board receives regular reports from the Company's Broker which covers market activity, how the Company compares with its peers in the China sector on performance, discount and share repurchase activity, an analysis of the Company's share register and market trends.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and the Portfolio Manager to present to the shareholders on the Company's performance and future plans and the Board encourages all shareholders to attend in person or virtually and raise any questions or concerns. The Chairman and other Board members are available to meet shareholders as appropriate. Shareholders may also communicate with Board members at any time by writing to them at the Company's registered office at FIL Investments International, Beech Gate, Millfield Lane, Tadworth, Surrey KT20 6RP or via the Company Secretary at the same address or by email at **investmenttrusts@fil.com**.

The Portfolio Manager meets with major shareholders, potential investors, stock market analysts, journalists and other commentators throughout the year. These communication opportunities help inform the Board in considering how best to promote the success of the Company over the long-term.

The Board seeks to engage with the Manager and other service providers and advisers in a constructive and collaborative way, promoting a culture of strong governance, while encouraging open and constructive debate, in order to ensure appropriate and regular challenge and evaluation. This aims to enhance service levels and strengthen relationships with service providers, with a view to ensuring shareholders' interests are best served, by maintaining the highest standards of commercial conduct while keeping cost levels competitive.

Whilst the Company's direct operations are limited, the Board recognises the importance of considering the impact of the Company's investment strategy on the wider community and environment. The Board believes that a proper consideration of ESG issues aligns with the Company's investment objective to deliver long-term growth in both capital and income, and the Board's review of the Manager includes an assessment of their ESG approach, which is set out on pages 33 to 35.

In addition to ensuring that the Company's investment objective was being pursued, key decisions and actions taken by the Directors during the reporting year, and up to the date of this report, have included:

- The decision to combine assets with abrdn China Investment Company Limited on 14 March 2024 (see further details in the Chairman's Statement on page 2 and also on page 65);
- The decision to introduce a continuation vote with effect from 2029 and every five years thereafter;
- The decision to hold a hybrid AGM in 2023 (and again this year) in order to make the AGM more accessible and improve the shareholder experience;
- Authorising the repurchase of 2,900,696 shares into Treasury and 18,749,495 shares for cancellation in the reporting year when the Company's discount widened, in line with the Board's intention that the ordinary share price should trade at a level close to the underlying NAV. Since the year ended 31 March 2024 and up to the latest practicable date of this report, a further 2,696,249 shares have been repurchased;
- The decision not to renew the Company's credit facility for US$100,000,000 and to use contracts for difference for gearing purposes as they are generally a cheaper finance option and offer more flexibility;
- Following discussions with the Manager, the reduction in the first tier of the management fee from 0.90% to 0.85% with effect from 1 July 2023, and from 14 March 2024, the reduction of the second tier management fee from 0.70% to 0.65% for Net Assets over £1.5 billion;
- The decision to carry out an external Board evaluation using the services of Lintstock Ltd in accordance with the UK Corporate Governance Code; and
- The decision to pay a final dividend of 6.40 pence per ordinary share.

Board Diversity
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. Due regard will be given to the benefit of diversity on the Board, including gender and ethnicity.

The Board has taken into consideration the new FCA's Listing Rules requirements (LR 9.8.6R(9), (10) and (11)) regarding the targets on board diversity that:

- at least 40% of individuals on the Board are women;
- at least one senior Board position (chairman, chief executive officer ("CEO"), senior independent director or chief financial officer ("CFO")) is held by a woman; and
- at least one board member should be from a non-white ethnic background, as defined by the Office of National Statistics criteria.

The Board considers that as an externally managed investment trust, with no CEO or CFO, the Chairman of the Company, the Senior Independent Director and Chairman of the Audit and Risk Committee to be senior positions.

As required by the FCA Listing Rules, the Company's reporting against these targets is set out in the tables below. The data was collected on a self-identifying basis. As at 31 March 2024, the target of at least one senior Board position held by a woman and for at least one individual to be from a minority ethnic background had been met. The target of 40% of women on the Board has not been met in the reporting year due to Board changes, but as part of the Board's succession planning, the Board fully intends to meet this target. After consultation with some major shareholders, it was agreed that this will be addressed when there is a natural change to the existing Board.

Gender Reporting

	Number of Board Members	Percentage of the Board	Number of Senior Board Positions (Chair, Senior Independent Director and Committee Chairs)
Men	4	67%	2
Women	2	33%	1

Ethnic Background Reporting

	Number of Board Members	Percentage of the Board	Number of Senior Board Positions (Chair, Senior Independent Director and Committee Chairs)
White British or other White (including minority white groups)	5	83%	3
Asian/Asian British	1	17%	0

Strategic Report continued

CORPORATE AND SOCIAL RESPONSIBILITY

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

The Board has contracted with the Manager to provide the Company with investment management and administrative services. The Board believes that ESG considerations are an important input into the assessment of the value of its investments. The investment universe is undergoing significant structural change and is likely to be impacted by increasing regulation as a result of climate change and other social and governance factors. The Board is committed to reviewing how the Manager applies ESG factors in the investment process. The Fidelity group of companies (including the Manager and Investment Manager) sets out its commitment to responsible investing and provides a copy of its detailed Responsible Investing at **www.fidelity.co.uk/responsible-investing**. Further information on Fidelity International's approach to ESG in the investment process and sustainable investing can be found on pages 33 to 35 and is part of this Strategic Report.

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 Manager who updates the Board on any issues and activities. These activities are reviewed regularly by the Manager's corporate governance team.

Streamlined Energy and Carbon Reporting (SECR)

As an investment company with all its activities outsourced to third parties, the Company's own direct environmental impact is minimal. The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. The Company is categorised as a low energy user (less than 40MWH) under the Streamlined Energy & Carbon Reporting regulations and therefore is not required to disclose any energy and carbon information in this Annual Report.

Task Force on Climate-Related Financial Disclosures (TCFD)

The Manager's product level disclosure consistent with the Task Force on Climate-Related Financial Disclosures (TCFD) can be found on the Company's pages of the Manager's website at **https://investment-trusts.fidelity.co.uk**.

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 11.

On behalf of the Board

Mike Balfour
Chairman
10 June 2024

ESG in the Investment Process at Fidelity International

Fidelity International ("Fidelity") has embedded Environmental, Social and Governance ("ESG") factors in its investment decision making for a number of years. 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. As a founding signatory to the Net Zero Asset Managers Initiative, Fidelity has committed to halving the carbon footprint of its investment portfolios by 2030, from a 2020 baseline, starting with equity and corporate bond holdings; and to reach net zero for holdings by 2050.

ESG integration at Fidelity is carried out at the fundamental research analyst level within its investment teams, primarily through the implementation of the Fidelity Proprietary Sustainability Rating. This rating was established in 2019 and is designed to generate a forward-looking and holistic assessment of a company's ESG risks and opportunities, based on sector specific key performance indicators across 127 individual and unique sub-sectors. A breakdown of the ratings of the companies in the portfolio using MSCI and Fidelity's own proprietary ratings is on page 35. In addition, Fidelity's portfolio managers are also active in analysing the effects of ESG factors when making investment decisions. ESG analysis complements financial analysis to provide a complete view of every company that is researched and monitored.

Fidelity's approach to integrating ESG factors into its investment analysis includes the following activities:

- In-depth research.
- Company engagement.
- Active ownership.
- Collaboration within the investment industry.

In addition to Fidelity's Sustainability Ratings, Fidelity has developed a proprietary Climate Rating, which is an important part of its plans to reach net zero emissions across its portfolios. It utilises its fundamental research capabilities to identify climate related risks, net zero investments and targets for transition engagement within the Fidelity investment universe. It assesses which companies are in the best position to transition to net zero or have a positive trajectory towards transition. The Climate Rating is designed to complement the broader Sustainability Ratings, which score companies across a range of environmental, social and governance criteria.

Although Fidelity's analysts have overall responsibility for analysing the environmental, social and governance performance of the companies in which it invests, it has a dedicated Sustainable Investing Team working closely with the investment teams and responsible for consolidating Fidelity's approach to stewardship, engagement, including thematic engagement, ESG integration and the exercise of its votes at general meetings.

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

- Implementing Fidelity's proxy voting guidelines.
- Engagement with investee companies on ESG issues, utilising Fidelity's corporate access research capabilities and investment scale to improve corporate behaviour, including at company meetings.
- Working closely with the investment team globally across all asset classes in integrating ESG into analysis and decision-making.
- Providing internal ESG reporting including analyst reports, portfolio manager reviews and industry analysis.
- Co-ordinating and responding to specific client queries on ESG topics.
- Publishing client reporting on ESG integration and proxy voting.
- Maintaining a thorough understanding of current ESG themes and trends around the world.
- Attending external seminars and conferences focusing on trending ESG issues and ESG integration.
- Providing ESG training to the investment team and across the business.

Fidelity follows its sustainable investing voting principles and guidelines. These seek to provide a clear overview of Fidelity's voting approach, promote improved corporate behaviours and reduce risk, include environmental and social factors, increase clarity of votes to issuers and clients and meet current market best practices and stewardship expectations. Examples of the policy include voting against companies not meeting key criteria on climate change and against management in developed markets with less than 30% female representation at board level.

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 visit the companies in person to develop a view of every company in which Fidelity invests. 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 include:

- Corporate governance (e.g. Board structure, executive remuneration).
- Shareholder rights (e.g. election of directors, capital amendments).
- Changes to regulation (e.g. greenhouse gas emissions restrictions, governance codes).

ESG in the Investment Process at Fidelity International continued

- Physical threats (e.g. extreme weather, climate change, water shortages).
- Brand and reputational issues (e.g. poor health and safety record, cyber security breaches).
- Supply chain management (e.g. increase in fatalities, lost time injury rates, labour relations).
- 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 themes, topics and strategies and attendance at 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 re-search 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.

The ESG ratings and associated company reports are included on Fidelity's centralised research management system. This is an integrated desktop database, so that each analyst has a first-hand view of how each company under their coverage is rated according to ESG factors. In addition, ESG ratings are included in the analyst research notes which are published internally and form part of the investment decision. The external research vendor also provides controversy alerts which include information on companies within its coverage which have been identified to have been involved in a high-risk controversy that may have a material impact on the company's business or its reputation.

Fidelity International - Setting standards for its business

Sustainability built from the ground up

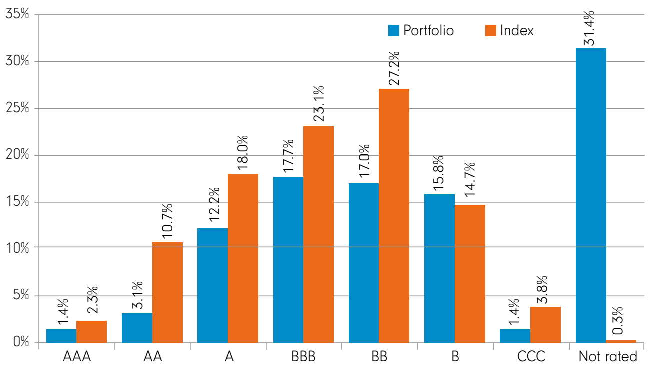
We apply the same KPIs to our own business that we use for the companies in which we invest. And we expect to improve upon our own ESG standards, just as we would expect from others.

STRATEGY
GOVERNANCE
FINANCIAL
INFORMATION FOR SHAREHOLDERS

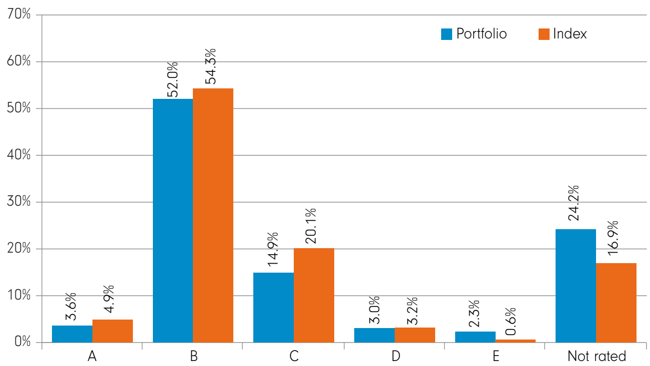
ESG AND CARBON EMISSIONS ASSESSMENT

The ratings charts below show a breakdown of the stocks in the Company's portfolio using MSCI and Fidelity International's own ESG ratings. The Portfolio Manager and his investment team continue to engage with companies to improve scores.

MSCI ESG ratings[1]
(% NAV exposure)

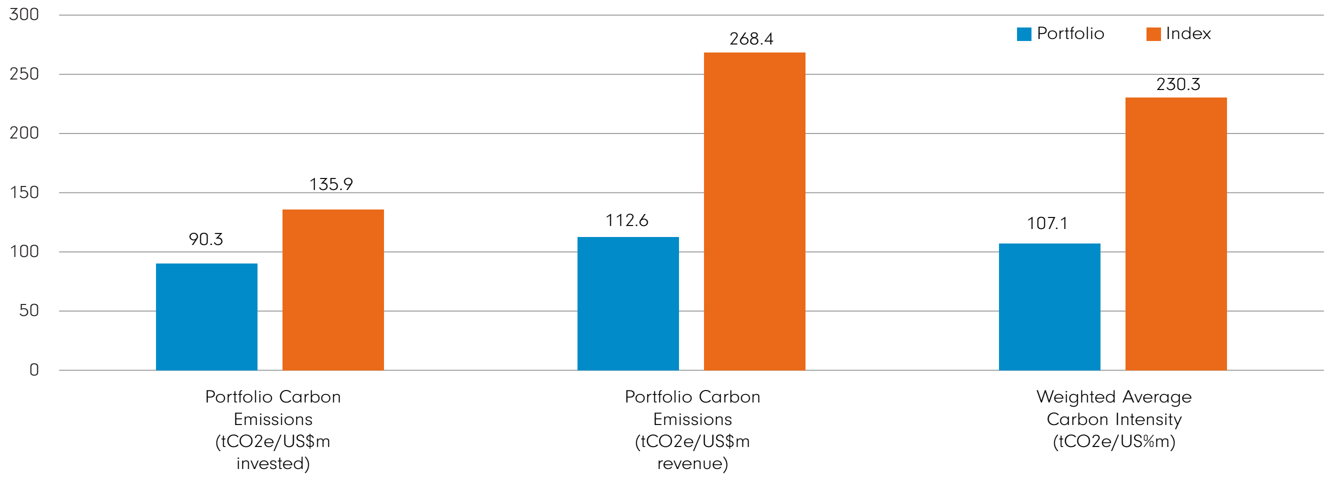


FIL Proprietary ESG ratings[3]
(% NAV exposure)



The chart below shows that the Company's portfolio has a significantly lower carbon footprint than that of the Index.

Carbon Footprint (tonnes CO2e per US$m invested)[2]



Carbon Emissions: Provides a normalised snapshot of the carbon emissions of all of the investments in the Company's portfolio measured in tons CO2e/US$m invested.

Carbon Intensity: The amount of carbon by weight emitted per unit of energy consumed.

Weighted Average Carbon Intensity: Measures the weighted average carbon emissions per unit of revenue of each investment in the Company's portfolio.

Source: 31 March 2024, Fidelity International. Benchmark Index: MSCI China (Net). Long only and rescaled. The ESG ratings distribution calculation is based on the net asset value of holdings.

1 MSCI ESG Research. MSCI rates issuers on a AAA-CCC scale according to their exposure to industry specific ESG key issues and their ability to manage those issues relative to peers. The ESG ratings distribution is based on Net Asset Value of holdings excluding cash, liquidity funds, derivatives and ETFs. Although Fidelity International's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

2 All rights in the information provided by Institutional Shareholder Services Inc. and its affiliates (ISS) reside with ISS and/or its licensors. ISS makes no express or implied warranties of any kind and shall have no liability for any errors, omissions or interruptions in or in connection with any data provided by ISS.

3 The Fidelity Sustainability Ratings were launched in June 2019. As of 31 March 2024, they cover a universe of around 4,000 issuers in equity and fixed income. Fidelity have a five-scale rating of A (best) to E (worst).

Board of Directors

Mike Balfour
Chairman (since 20 July 2022)
Appointed 1 October 2018

M N

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

Alastair Bruce
Director
Appointed 1 July 2021

A M N

Mr Bruce is a non-executive Director and Chairman of the audit committee of both ICG Enterprise Trust PLC and Barings Emerging EMEA Opportunities PLC. He was Managing Partner of Pantheon Ventures between 2006 and 2013, having joined the firm in 1996. At Pantheon Ventures, he was involved in all aspects of the firm's business, particularly the management of Pantheon International PLC, the expansion of Pantheon Ventures global platform and the creation of a co-investment business. He has over 25 years of private equity, investment management and financial experience. He is a qualified Chartered Accountant.

Vanessa Donegan
Senior Independent Director
(since 1 January 2023)
Appointed 1 September 2020

A M N

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

Georgina Field
Director
Appointed 1 July 2022

A M N

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

Gordon Orr
Director
Appointed 1 January 2023

A M N

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

Edward Tse
Director
Appointed 24 November 2022

A M N

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

All the Directors are non-executive Directors and all are independent.

Committee membership key

A Audit and Risk 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 2024.

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 the investment management of the Company to FIL Investment Management (Hong Kong) Limited and the role of Company Secretary to FIL Investments International.

The Management Agreement will continue unless and until terminated by either party giving to the other not less than six 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 Agreement may also be terminated forthwith as a result of a material breach of the Agreement or on the insolvency of the Investment Manager or the Company. In addition, the Company may terminate the Agreement by not less than two months' notice if the Investment Manager ceases to be a subsidiary of FIL Limited.

FIL Limited has no beneficial interest in the shares of the Company (2023: nil).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on page 43.

Management Fee

The Company has a management fee arrangement which comprises a base fee, based on Net Assets, plus a positive or negative variable element.

With effect from 1 July 2023, the base management fee on the first £1.5 billion of Net Assets reduced from 0.90% to 0.85%. It remained unchanged at 0.70% on Net Assets over £1.5 billion until 14 March 2024, when on the completion of the combination transaction with abrdn China Investment Company Limited, it reduced to 0.65% on Net Assets over £1.5 billion. The variable management fee ("VMF") of +/- 0.20% remained unchanged.

The VMF of +/-0.20% is 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 VMF element is calculated daily by referencing the performance of the Company's NAV to the performance of the MSCI China Index on a three year rolling basis. The variable element of the fee increases or decreases by 0.033% for each percentage point of the three year NAV per share outperformance or underperformance over the MSCI China Index to a maximum of +0.20% or a minimum of -0.20%. In the event of outperformance, the maximum fee that the Company would pay on Net Assets up to £1.5 billion is 1.05%, but in the case of underperformance, it can fall as low as 0.65%. For Net Assets over £1.5 billion, the maximum fee payable would be 0.85% if the Company outperforms the MSCI China Index or in the case of underperformance, it could fall as low as 0.45%.

The variable management fee charge for the year ended 31 March 2024 was 0.15% (2023: 0.20%).

The total management fee for the year ended 31 March 2024 was £11,421,000 (2023: £14,727,000) as detailed in Note 4 on page 70. This was made up of a base fee of £9,719,000 (2023: £12,049,000) and a charge of £1,702,000 (2023: £2,678,000) on the variable element based on the performance of the NAV against the MSCI China Index.

The Board

All Directors served on the Board throughout the year ended 31 March 2024. A brief description of all serving Directors as at the date of this report is shown on page 36 and indicates their qualifications for Board membership.

All serving Directors as at the date of this report will be seeking re-election at the AGM on 23 July 2024.

Directors' and Officers' Liability Insurance

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

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 and its expenditure and cash flow projections. The Directors, having considered the liquidity of the Company's portfolio of investments (being mainly securities which are readily realisable), stress testing performed, the projected income and expenditure, are satisfied that the Company is financially sound and has adequate resources to meet all of its liabilities and ongoing expenses and continue in operational existence for the foreseeable future. The Board has therefore concluded that the Company has adequate resources to continue to adopt the going concern basis for the period to 30 June 2025 which is at least twelve months from the date of approval of the Financial Statements. This conclusion also takes into account the Board's assessment of the ongoing risks from the war in Ukraine, the Middle East conflict, China's tensions with the US and Taiwan and significant market events.

Accordingly, the Financial Statements of the Company have been prepared on a going concern basis.

The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on pages 29 and 30.

Auditors' Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 23 July 2024.

Directors' Report continued

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 Annual 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.

Corporate Governance

The Corporate Governance Statement forms part of this report and can be found on pages 41 to 44.

Registrar, Custodian and Depositary Arrangements

The Company has appointed Link Group 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 71.

Share Capital

The Company's share capital comprises ordinary shares of 1 pence each which are fully listed on the London Stock Exchange. As at 31 March 2024, the issued share capital was 611,310,982 (2023: 571,054,480) of which 85,629,548 (2023: 82,728,852) shares were held in Treasury. Shares in Treasury do not have voting rights, therefore the total number of shares with voting rights was 525,681,434 (2023: 488,325,628). The issued share capital of 611,310,982 shares includes 59,005,997 shares issued as a result of the Company's transaction with abrdn China Investment Company Limited on 14 March 2024.

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

On 14 March 2024, the Company issued 59,005,997 shares as a result of the transaction with abrdn China Investment Company Limited. Other than this, no shares were issued during the year ended 31 March 2024 (2023: nil) and none have been issued since the year end and as at the date of this report.

The authorities to issue shares and to disapply pre-emption rights expire at the AGM on 23 July 2024 and resolutions to renew these authorities will be put to shareholders at this AGM.

Share Repurchases

The Company repurchased 2,900,696 (2023: 25,631,781) shares into Treasury and 18,749,495 (2023: nil) for cancellation during the year ended 31 March 2024. In May 2023, the Board decided that once shares held in Treasury reached 15% of the issued share capital of the Company, further share repurchases would be for cancellation and this has been the case since 12 May 2023. Since the year ended 31 March 2024 and as at the latest practicable date of this report, the Company has repurchased a further 2,696,249 shares for cancellation.

The authority to repurchase shares expires at the AGM on 23 July 2024 and a resolution to renew the authority to repurchase 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 2024, 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 2024 %	30 April 2024 %
Fidelity Platform Investors	**18.96**	18.82
City of London Investment Management	**13.99**	14.39
Hargreaves Lansdown	**11.26**	11.19
Lazard Asset Management	**10.29**	10.33
Allan & Gill Gray Foundation	**6.96**	6.98
Interactive Investor	**5.04**	5.06
Allspring Global Investments	**4.00**	4.18

An analysis of shareholders as at 31 March 2024 is detailed in the table below.

Shareholders as at 31 March 2024	% of voting share capital
Retail Investors[1]	**55.47**
Mutual Funds	**22.93**
Pension Funds	**11.42**
Charities	**6.96**
Insurance Funds	**2.41**
Other	**0.81**
Total	**100.00**

1 Includes Fidelity Platform Investors (18.96%).

Additional Information required in the Directors' Report
Information on proposed dividends, financial instruments, disclosure on Streamlined Energy and Carbon Reporting (SECR) and Task Force on Climate-Related Financial Disclosures (TCFD) is set out in the Strategic Report on pages 22 to 32.

ANNUAL GENERAL MEETING – TUESDAY, 23 JULY 2024 AT 11.00 AM

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.

The AGM of the Company will be held at **11.00 am on Tuesday, 23 July 2024** at 4 Cannon Street, London EC4M 5AB and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 94 to 97.

The Notice of Meeting and related papers are sent to shareholders at least 20 working days before the AGM.

For those shareholders who are unable to attend in person, we will live-stream the formal business and presentations of the meeting online.

Dale Nicholls, the Portfolio Manager, will be making a presentation to shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. He and the Board will be very happy to answer any questions that shareholders may have. Copies of the Portfolio Manager's presentation can be requested by email at **investmenttrusts@fil.com** or in writing to the Company Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 9 to the Notes to the Notice of Meeting on page 96 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and these will be addressed on their behalf at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's website **www.fidelity.co.uk/china**. On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the website **https://web.lumiagm.com**.

We urge shareholders to vote and make use of the proxy form provided. Please note that investors on platforms such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **134-206-210**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

Fidelity Platform Investors – Voting at AGMs
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. Fidelity Platform Investors are advised to vote online via the Broadridge Service (a company that specialises in investor voting facilities). Investors can sign up to this facility via their Fidelity Investor Account.

Proxy Voting
A paper Proxy Form will be sent to all shareholders who hold shares on the main share register. This will assist shareholders to vote in advance of the meeting should they decide not to attend in person.

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 2024, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 94 and 95, including the items of special business summarised below and on the next page.

Authority to Allot Shares
Resolution 12 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £608,614. If passed, this resolution will enable the Directors to allot a maximum of 60,861,400 ordinary shares which represents approximately 10% of the issued ordinary share capital of the Company (including Treasury Shares) at the latest practicable date of this report, 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 ordinary share or at a premium to NAV per ordinary share.

Authority to Disapply Pre-Emption Rights
Resolution 13 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £608,614 (including Treasury shares) (approximately 10% of the issued ordinary share capital of the Company at the latest practicable date of this report and equivalent to 60,861,400 ordinary shares).

Directors' Report continued

Authority to Repurchase Shares
Resolution 14 is a special resolution which renews the Company's authority to purchase up to 14.99% (78,395,400) of the ordinary shares in issue (excluding Treasury shares) at the latest practicable date of this report, 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 ordinary 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
10 June 2024

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 and the AIC Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies (the "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 48, 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 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 has no executive directors, employees or internal operations. All of its day to day management and administrative functions are delegated to the Manager.

THE BOARD

Board Composition

As at the date of this report, the Board, chaired by Mike Balfour, consists of six non-executive Directors. The Directors believe that, between them, they have good knowledge and wide experience of business in China, the Asia region, unlisted investments and their valuations, 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.

Vanessa Donegan is the Senior Independent Director and fulfils the role as a 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 36.

Tenure Policy

Directors appointed to the Board are subject to election and subsequent annual re-election by shareholders at Annual General Meetings and normally serve a term of up to nine years from election.

Board Responsibilities

The Board has overall responsibility for the Company's affairs and for promoting the long-term success of the Company. All matters which are not delegated to the Company's Investment Manager under the Management Agreement 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 appointment of the Investment Manager and Company Secretary. The Board also considers shareholder issues including communication and investor relations.

All Directors are independent of the Manager and Investment Manager 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.

Board Meetings

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on the next page gives the attendance record for the meetings held during the reporting year. The Portfolio Manager and key representatives of the Investment Manager and Manager are in attendance at these meetings.

Between these meetings there is regular contact with the Investment Manager and Manager 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 Manager and Manager being present.

In addition to the formal Board and Committee meetings held in the reporting year, the Board undertook a due diligence trip to China in order to meet with the management of existing and potential investee companies and also meet with Fidelity's research and analysts' teams.

Corporate Governance Statement continued

Board's Attendance Record for the Reporting Year

	Regular Board Meetings	Audit and Risk Committee Meetings	Management Engagement Committee Meetings	Nomination and Remuneration Committee Meetings
Mike Balfour[1]	5/5	n/a	1/1	1/1
Alastair Bruce	5/5	5/5	1/1	1/1
Vanessa Donegan	5/5	5/5	1/1	1/1
Georgina Field	5/5	5/5	1/1	1/1
Gordon Orr	5/5	5/5	1/1	1/1
Edward Tse	5/5	5/5	1/1	1/1

1 As Chairman of the Board, Mr Balfour is not a Member of the Audit and Risk Committee but is invited to attend the meetings.

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 meetings in relation to the transaction with abrdn China Investment Company Limited and other ad hoc meetings for formal approvals as well as due diligence meetings.

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. External consultants who have no connection with the Company are used to identify potential candidates.

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. All Directors being eligible, are standing for re-election at this year's AGM and their details are listed on page 36. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company.

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, except for every third year when an external evaluation is undertaken. 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 tenure of individual Directors is also considered as part of this process.

As a FTSE 350 Company and in accordance with provision 21 of the 2018 UK Corporate Governance Code, the Board carried out an externally facilitated evaluation this year using the services of Lintstock Ltd. which has no connection with the Company or the Manager. It was concluded that the Chairman, each Director and the Manager had been effective and continue to demonstrate commitment to their roles. The tenure of the Directors was also considered during the evaluation process. It was also concluded that the Board and its Committees continue to function and perform well.

The next external evaluation will be for the Company's year ending 2027.

Directors' Remuneration and Share Interests
Details of the Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 46 and 47.

BOARD COMMITTEES

The Board has three Committees, as set out on the next page, through which it discharges certain of its corporate governance responsibilities. These are the Audit and Risk 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.fidelity.co.uk/china**.

Audit and Risk Committee

The Audit and Risk Committee is chaired by Alastair Bruce and consists of all of the Directors, except for Mike Balfour 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 Balfour 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 49 to 52.

Management Engagement Committee

Composition

The Management Engagement Committee (the "Committee") is chaired by Mike Balfour and consists of all of the Directors.

Role and Responsibilities

The Committee is charged with reviewing and monitoring the performance of the Manager and for ensuring that the terms of the Management Agreement remain competitive and reasonable for shareholders. It meets at least once a year and reports to the Board, making recommendations as appropriate.

Manager's Reappointment

Ahead of the AGM on 23 July 2024, the Committee has reviewed the performance of the Manager and the fee basis and concluded that it is in the interests of shareholders that the appointment of the Manager should continue. Details of the fee arrangements for the reporting year are in the Directors' Report on page 37.

Nomination and Remuneration Committee

Composition

The Nomination and Remuneration Committee (the "Committee") is chaired by Vanessa Donegan and consists of all of the Directors.

Role and Responsibilities

The Committee meets at least once a year and 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. New Directors are appointed on the basis of merit.

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

The Committee also considers the remuneration of the Directors, and takes into account their roles, 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 45.

The Committee, on behalf of the Board, continues to appoint apprentices of the Board in order to give board exposure to aspiring non-executive directors. As a result of this process, the Board appointed a Board apprentice who started her apprenticeship on 13 July 2023 for a term of one year. She attends all Board and Committee meetings as an observer.

Succession Planning

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

Set out on page 48 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 to the Members on pages 53 to 60.

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 of 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 financial, 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 relevant to the Company's audit. It 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. This process also assists in identifying any new emerging risks and the action necessary to mitigate their potential impact. The Board confirms that there is an effective robust ongoing process in place in order 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 2024 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.

Corporate Governance Statement continued

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Manager, 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 Manager's role in ensuring the provision of a good service, pursuant to the Management Agreement, includes the ability for employees of Fidelity International ("Fidelity") to raise concerns through a workplace concerns escalation policy ("whistle-blowing procedure"). Fidelity 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 Fidelity to assist the Company in tackling fraud, corruption and other malpractice within the organisation and in setting standards of ethical conduct. Accordingly, this policy has been endorsed 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 Manager, 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.

Responsibility as an Institutional Shareholder

The Board has adopted the Manager's Principles of Ownership in relation to investments. These Principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. Fidelity International 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 Board Directors, are available to meet with shareholders to discuss strategy and governance. In addition, the Portfolio Manager also meets with major shareholders and investors in the UK. 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 its 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 in writing at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT2 6RP. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, the Senior Independent Director or the Board as a whole, as appropriate.

The Board encourages all shareholders to attend the Company's AGM on 23 July 2024, details of which can be found on page 6. Full details of the Notice of Meeting are on pages 94 to 97.

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.fidelity.co.uk/china** after the AGM.

Articles of Association

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

On behalf of the Board
Mike Balfour
Chairman
10 June 2024

Directors’ Remuneration Report

Chairman’s Statement
The Directors’ Remuneration Report for the year ended 31 March 2024 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

An ordinary resolution to approve the Directors’ Remuneration Report will be put to shareholders at the AGM on 23 July 2024.

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 53 to 60.

Directors’ Remuneration
The annual fee structure with effect from 1 April 2024 is as follows: Chairman – £54,000 (2023: £52,000); Chairman of the Audit and Risk Committee – £45,500 (2023: £43,500); Senior Independent Director – £42,500 (2023: £41,000); and Director – £36,000 (2023: £34,500). Directors’ remuneration is reviewed on an annual basis to ensure that it remains competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Remuneration Policy
The Company’s Articles of Association limit the aggregate fees payable to the Directors to £350,000 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") is subject to a binding vote at every third AGM. The Policy, as set out above, was approved at the AGM on 20 July 2022 with 99.90% of votes cast in favour, 0.07% of votes cast against and 0.03% of votes withheld. The current Policy has been followed throughout the year ended 31 March 2024 and up to the date of this report. The next vote will be put to shareholders at the AGM in 2025 and the votes cast will be disclosed on the Company’s pages of the Manager’s website at: **www.fidelity.co.uk/china**.

Voting on the Directors’ Remuneration Report
At the AGM held on 20 July 2023, 99.82% of votes were cast in favour of the Directors’ Remuneration Report for the year ended 31 March 2023, 0.15% of votes were cast against and 0.03% of votes were withheld.

The Directors’ Remuneration Report for the year ended 31 March 2024 will be put to shareholders at the AGM on 23 July 2024, and the votes cast will be disclosed on the Company’s pages of the Manager’s website at: **www.fidelity.co.uk/china**.

Single Total Figure of Directors’ Remuneration
The single total aggregate Directors’ remuneration for the year ended 31 March 2024 was £245,153 (2023: £209,466). 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

	2025 Projected Total (£)	**2024 Fees (Audited) (£)**	**2024 Taxable Expenses* (Audited) (£)**	**2024 Total (Audited) (£)**	2023 Fees (Audited) (£)	2023 Taxable Expenses* (Audited) (£)	2023 Total (Audited) (£)
Remuneration of Directors							
Mike Balfour[1]	54,000	**52,000**	**5,153**	**57,153**	45,570	7,299	52,869
Alastair Bruce[2]	45,500	**43,500**	**–**	**43,500**	37,464	–	37,464
Vanessa Donegan[3]	42,500	**41,000**	**–**	**41,000**	33,237	–	33,237
Georgina Field[4]	36,000	**34,500**	**–**	**34,500**	23,738	–	23,738
Gordon Orr[5]	36,000	**34,500**	**–**	**34,500**	7,912	–	7,912
Edward Tse[6]	36,000	**34,500**	**–**	**34,500**	11,165	–	11,165
Nicholas Bull[7]	n/a	**n/a**	**n/a**	**n/a**	14,581	–	14,581
Linda Yueh[8]	n/a	**n/a**	**n/a**	**n/a**	28,500	–	28,500
Total	250,000	**240,000**	**5,153**	**245,153**	202,167	7,299	209,466

* Expenses incurred in attending to the affairs of the Company.

1 Appointed Chairman of the Board on 20 July 2022.
2 Appointed Chairman of the Audit and Risk Committee on 20 July 2022.
3 Appointed Senior Independent Director on 1 January 2023.
4 Appointed on 1 July 2022.
5 Appointed on 1 January 2023.
6 Appointed on 24 November 2022.
7 Retired on 20 July 2022.
8 Resigned on 31 December 2022.

Five Year Change Comparison in Directors' Remuneration

The table below sets out the change in Directors' fees over the last five years.

Director	**2024**	**2019**	**Change (%)**
Chairman	52,000	42,000	+23.8%
Audit and Risk Committee Chairman	43,500	32,000	+35.9%
Senior Independent Director	41,000	31,500	+30.2%
Director	34,500	26,500	+30.2%

Expenditure on Remuneration and Distributions to Shareholders

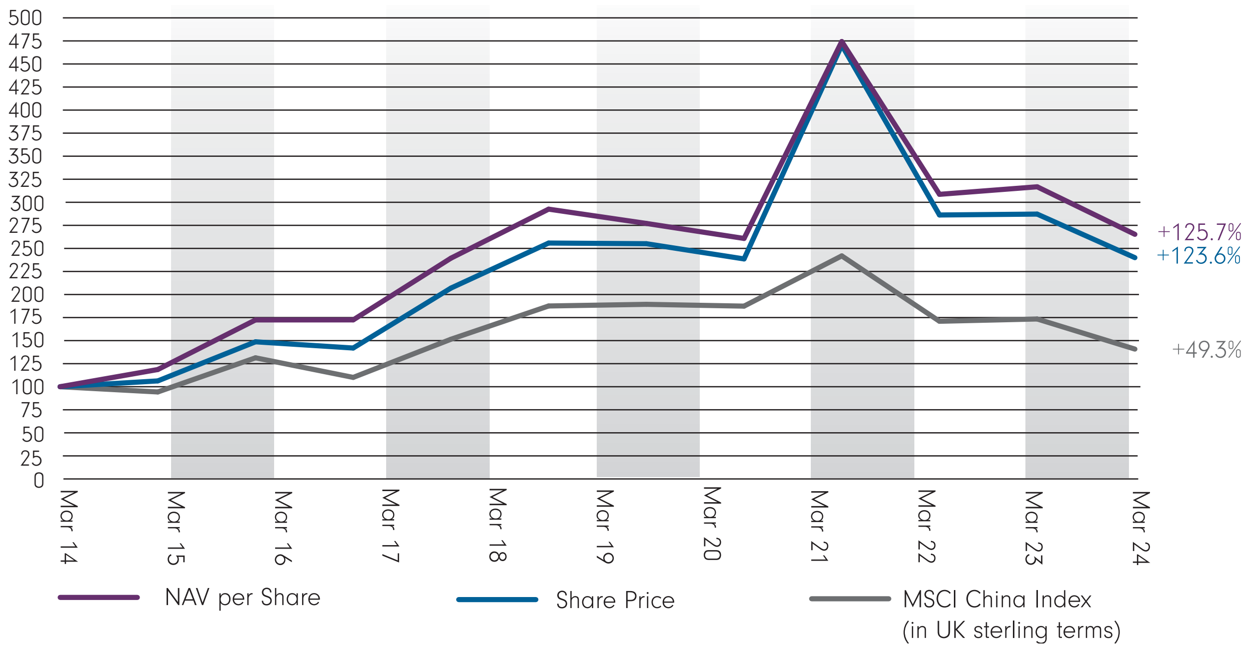
The table below shows the total amount paid out on Directors' remuneration and in distributions to shareholders. The projected Directors' remuneration for the year ending 31 March 2025 is disclosed in the table above.

	31 March 2024 £	31 March 2023 £
Expenditure on Remuneration:		
Aggregate of Directors' Fees	**245,153**	209,466
Distribution to Shareholders:		
Dividend payments	**30,198,000**	28,240,000
Shares repurchased	**45,933,000**	57,249,000

Performance

The Company's NAV per share total return and share price total return 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 objective. The graph below shows performance for ten years to 31 March 2024.

Total Return Performance for Ten Years to 31 March 2024



Directors' Interest in the Company's Ordinary Shares

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

Directors' Shareholdings (Audited)

	31 March 2024	31 March 2023	Change during year
Mike Balfour	**65,000**	65,000	–
Alastair Bruce	**43,800**	43,800	–
Vanessa Donegan	**10,000**	10,000	–
Georgina Field	**2,250**	2,250	–
Gordon Orr	**–**	–	–
Edward Tse	**–**	–	–

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

On behalf of the Board

Mike Balfour
Chairman
10 June 2024

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom 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 UK-adopted International Accounting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006 and IFRIC interpretations. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they 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 in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- State whether applicable IFRS and IFRIC interpretations 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.fidelity.co.uk/china**. 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 UK-adopted International Accounting Standards ("IFRS") and IFRIC interpretations, 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 10 June 2024 and signed on its behalf

Mike Balfour
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 2024.

Composition of the Committee

The members of the Committee are myself as Chairman, and all of the other Directors, except for Mike Balfour. 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 as a guest. 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 Audit 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.fidelity.co.uk/china**. 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) and considering the scope of the work undertaken by the Manager's Internal Audit function;
- 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 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 (7 June 2023), the Committee has met five times and the Auditor attended three of these 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 Company's ongoing charges ratio;
- The management fee calculations; and
- The Committee's Terms of Reference.

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Report of the Audit and Risk Committee continued

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

September 2023	• Detailed review of the valuations of the Company's unlisted investments with the Manager's Fair Value Committee, including the Manager's unlisted specialist, and the independent valuer, Kroll. See further details on the next page
November 2023	• The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Going Concern Statement • Review of Fidelity's Investment Trusts AAF Controls Report from PricewaterhouseCoopers LLP • The Manager's Risk Management Process Document
February 2024	• The Auditor's engagement letter and audit plan for the Company's year ending 31 March 2024 • Review of Fidelity's Risk and Internal Control environment • Fidelity's Internal Audit reporting, including review of the internal audit plan • Cybersecurity and potential threats and attacks and the controls in place to mitigate the risks
March 2024	• Detailed review of the valuations of the Company's unlisted investments with the Manager's Fair Value Committee, including the Manager's unlisted specialist, and the independent valuer, Kroll. See further details on the next page
June 2024	• 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 following review and conclusion by the Committee that they are Fair, Balanced and Understandable • The Viability and Going Concern Statements, including the impact of China's reopening following the pandemic, the war in Ukraine, the Middle East and Red Sea conflicts, significant market events and regulatory changes on the Company's performance, prospects and operations • The final dividend payment to be recommended to the Board and shareholders for approval

Annual Report and Financial Statements
The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities can be found on page 48. 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.

Recognition of Investment Income	Investment income is recognised in accordance with Accounting Policy Note 2 (f) on pages 66 and 67. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee also considered the allocation of special dividends between revenue and capital and the reasons for classification of these special dividends. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager, including an additional internal controls report ("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. The Committee also reviewed reports provided by the Auditor on its work on the recognition of investment income, including the allocation of special dividends.

Valuation, existence and ownership of investments (including derivative instruments)	The valuation of investments (including derivative instruments) is in accordance with Accounting Policies Notes 2 (l) and 2 (m) on pages 67 and 68. 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 AAF report prepared by PricewaterhouseCoopers LLP on behalf of the Manager which concluded that the controls around the valuation, existence and ownership of investments operate effectively. The Committee also reviewed the reports provided by the Auditor on its work on the valuation, existence and ownership of the Company's investments, including the derivative investments.
Valuation of the Unlisted Investments	The Manager as the AIFM, is authorised and responsible for performing the valuation of the Company's unlisted investments, the valuation of which is in accordance with Accounting Policies Notes 2 (e) and (l) on pages 66 to 68. The valuation of the unlisted investments is proposed by the Manager's Fair Value Committee ("FVC") to the Audit and Risk Committee, who in turn reports these to the Board to ensure that the Directors are satisfied that the process that the FVC adopts in recommending the valuation is rigorous, reasonable and independent. The reporting received from the FVC includes recommendations from Kroll, an external company that provides global financial information and services. The FVC report also includes detailed input from the Fidelity analysts covering the unlisted companies and also Fidelity's unlisted investment specialist who provides further insight. The Committee reviews and challenges the proposed valuation methodologies for all of the unlisted investments in order to gain comfort on the proposed valuations. In addition, the Auditor reviewed the valuations of the unlisted investments in the Company's portfolio and reported its findings at the June 2024 Audit and Risk Committee meeting.
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 Agreement. 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 Agreement.

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 2024.

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 2024; 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.

Report of the Audit and Risk Committee continued

Auditor's Appointment and Audit Tenure

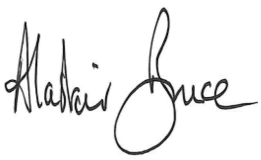
Ernst & Young LLP was appointed as the Company's Auditor on 30 November 2015 following a formal audit tender process. The Committee has reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending its reappointment for a further year. The Auditor is required to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

Audit Tender

An audit tender process will be completed in 2025. This process will be led by the Audit Committee, who will complete an assessment of external auditors' proposals. Following this assessment, a recommendation will be made to the Board regarding whether a change of Auditor should be made.

Audit Fees

Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 71. The audit fee for the reporting year was £71,000 (2023: £57,000). The fee of £71,000 includes £10,000 in relation to the audit work carried out for the transaction with abrdn China Investment Company Limited.



Alastair Bruce
Chairman of the Audit and Risk Committee
10 June 2024

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 (the 'Company') for the year ended 31 March 2024 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related Notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 March 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
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 listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

Conclusions relating to going concern
In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the Company's going concern assessment process by engaging with the Directors and the Company Secretary to determine if all key factors were considered in their assessment;
- Inspecting the Directors' assessment of going concern, including the revenue and expense forecast, for the period to 30 June 2025 which is at least 12 months from the date of approval of the Financial Statements. In preparing the revenue and expense forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due;
- Reviewing the factors and assumptions, including the impact of the current economic environment and other significant events that could give rise to market volatility, as applied to the revenue and expense forecast and the liquidity assessment of the investments and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised are appropriate to be able to make an assessment for the Company;
- Consideration of the mitigating factors included in the revenue and expense forecast that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments in order to cover working capital requirements should revenue decline significantly; and
- Reviewing the Company's going concern disclosures included in the Annual Report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 30 June 2025 which is at least 12 months from when these Financial Statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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

Overview of our audit approach

Key audit matters	• Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement • Risk of incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments • Risk of incorrect valuation of the listed investments or ownership of the entire investment portfolio, including derivatives • Risk of incorrect accounting for the transaction between the Company and abrdn China Investment Company Limited ('ACIC')
Materiality	• Overall materiality of £11.76m which represents 1% of the Company's net asset value as at 31 March 2024.

An overview of the scope of our audit

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, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change
Stakeholders are increasingly interested in how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments and their valuations and potentially shareholder returns. This is explained on page 24 and on page 27 in the principal and emerging risks section, which form part of the "Other information," rather than the audited Financial Statements. Our procedures on the disclosures therefore consisted solely of considering whether they are materially inconsistent with the Financial Statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the Financial Statements as set out in Note 2(a) and conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with UK adopted international accounting standards, investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date. Investments which are unlisted are priced using market-based valuation approaches. All investments therefore reflect the market participants view of climate change risk on the investments held by the Company. Based on our work we have not identified the impact of climate change on the Financial Statements to be a key audit matter or to impact a key audit matter.

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.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement *Refer to the Report of the Audit and Risk Committee (page 50); Accounting Policies (pages 66 and 67); and Note 3 of the Financial Statements (page 70)* The Company has reported revenue of £38.94m (2023: £44.68m). During the year, the Company received special dividends amounting to £2.37m (2023: £2.34m), of which £0.91m (2023: £1.18m) was classified as revenue and £1.46m (2023: £1.16) as capital. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In addition to the above, the Directors may be required to exercise judgement in determining whether income received in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.	**We have performed the following procedures:** We obtained an understanding of the processes and controls surrounding revenue recognition and classification of special dividends by performing walkthrough procedures to evaluate the design and implementation of controls; For all dividends received and accrued, we recalculated the income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend rate as agreed to an independent data vendor. We also agreed all exchange rates to an external source and, for a sample of dividends received and dividends accrued, we agreed amounts to bank statements; For all dividends accrued, we assessed whether the dividend obligations arose prior to 31 March 2024 with reference to an external source; To test completeness of recorded income, we tested that all expected dividends for each of the investee companies had been recorded as income with reference to an external source; and For all investments held during the year, we reviewed the type of dividends paid with reference to an external data source to identify those which were special dividends. There were two special dividends above our testing threshold, and we have assessed the appropriateness of the Company's classification as either revenue or capital by reviewing the rationale for the underlying distribution.	The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement.

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
Risk of incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments *Refer to the Report of the Audit and Risk Committee (page 51); Accounting Policies (pages 66 to 68); and Note 18 of the Financial Statements (page 88).* At 31 March 2024, the Company had six unlisted investments with a value of £157.01m (2023: nine unlisted investments with a value of £192.88m) and an unrealised gain of £44.76m (2023: £25.99m). 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 misstatement of the valuation of unlisted investments. The unlisted investments are approved by the Manager's Fair Value Committee and these are reviewed and challenged by the Directors. The Manager engages Kroll to perform a valuation which is then considered by the Manager's Fair Value Committee. The unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ("IPEV").	**We have performed the following procedures:** We obtained an understanding of the processes and controls surrounding unlisted investment pricing and by performing walkthrough procedures to evaluate the design and implementation of controls; For all unlisted investments held at the year-end, our specialist valuations team reviewed and challenged the valuations. This included: • Reviewing the latest valuation papers by Kroll, a third-party service provider; • Assessing whether the valuations have been performed in line with the IPEV guidelines; • Assessing the appropriateness of the data inputs and challenging the assumptions used to support the valuations; and • Assessing other facts and circumstances, such as market movement and comparative information, that could have an impact on the fair market value of the investments. We obtained and assessed the Manager's Fair Value Committee papers including the assumptions and judgements in determining the fair value of the unlisted investments held by the Company at the year-end; Agreed the cost of the sold unlisted investments to the supporting sale agreements and traced the payments to bank statement; Agreed 100% of exchange rates to a relevant independent data vendor; and We recalculated the total unrealised gains/losses on unlisted investments as at the year-end using the book-cost reconciliation.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Risk of incorrect valuation of the listed investments or ownership of the entire investment portfolio, including derivatives *Refer to the Report of the Audit and Risk Committee (page 51); Accounting Policies (pages 66 to 68); and Notes 10 and 11 of the Financial Statements (pages 74 and 75).* At 31 March 2024, the Company held listed investments with a value of £1,005.26m (2023: £1,125.89m). The Company also has derivative assets amounting to £7.10m (2023: £22.31m) and derivative liabilities amounting to £13.31m (2023: £20.89m). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title to the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of the listed investments and derivatives is determined using quoted market prices at close of business on the reporting date.	**We have performed the following procedures:** We obtained an understanding of the processes and controls surrounding investment pricing and legal title by performing walkthrough procedures; For all listed investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor. For all derivatives, we compared the market prices of the underlying instrument to an independent pricing vendor and agreed cost price to the Brokers' confirmations. We recalculated the investment and derivative valuations as at the year-end; We inspected the stale pricing report to identify prices that had not changed and verified whether the quoted price is a valid fair value; and We compared the Company's investment holdings at 31 March 2024 to the independent confirmation received directly from the Company's Custodian and Depositary. We agreed all year-end open derivative positions to confirmations received independently from the Company's Brokers.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation of the listed investments or ownership of the entire investment portfolio, including derivatives.

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
Risk of incorrect accounting for the transaction between the Company and abrdn China Investment Company Limited ('ACIC') *Accounting Policies (page 65); and Notes 15 and 16 of the Financial Statements (pages 77 and 78).* On 28 November 2023, proposals relating to the combining with ACIC was announced by way of a Guernsey scheme of reconstruction. Implementation of the transaction would result in voluntary winding up of ACIC and the transfer of part of ACIC's cash, investments and interest income to the Company in return for the issue of New Shares by the Company on a formula asset value ("FAV") for FAV basis. The transaction was approved in the General meeting on 11 March and implemented on 13 March 2024. There is a risk that cash, investments and interest income transferred from ACIC to the Company are not recorded correctly. There is also a risk that the issuance of shares related to the transaction are incorrectly accounted for and incorrectly disclosed in the Financial Statements of the Company.	**We have performed the following procedures:** We obtained an understanding of the process on how the transaction was recorded and the issuance of shares calculated; We have reviewed the formula asset value calculations and checked the calculation agreed to the scheme of reconstruction; We have agreed the number of shares issued pursuant to the transaction to the LSE announcements and agreed to the accounting records of the Company; We agreed the cash, investments and interest income transferred to the Company, as part of the transaction, to the accounting records of the Company; We revalued the investments transferred using market prices and exchange rates provided by an independent pricing vendor, and traced the cash transferred through bank statements; and We reviewed the disclosures in the Financial Statements to ensure the transaction was correctly accounted for, and the Strategic Report, including Section 172 statement, provided details of the transaction.	The results of our procedures identified no material misstatement in relation to the transaction between the Company and ACIC.

In the current year we have added a key audit matter on 'Risk of incorrect accounting for the transaction between the Company and abrdn China Investment Company Limited ('ACIC')' as it is a significant event that occurred during the period, and has a material impact on the Financial Statements of the Company.

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

Materiality
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 £11.76m (2023: £13.38m), which is 1% (2023: 1%) of net asset value. We believe that net asset value provides us with materiality aligned to the key measure of the Company's performance.

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% (2023: 75%) of our planning materiality, namely £8.82m (2023: £10.04m). 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 £0.59m (2023: £0.67m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Given the importance of the distinction between revenue and capital for investment trusts, we have also applied a separate testing threshold for the revenue column of the Income Statement of £1.43m (2023: £1.83m), being 5% (2023: 5%) of the net return on ordinary activities 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 other than the Financial Statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report.

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.

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 course of 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 this gives rise to a material misstatement in the Financial Statements themselves. 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.

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 from branches not visited by us; or
- The Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 37;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 29 and 30;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 37;
- Directors' statement on fair, balanced and understandable set out on page 48;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 24;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 43; and;
- The section describing the work of the Audit and Risk Committee set out on page 49.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 48, 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.

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

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
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the UK adopted international accounting standards, the Companies Act 2006, the Association of Investment Companies Code of Corporate Governance, the Association of Investment Companies' Statement of Recommended Practice, the Listing Rules, the Corporate Governance Code, Section 1158 of the Corporation Tax Act 2010 and the Companies (Miscellaneous Reporting) Regulations 2018.

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

- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by considering the key risks impacting the Financial Statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement and the incorrect valuation and resultant impact on the unrealised gains/(losses) of the 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. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of 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
- Following the recommendation from the Audit and Risk Committee, 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 9 years, covering the years ending 31 March 2016 to 31 March 2024.

- 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.

Denise Davidson
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
10 June 2024

Income Statement
for the year ended 31 March 2024

		Year ended 31 March 2024			Year ended 31 March 2023		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Revenue							
Investment income	3	**26,123**	**–**	**26,123**	32,704	–	32,704
Derivative income	3	**11,154**	**–**	**11,154**	11,566	–	11,566
Other income	3	**1,659**	**–**	**1,659**	409	–	409
Total income		**38,936**	**–**	**38,936**	44,679	–	44,679
Losses on investments at fair value through profit or loss	10	**–**	**(155,001)**	**(155,001)**	–	(6,912)	(6,912)
(Losses)/gains on derivative instruments	11	**–**	**(54,790)**	**(54,790)**	–	14,971	14,971
Foreign exchange (losses)/gains		**–**	**(3,858)**	**(3,858)**	–	8,167	8,167
Foreign exchange gains/(losses) on bank loan		**–**	**1,517**	**1,517**	–	(4,814)	(4,814)
Total income and (losses)/gains		**38,936**	**(212,132)**	**(173,196)**	44,679	11,412	56,091
Expenses							
Investment management fees	4	**(2,430)**	**(8,991)**	**(11,421)**	(3,012)	(11,715)	(14,727)
Other expenses	5	**(1,203)**	**(35)**	**(1,238)**	(1,097)	(4)	(1,101)
Profit/(loss) before finance costs and taxation		**35,303**	**(221,158)**	**(185,855)**	40,570	(307)	40,263
Finance costs	6	**(6,699)**	**(20,098)**	**(26,797)**	(3,956)	(11,869)	(15,825)
Profit/(loss) before taxation		**28,604**	**(241,256)**	**(212,652)**	36,614	(12,176)	24,438
Taxation	7	**(812)**	**–**	**(812)**	(1,149)	–	(1,149)
Profit/(loss) after taxation for the year		**27,792**	**(241,256)**	**(213,464)**	35,465	(12,176)	23,289
Earnings/(loss) per ordinary share	8	**5.78p**	**(50.18p)**	**(44.40p)**	7.05p	(2.42p)	4.63p

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. 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.

On 13 March 2024, the Company combined assets with abrdn China Investment Company Limited ("ACIC"), following a Guernsey scheme of reconstruction. No other operations were acquired or discontinued during the year.

The Notes on pages 65 to 91 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2024

	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 2023		**5,710**	**211,569**	**917**	**186,794**	**877,782**	**55,649**	**1,338,421**
New ordinary shares issued in respect of the transaction with ACIC	15	**590**	**126,198**	**–**	**–**	**–**	**–**	**126,788**
Contribution in respect of the transaction with ACIC by the Manager		**–**	**400**	**–**	**–**	**–**	**–**	**400**
Repurchase of ordinary shares into Treasury	15	**–**	**–**	**–**	**(6,965)**	**–**	**–**	**(6,965)**
Repurchase of ordinary shares for cancellation	15	**(187)**	**–**	**187**	**(38,968)**	**–**	**–**	**(38,968)**
(Loss)/profit after taxation for the year		**–**	**–**	**–**	**–**	**(241,256)**	**27,792**	**(213,464)**
Dividend paid to shareholders	9	**–**	**–**	**–**	**–**	**–**	**(30,198)**	**(30,198)**
Total equity at 31 March 2024		**6,113**	**338,167**	**1,104**	**140,861**	**636,526**	**53,243**	**1,176,014**
Total equity at 31 March 2022		5,710	211,569	917	244,043	889,958	48,424	1,400,621
Repurchase of ordinary shares	15	–	–	–	(57,249)	–	–	(57,249)
(Loss)/profit after taxation for the year		–	–	–	–	(12,176)	35,465	23,289
Dividend paid to shareholders	9	–	–	–	–	–	(28,240)	(28,240)
Total equity at 31 March 2023		5,710	211,569	917	186,794	877,782	55,649	1,338,421

The Notes on pages 65 to 91 form an integral part of these Financial Statements.

Balance Sheet

as at 31 March 2024
Company number 7133583

	Notes	**31 March 2024 £'000**	31 March 2023 £'000
Non-current assets			
Investments at fair value through profit or loss	10	**1,162,265**	1,318,764
Current assets			
Derivative instruments	11	**7,103**	22,313
Amounts held at futures clearing houses and brokers		**24,589**	34,813
Other receivables	12	**10,066**	11,939
Cash at bank		**7,858**	72,943
		49,616	142,008
Current liabilities			
Derivative instruments	11	**(13,307)**	(20,892)
Bank loan	13	**–**	(80,857)
Other payables	14	**(9,802)**	(20,602)
Bank overdrafts		**(12,758)**	–
		(35,867)	(122,351)
Net current assets		**13,749**	19,657
Net assets		**1,176,014**	1,338,421
Equity attributable to equity shareholders			
Share capital	15	**6,113**	5,710
Share premium account	16	**338,167**	211,569
Capital redemption reserve	16	**1,104**	917
Other reserve	16	**140,861**	186,794
Capital reserve	16	**636,526**	877,782
Revenue reserve	16	**53,243**	55,649
Total equity		**1,176,014**	1,338,421
Net asset value per ordinary share	17	**223.71p**	274.08p

The Financial Statements on pages 61 to 91 were approved by the Board of Directors on 10 June 2024 and were signed on its behalf by:

Mike Balfour
Chairman

The Notes on pages 65 to 91 form an integral part of these Financial Statements.

Cash Flow Statement

for the year ended 31 March 2024

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Operating activities		
Cash inflow from investment income	**26,240**	30,352
Cash inflow from derivative income	**10,891**	11,484
Cash inflow from other income	**1,659**	409
Cash outflow from Directors' fees	**(236)**	(195)
Cash outflow from other payments	**(13,104)**	(15,638)
Cash outflow from the purchase of investments	**(592,266)**	(429,715)
Cash outflow from the purchase of derivatives	**(1,910)**	(7,957)
Cash outflow from the settlement of derivatives	**(301,285)**	(485,760)
Cash inflow from the sale of investments	**703,150**	480,407
Cash inflow from the settlement of derivatives	**260,351**	510,263
Cash outflow from amounts held at futures clearing houses and brokers	**10,224**	(2,593)
Net cash inflow from operating activities before servicing of finance	**103,714**	91,057
Financing activities		
Cash inflow from the issuance of ordinary shares in respect of the transaction with ACIC	**5,156**	–
Cash inflow from the Fidelity contribution in respect of the transaction with ACIC	**400**	–
Cash outflow from loan interest paid	**(5,138)**	(2,242)
Cash outflow from the settlement of the bank loan	**(79,340)**	–
Cash outflow from CFD interest paid	**(22,695)**	(12,099)
Cash outflow from short CFD dividends paid	**–**	(254)
Cash outflow from the repurchase of ordinary shares into Treasury	**(7,095)**	(57,119)
Cash outflow from the repurchase of ordinary shares for cancellation	**(38,789)**	–
Cash outflow from dividends paid to shareholders	**(30,198)**	(28,240)
Cash outflow from financing activities	**(177,699)**	(99,954)
Decrease in cash at bank	**(73,985)**	(8,897)
Cash at bank at the start of the year	**72,943**	73,673
Effect of foreign exchange movements	**(3,858)**	8,167
Cash at bank at the end of the year	**(4,900)**	72,943
Represented by:		
Cash at bank	**7,858**	72,943
Bank overdrafts	**(12,758)**	–
	(4,900)	72,943

The Notes on pages 65 to 91 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 UK-adopted International Accounting Standards ("IFRS"), IFRIC interpretations and as far as it is consistent with IFRS, with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC") in July 2022. 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 instruments. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence up to 30 June 2025 which is at least twelve months from the date of approval of these Financial Statements. In making their assessment the Directors have reviewed income and expense projections, the liquidity of the investment portfolio, stress testing performed and considered the Company's ability to meet liabilities as they fall due. This conclusion also takes into account the Director's assessment of the risks faced by the Company as detailed in the Going Concern Statement on page 37.

In preparing these Financial Statements the Directors have considered the impact of climate change risk as an emerging and a principal risk as set out on page 24 and on page 27, and have concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with IFRS 13, investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date. Investments which are unlisted are priced using market-based valuation approaches. All investments therefore reflect the market participants view of climate change risk on the investments held by the Company.

The Company's Going Concern Statement in the Directors' Report on page 37 takes account of all events and conditions up to 30 June 2025 which is at least twelve months from the date of approval of these Financial Statements.

Issue of Ordinary Shares in respect of the transaction with abrdn China Investment Company Limited ("ACIC")

On 13 March 2024, the Company issued New ordinary shares which were provided to shareholders of ACIC, in connection with the combination of the assets of the Company with the assets of ACIC.

The Directors have considered the substance of the assets and activities of ACIC in determining whether the acquisition represents the acquisition of a business. In this case, the acquisition is not considered to be an acquisition of a business, and therefore, has not been treated as a business combination. Rather, the cost to acquire the assets and liabilities of ACIC has been allocated between the acquired identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill or to deferred taxes. Assets transferred comprised investments, cash and receivables. A total of £126,789,000 of assets were acquired as a result of the transaction with ACIC. This comprised investments (£120,754,000), cash (£5,156,000) and receivables (£879,000).

The Manager agreed to contribute towards the transaction with ACIC, as described below.

A contribution of £715,000, representing eight months of management fees, in respect of the assets transferred by ACIC to the Company, that would otherwise be payable by the enlarged Company to the Manager in the year to 31 March 2025.

Additionally, the Manager agreed to make a cash contribution to the Company equal to £500,000. In the year to 31 March 2024, the Company has recognised an initial contribution of £400,000, with a further £100,000 being recognised in the year to 31 March 2025, to align with the reduction of management fees and the recognition of expenses relating to the transaction and issuance of shares.

The Company has recognised the contribution from the Manager in the Share premium account as described in Note 16.

Furthermore, the Manager has agreed that following the transaction with ACIC, the base management fee payable by the Company under the Management Agreement will reduce from 0.70% to 0.65% on the Company's Net Assets in excess of £1.5 billion. This is expected to lower the ongoing costs of the Company as it grows over the longer-term.

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

Notes to the Financial Statements continued

2 Accounting Policies continued

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

- IAS 1 Presentation of Financial Statements (amendments);
- IAS 7 Statement of Cash Flows;
- IAS 8 Accounting Policies, Changes in Accounting estimates and errors (amendments); and
- IAS 12 Income Taxes (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 of the pricing methodology. 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"), with support from an external valuer and Fidelity's unlisted investments specialist, for detailed review and appropriate challenge 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 may include the following:

(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 (either historical or forecast);

(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 and future cash flows (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 18 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.

2 Accounting Policies continued

Assumptions

The determination of fair value by the FVC involves key assumptions dependent upon the valuation techniques 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. Overseas dividends are accounted for gross of any tax deducted at source. 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 on securities, interest for CFDs, collateral and bank deposits are accounted for on an accruals basis and credited to the revenue column of the Income Statement. Interest received on CFDs represent the finance costs calculated by reference to the notional value of the CFDs.

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 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 on the bank loan and overdrafts and finance costs 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.

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.

Notes to the Financial Statements continued

2 Accounting Policies continued

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 at bid or last traded prices, depending upon the convention of the exchange on which they are listed, where available, or otherwise at fair value based on published price quotations.

Investments which are not quoted, or are not frequently traded, are stated at the best estimate of fair value. The Manager's Fair Value Committee ("FVC"), which is independent of the Portfolio Manager's team, and with support from the external valuer and Fidelity's unlisted investments specialist, provides recommended fair values to the Directors. These are based on the principles outlined in Note 2 (e). The unlisted investments are valued at fair value following a detailed review and appropriate challenge by the Directors of the pricing methodology 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 and future cash flows are 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 International analyst that covers the company, Fidelity's unlisted investments specialist and from 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 month cycle of measurement dates. The fair value of the unlisted investments will be reviewed before the next scheduled three monthly measurement date on the following occasions:

- At the year end and half year end of the Company; and
- Where there is an indication of a change in fair value (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.

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);
- 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)/gains on derivative instruments held at fair value through profit or loss in the capital column of the Income Statement. Any positions on such transactions open at the year end are reflected on the Balance Sheet at their fair value within current assets or current liabilities.

2 **Accounting Policies** continued

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)/gains on derivative instruments held at fair value through profit or loss in the capital column of the Income Statement.

n) Amounts held at futures clearing houses and brokers – Cash deposits are held in 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, amounts receivable on settlement of derivatives, accrued income, taxation recoverable 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) 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.

q) Other payables – Other payables include securities purchased for future settlement, amounts payable on settlement of derivatives, investment management fees, loan interest payable, amounts payable for repurchase of shares, finance costs payable 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.

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

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

Technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, guidance on 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, the portfolio of the Company consisted of investments listed on a recognised stock exchange and derivative instruments contracted with counterparties having adequate credit rating, and the portfolio was considered to be readily convertible to cash, with the exception of the level 3 investments which had unrealised investment holding gains of £10,288,000 (2023: unrealised investment holding gains of £25,993,000). See Note 18 on pages 80 to 89 for further details on the level 3 investments.

Notes to the Financial Statements continued

3 Income

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Investment income		
Overseas dividends	**26,052**	31,949
Overseas scrip dividends	**–**	755
Interest on securities	**71**	–
	26,123	32,704
Derivative income		
Dividends received on long CFDs	**10,525**	11,282
Interest received on CFDs	**629**	284
	11,154	11,566
Other income		
Interest received on collateral, deposits and money market funds	**1,659**	409
Total income	**38,936**	44,679

Special dividends of £1,458,000 (2023: £1,155,000) have been recognised in capital.

4 Investment Management Fees

	Year ended 31 March 2024			Year ended 31 March 2023		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee – base	**2,430**	**7,289**	**9,719**	3,012	9,037	12,049
Investment management fee – variable	**–**	**1,702**	**1,702**	–	2,678	2,678
	2,430	**8,991**	**11,421**	3,012	11,715	14,727

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager ("the Manager") and has delegated portfolio management to FIL Investment Management (Hong Kong) Limited ("the Investment Manager").

The base investment management fee for the period from 1 April to 30 June 2023 was charged at an annual rate of 0.90% on the first £1.5 billion of Net Assets, reducing to 0.70% of Net Assets over £1.5 billion. Since 1 July 2023, it has been charged at an annual reduced rate of 0.85% on the first £1.5 billion of Net Assets and remained unchanged at 0.70% on Net Assets over £1.5 billion until 14 March 2024, when on completion of the transaction with ACIC, it reduced to 0.65% on Net Assets over £1.5 billion.

In addition, there is a +/-0.20% variable fee based on the Company's NAV per share performance relative to the Company's Benchmark Index measured daily over a three-year rolling basis.

Fees are payable monthly in arrears and are calculated on a daily basis. The base investment management fee has been allocated 75% to capital reserve in accordance with the Company's accounting policies.

Further details of the terms of the Management Agreement are given in the Directors' Report on page 37.

5 Other Expenses

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Allocated to revenue:		
AIC fees	**21**	21
Custody fees	**101**	157
Depositary fees	**52**	57
Directors' expenses	**79**	13
Directors' fees[1]	**240**	202
Legal and professional fees	**143**	77
Marketing expenses	**269**	263
Printing and publication expenses	**39**	50
Registrars' fees	**63**	69
Other expenses	**125**	131
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements	**71**	57
	1,203	1,097
Allocated to capital:		
Legal and professional fees	**35**	4
Other expenses	**1,238**	1,101

1 Details of the breakdown of Directors' fees are provided within the Directors' Remuneration Report on page 46.

6 Finance Costs

	Year ended 31 March 2024			Year ended 31 March 2023		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Interest paid on bank loan and overdrafts	**1,117**	**3,352**	**4,469**	663	1,989	2,652
Interest paid on CFDs	**5,582**	**16,746**	**22,328**	3,230	9,689	12,919
Dividends paid on short CFDs	**–**	**–**	**–**	63	191	254
	6,699	**20,098**	**26,797**	3,956	11,869	15,825

Finance costs have been allocated 75% to capital reserve in accordance with the Company's accounting policies.

Notes to the Financial Statements continued

7 Taxation

	Year ended 31 March 2024			Year ended 31 March 2023		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation	**812**	**–**	**812**	1,149	–	1,149
Taxation charge for the year (see Note 7b)	**812**	**–**	**812**	1,149	–	1,149

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 25% (2023: 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 2024			Year ended 31 March 2023		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) before taxation	**28,604**	**(241,256)**	**(212,652)**	36,614	(12,176)	24,438
Profit/(loss) before taxation multiplied by the standard rate of UK corporation tax of 25% (2023: 19%)	**7,151**	**(60,314)**	**(53,163)**	6,957	(2,313)	4,644
Effects of:						
Capital losses/(gains) not taxable[1]	**–**	**53,033**	**53,033**	–	(2,168)	(2,168)
Income not taxable	**(6,406)**	**–**	**(6,406)**	(6,116)	–	(6,116)
Expenses not deductible	**–**	**4,604**	**4,604**	–	1,987	1,987
Excess expenses	**(745)**	**2,677**	**1,932**	(841)	2,494	1,653
Overseas taxation	**812**	**–**	**812**	1,149	–	1,149
Taxation charge (Note 7a)	**812**	**–**	**812**	1,149	–	1,149

1 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 £39,515,000 (2023: £37,583,000), in respect of excess expenses of £158,059,000 (2023: £150,330,000) has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

The UK corporation tax rate increased from 19% to 25% from 1 April 2023. The rate of 25% has been applied to calculate the unrecognised deferred tax asset for the current year (2023: 25%).

8 Earnings/(Loss) per Ordinary Share

	Year ended 31 March 2024	Year ended 31 March 2023
Revenue earnings per ordinary share	**5.78p**	7.05p
Capital loss per ordinary share	**(50.18p)**	(2.42p)
Total (loss)/earnings per ordinary share	**(44.40p)**	4.63p

The earnings/(loss) per ordinary share is based on the profit/(loss) after taxation for the year divided by the weighted average number of ordinary shares held outside of Treasury during the year, as shown below:

	£'000	£'000
Revenue profit after taxation for the year	**27,792**	35,465
Capital loss after taxation for the year	**(241,256)**	(12,176)
Total (loss)/profit after taxation for the year	**(213,464)**	23,289

	Number	Number
Weighted average number of ordinary shares held outside of Treasury	**480,806,725**	503,045,428

9 Dividends Paid to Shareholders

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Dividend paid		
Dividend of 6.25 pence per ordinary share paid for the year ended 31 March 2023	**30,198**	–
Dividend of 5.50 pence per ordinary share paid for the year ended 31 March 2022	**–**	28,240
	30,198	28,240
Dividend proposed		
Dividend proposed of 6.40 pence per ordinary share for the year ended 31 March 2024	**33,471**	–
Dividend proposed of 6.25 pence per ordinary share for the year ended 31 March 2023	**–**	30,199
	33,471	30,199

The Directors have proposed the payment of a dividend for the year ended 31 March 2024 of 6.40 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting on 23 July 2024 and has not been included as a liability in these Financial Statements. The dividend will be paid on 31 July 2024 to shareholders on the register at the close of business on 21 June 2024 (ex-dividend date 20 June 2024).

Notes to the Financial Statements continued

10 Investments at Fair Value through Profit or Loss

	2024 £'000	2023 £'000
Total investments[1]	**1,162,265**	1,318,764
Opening book cost	**1,514,572**	1,630,492
Opening investment holding losses	**(195,808)**	(265,007)
Opening fair value of investments	**1,318,764**	1,365,485
Movements in the year		
Purchases at cost	**586,707**	440,666
Assets acquired in respect of the transaction with ACIC	**120,754**	–
Sales – proceeds	**(708,959)**	(480,475)
Losses on investments	**(155,001)**	(6,912)
Closing fair value	**1,162,265**	1,318,764
Closing book cost	**1,398,894**	1,514,572
Closing investment holding losses	**(236,629)**	(195,808)
Closing fair value of investments	**1,162,265**	1,318,764

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

The Company received £708,959,000 (2023: £480,475,000) from investments sold in the year. The book cost of these investments when they were purchased was £823,139,000 (2023: £556,586,000). 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 2024 £'000	Year ended 31 March 2023 £'000
Purchases transaction costs	**720**	599
Sales transaction costs	**740**	742
	1,460	1,341

The portfolio turnover rate for the year was 57.7%, excluding the ACIC transaction (2023: 35.5%). 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 fair value of investments.

11 Derivative Instruments

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Net change to (losses)/gains on derivative instruments		
Realised (losses)/gains on CFDs	**(74,311)**	6,913
Realised gains on futures	**27,951**	16,590
Realised losses on options	**(4,632)**	(2,645)
Movement in investment holding (losses)/gains on CFDs	**(11,900)**	353
Movement in investment holding gains/(losses) on futures	**6,382**	(4,466)
Movement in investment holding gains/(losses) on options	**1,720**	(1,774)
	(54,790)	14,971

	2024 Fair value £'000	2023 Fair value £'000
Fair value of derivative instruments recognised on the Balance Sheet[1]		
Derivative instrument assets	**7,103**	22,313
Derivative instrument liabilities	**(13,307)**	(20,892)
	(6,204)	1,421

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

	Fair value £'000	2024 Asset exposure £'000	Fair value £'000	2023 Asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	**(4,483)**	**412,237**	7,409	512,674
Short CFDs	**(1,246)**	**14,766**	(1,238)	19,086
Futures (hedging exposure)	**(475)**	**(138,402)**	(6,857)	(172,890)
Call options	**–**	**–**	204	2,161
Put options (long exposure)	**–**	**–**	(414)	5,097
Put options (short exposure)	**–**	**–**	29	188
Put options (hedging exposure)	**–**	**–**	2,288	(26,013)
	(6,204)	**288,601**	1,421	340,303

Notes to the Financial Statements continued

12 Other Receivables

	2024 £'000	2023 £'000
Securities sold for future settlement	**5,957**	148
Amounts receivable on settlement of derivatives	**2,161**	10,135
Accrued income	**1,726**	1,513
Taxation recoverable	**12**	13
Other receivables	**210**	130
	10,066	11,939

13 Bank Loan – repayable within one year

	2024 £'000	2023 £'000
Fixed rate unsecured US dollar loan		
US dollar 100,000,000 fixed at a rate of 6.335%[1]	**–**	80,857
	–	80,857

1 The unsecured loan with The Bank of Nova Scotia, London Branch was repaid on 13 February 2024.

14 Other Payables

	2024 £'000	2023 £'000
Securities purchased for future settlement	**6,843**	12,402
Amounts payable on settlement of derivatives	**1,078**	4,731
Investment management fees	**678**	1,266
Finance costs payable	**610**	977
Accrued expenses	**414**	1,096
Amounts payable for repurchase of shares for cancellation	**179**	–
Amounts payable for repurchase of shares into Treasury	**–**	130
	9,802	20,602

15 Share Capital

	2024 Number of shares	**2024** Nominal value £'000	2023 Number of shares	2023 Nominal value £'000
Issued, allotted and fully paid				
Ordinary shares of 1 pence each held outside of Treasury				
Beginning of the year	**488,325,628**	**4,884**	513,957,409	5,140
New ordinary shares issued in respect of the transaction with ACIC	**59,005,997**	**590**	–	–
Ordinary shares repurchased into Treasury	**(2,900,696)**	**(29)**	(25,631,781)	(256)
Ordinary shares repurchased for cancellation	**(18,749,495)**	**(187)**	–	–
End of the year	**525,681,434**	**5,258**	488,325,628	4,884
Ordinary shares of 1 pence each held in Treasury[1]				
Beginning of the year	**82,728,852**	**826**	57,097,071	570
Ordinary shares repurchased into Treasury	**2,900,696**	**29**	25,631,781	256
End of the year	**85,629,548**	**855**	82,728,852	826
Total share capital		**6,113**		5,710

1 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.

On 13 March 2024, the Company acquired £126.8 million of Net Assets from ACIC, in consideration for the issue of 59,005,997 new shares to ACIC shareholders in accordance with the Scheme.

During the year, the Company repurchased 2,900,696 (2023: 25,631,781) ordinary shares and held them in Treasury. The cost of repurchasing these shares of £6,965,000 (2023: £57,249,000) was charged to the Other Reserve.

The Company also repurchased 18,749,495 (2023: nil shares) ordinary shares for cancellation. The cost of repurchasing these shares of £38,968,000 (2023: £nil) was charged to the Other Reserve.

Notes to the Financial Statements continued

16 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2023	**5,710**	**211,569**	**917**	**186,794**	**877,782**	**55,649**	**1,338,421**
Losses on investments (see Note 10)	–	–	–	–	(155,001)	–	(155,001)
Losses on derivative instruments (see Note 11)	–	–	–	–	(54,790)	–	(54,790)
Foreign exchange losses	–	–	–	–	(3,858)	–	(3,858)
Foreign exchange gains on bank loan	–	–	–	–	1,517	–	1,517
Investment management fees (see Note 4)	–	–	–	–	(8,991)	–	(8,991)
Other expenses (see Note 5)	–	–	–	–	(35)	–	(35)
Finance costs (see Note 6)	–	–	–	–	(20,098)	–	(20,098)
Revenue profit after taxation for the year	–	–	–	–	–	27,792	27,792
Dividend paid to shareholders (see Note 9)	–	–	–	–	–	(30,198)	(30,198)
New ordinary shares issued in respect of the transaction with ACIC (see Note 15)	590	126,198	–	–	–	–	126,788
Contribution in respect of the transaction with ACIC by the Manager (see Note 2 (a))	–	400	–	–	–	–	400
Repurchase of ordinary shares into Treasury (see Note 15)	–	–	–	(6,965)	–	–	(6,965)
Repurchase of ordinary shares for cancellation (see Note 15)	(187)	–	187	(38,968)	–	–	(38,968)
At 31 March 2024	**6,113**	**338,167**	**1,104**	**140,861**	**636,526**	**53,243**	**1,176,014**

16 Capital and Reserves continued

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2022	5,710	211,569	917	244,043	889,958	48,424	1,400,621
Losses on investments (see Note 10)	–	–	–	–	(6,912)	–	(6,912)
Gains on derivative instruments (see Note 11)	–	–	–	–	14,971	–	14,971
Foreign exchange gains	–	–	–	–	8,167	–	8,167
Foreign exchange losses on bank loan	–	–	–	–	(4,814)	–	(4,814)
Investment management fees (see Note 4)	–	–	–	–	(11,715)	–	(11,715)
Other expenses (see Note 5)	–	–	–	–	(4)	–	(4)
Finance costs (see Note 6)	–	–	–	–	(11,869)	–	(11,869)
Revenue profit after taxation for the year	–	–	–	–	–	35,465	35,465
Dividend paid to shareholders (see Note 9)	–	–	–	–	–	(28,240)	(28,240)
Repurchase of ordinary shares (see Note 15)	–	–	–	(57,249)	–	–	(57,249)
At 31 March 2023	5,710	211,569	917	186,794	877,782	55,649	1,338,421

The capital reserve balance at 31 March 2024 includes investment holding losses on investments of £236,629,000 (2023: losses of £195,808,000) as detailed in Note 10 above. See Note 2 (s) for further details. The revenue, capital and other reserves are distributable by way of dividend.

17 Net Asset Value per Ordinary Share

The calculation of the net asset value per ordinary share is based on the net assets divided by the number of ordinary shares held outside of Treasury.

	2024	2023
Net assets	**£1,176,014,000**	£1,338,421,000
Ordinary shares held outside of Treasury at year end	**525,681,434**	488,325,628
Net asset value per ordinary share	**223.71p**	274.08p

It is the Company's policy that shares held in Treasury will only be reissued at net asset value per share or at a premium to net asset value per share so that shares held in Treasury have no dilutive effect.

Notes to the Financial Statements continued

18 Financial Instruments

Management of risk

The Company's investing activities in pursuit of its investment objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board with the assistance of the Investment Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are geopolitical, market and economic (including currency), investment performance (including gearing), discount management, unlisted securities, climate change, environmental, social and governance ("ESG"), key person, cybercrime and information security, business continuity, operational and variable interest entity structures. 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 24 to 29.

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, convertible bonds and rights issues;
- 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 and in addition, the Company has derivative instruments. The unsecured fixed rate loan facility for US$100,000,000 expired on 13 February 2024 as disclosed in Note 13.

Interest rate risk exposure

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

	2024 £'000	2023 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	**416,720**	505,265
Bank overdrafts	**12,758**	–
Bank loan	**–**	80,857
	429,478	586,122
Exposure to financial instruments that earn interest		
Short CFDs – exposure plus fair value	**13,520**	17,848
Amounts held at futures clearing houses and brokers	**24,589**	34,813
Cash at bank	**7,858**	72,943
	45,967	125,604
Net exposure to financial instruments that bear interest	**383,511**	460,518

18 Financial Instruments continued

Foreign currency risk

The Company's profit/(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;
- 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 investments, long positions on derivative instruments, short-term debtors and cash at bank. The currency exposure profile of these financial assets is shown below:

Currency	Investments held at fair value through profit or loss £'000	Asset exposure of long derivative instruments[1] £'000	Other receivables[2] £'000	Cash at bank £'000	2024 Total £'000
Chinese renminbi	92,336	–	–	1,372	93,708
Euro	10,903	–	–	–	10,903
Hong Kong dollar	704,175	148,557	18,153	–	870,885
Japanese yen	5,787	22,134	125	341	28,387
Taiwan dollar	7,603	–	12	–	7,615
Thai baht	439	–	–	–	439
UK sterling	17,752	–	209	–	17,961
US dollar	323,270	103,144	16,156	6,145	448,715
	1,162,265	273,835	34,655	7,858	1,478,613

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

Notes to the Financial Statements continued

18 **Financial Instruments** continued

Currency	Investments held at fair value through profit or loss £'000	Asset exposure of long derivative instruments[1] £'000	Other receivables[2] £'000	Cash at bank £'000	2023 Total £'000
Chinese renminbi	170,913	–	–	21,221	192,134
Euro	10,432	–	–	–	10,432
Hong Kong dollar	601,107	270,181	34,483	24,043	929,814
Japanese yen	35,111	–	84	–	35,195
South Korean won	–	–	–	1	1
Taiwan dollar	19,621	–	72	8	19,701
UK sterling	16,221	–	130	–	16,351
US dollar	465,359	50,848	11,983	27,670	555,860
	1,318,764	321,029	46,752	72,943	1,759,488

1 The asset exposure of long CFDs and options 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, other payables, bank overdrafts and US dollar denominated bank loan. The currency profile of these financial liabilities is shown below:

Currency	**Asset exposure of short derivative instruments[1] £'000**	**Other payables £'000**	**Bank overdrafts £'000**	**2024 Total £'000**
Hong Kong dollar	**–**	**5,994**	**12,744**	**18,738**
UK sterling	**–**	**1,271**	**14**	**1,285**
US dollar	**14,766**	**2,537**	**–**	**17,303**
	14,766	**9,802**	**12,758**	**37,326**

Currency	Asset exposure of short derivative instruments[1] £'000	Other payables £'000	US dollar bank loan £'000	2023 Total £'000
Hong Kong dollar	13,842	13,658	–	27,500
UK sterling	–	1,823	–	1,823
US dollar	5,432	5,121	80,857	91,410
	19,274	20,602	80,857	120,733

1 The asset exposure of short derivative instruments excluding hedging exposures.

18 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 Manager is 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 Manager's 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.

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 Manager employs, 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 2024, £2,811,000 (2023: £15,601,000) was held by the brokers in cash denominated in US dollars 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 £2,613,000 (2023: £5,814,000), HSBC Bank plc £198,000 (2023: £5,397,000) and UBS AG £nil (2023: £4,390,000). As at 31 March 2024, £24,589,000 (2023: £34,813,000), 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: UBS AG £15,689,000 (2023: £24,694,000) in cash, J.P. Morgan Securities plc £5,186,000 (2023: £7,273,000) in cash and Morgan Stanley & Co. International Ltd £3,714,000 (2023: £2,846,000) 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 Company 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

18 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	Margin account received as collateral £'000	**2024** Net amount £'000
CFDs	**7,103**	**–**	**7,103**	**(3,844)**	**(2,389)**	**870**

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	Margin account pledged as collateral £'000	**2024** Net amount £'000
CFDs	**(12,832)**	**–**	**(12,832)**	**3,844**	**8,900**	**(88)**
Futures (exchange traded)	**(475)**	**–**	**(475)**	**–**	**475**	**–**
	(13,307)	**–**	**(13,307)**	**3,844**	**9,375**	**(88)**

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	Margin account received as collateral £'000	2023 Net amount £'000
CFDs	19,792	–	19,792	(9,040)	(9,704)	1,048
Options	2,521	–	2,521	(414)	(2,107)	–
	22,313	–	22,313	(9,454)	(11,811)	1,048

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	Margin account pledged as collateral £'000	2023 Net amount £'000
CFDs	(13,621)	–	(13,621)	9,040	4,581	–
Futures (exchange traded)	(6,857)	–	(6,857)	–	6,857	–
Options	(414)	–	(414)	414	–	–
	(20,892)	–	(20,892)	9,454	11,438	–

18 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 Manager 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 Manager. Exposure to credit risk arises on outstanding security transactions and 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 Manager. 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 Manager believes 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 Manager 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 1.00% 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 £3,835,000 (2023: decreased the profit after taxation and decreased the net assets by £3,797,000). A decrease of 1.00% 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 (2023: decreased the profit after taxation and decreased the net assets) by the following amounts:

Currency	**2024 £'000**	2023 £'000
Chinese renminbi	**8,519**	17,467
Euro	**991**	948
Hong Kong dollar	**77,468**	82,028
Japanese yen	**2,581**	3,200
Taiwan dollar	**692**	1,791
Thai baht	**40**	–
US dollar	**39,219**	42,223
	129,510	147,657

Notes to the Financial Statements continued

18 Financial Instruments continued
Based on the financial assets and liabilities held and the exchange rates ruling at the Balance Sheet date, a weakening of the UK sterling exchange rate by 10% against other currencies would have decreased the loss after taxation for the year and increased the net assets of the Company (2023: increased the profit after taxation and increased the net assets) by the following amounts:

Currency	2024 £'000	2023 £'000
Chinese renminbi	**10,412**	21,348
Euro	**1,211**	1,159
Hong Kong dollar	**94,683**	100,257
Japanese yen	**3,154**	3,911
Taiwan dollar	**846**	2,189
Thai baht	**49**	–
US dollar	**47,935**	51,606
	158,290	180,470

Other price risk sensitivity analysis
Changes in market prices affect the profit/(loss) after taxation for the year and the net assets of the Company. Details of how the Board sets risk parameters and performance objectives are disclosed in the Strategic Report on pages 22 to 32.

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 £100,526,000 (2023: increased the profit after taxation and increased the net assets by £112,588,000). 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 £15,701,000 (2023: increased the profit after taxation and increased the net assets by £19,288,000). 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 £25,907,000 (2023: increased the profit after taxation and increased the net assets by £30,176,000). 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), investments and derivative instruments are shown at fair value. In the case of cash at bank, 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.

		2024		2023
	Fair value £'000	**Book value £'000**	Fair value £'000	Book value £'000
Fixed rate unsecured loan of US dollar 100,000,000[1]	**–**	**–**	81,092	80,857

1 The unsecured fixed rate loan facility for US$100,000,000 was repaid on 13 February 2024 as disclosed in Note 13.

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

18 Financial Instruments continued

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to inputs other than quoted prices included in level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
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 (e), (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**	**2024 Total £'000**
Investments	**980,975**	**24,282**	**157,008**	**1,162,265**
Derivative instrument assets	**–**	**7,103**	**–**	**7,103**
	980,975	**31,385**	**157,008**	**1,169,368**
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	**(475)**	**(12,832)**	**–**	**(13,307)**

Financial assets at fair value through profit or loss	Level 1 £'000	Level 2 £'000	Level 3 £'000	2023 Total £'000
Investments	1,081,458	44,428	192,878	1,318,764
Derivative instrument assets	2,492	19,821	–	22,313
	1,083,950	64,249	192,878	1,341,077
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(7,271)	(13,621)	–	(20,892)
Financial liabilities at fair value				
Bank loan	–	(81,092)	–	(81,092)

Notes to the Financial Statements continued

18 Financial Instruments continued

Level 3 investments (unlisted and delisted investments)

	2024 £'000	2023 £'000
Pony.ai	**42,805**	48,272
DJI International	**30,769**	30,475
Chime Biologics	**27,312**	29,064
Venturous Holdings	**25,602**	26,015
ByteDance	**24,724**	24,035
Tuhu Car (moved into Level 1)	**–**	14,024
Cutia Therapeutics (moved into Level 1)	**–**	11,575
Beisen (moved into Level 1)	**–**	9,418
Shanghai Yiguo	**–**	–
4 listed investments whose listings are currently suspended	**5,796**	–
	157,008	192,878

Pony.ai

Pony.ai develops artificial intelligence and autonomous driving technology solutions for transportation and is an unlisted company. The valuation at 31 March 2024 is based on the company's financial performance, the macro-environment and benchmarking the position to a range of comparable market data. As at 31 March 2024, its fair value was £42,805,000 (book cost: £24,892,000).

DJI International

DJI International is a manufacturer of drones and is an unlisted company. The valuation at 31 March 2024 is as follows: the D shares valuation is based on the strike price of the put option in place and the B shares valuation is based on the company's performance, the macro-environment, product development and benchmarking the position to a range of comparable market data. As at 31 March 2024, its fair value was £30,769,000 (book cost: £22,416,000).

Chime Biologics

Chime Biologics is a China-based Contract Development and Manufacturing Organization (CDMO) that provides a solution supporting customers from early-stage biopharmaceutical development through late-stage clinical and commercial manufacturing and is an unlisted company. The valuation at 31 March 2024 is based on analysis of the company performance, the terms of the convertible note and benchmarking the position to a range of comparable market data. As at 31 March 2024, its fair value was £27,312,000 (book cost: £25,227,000).

Venturous Holdings

Venturous Holdings is an investment company with a focus in smart city technology companies and is an unlisted company. The valuation at 31 March 2024 is based on a review of the company's portfolio including performance, the wider macro-environment and benchmarking the position to a range of comparable market data. As at 31 March 2024, its fair value was £25,602,000 (book cost: £23,701,000).

ByteDance

ByteDance develops applications for smart phones and is an unlisted company. The valuation at 31 March 2024 is based on the company's financial performance, the macro-environment and benchmarking the position to a range of comparable market data. As at 31 March 2024, its fair value was £24,724,000 (book cost: £7,361,000).

Shanghai Yiguo

Shanghai Yiguo operates an e-commerce platform, selling fruit and vegetables online to customers in China and is an unlisted company. The company has commenced liquidation proceedings and following internal review, the valuation at £nil remained appropriate as at 31 March 2024 (book cost: £11,806,000).

Companies whose listings are suspended

Four listed companies in the portfolio have had their listing suspended: DBA Telecommunication (Asia) Limited (suspended July 2014), China Animal Healthcare Limited (suspended March 2015), BNN Technology Limited (suspended September 2017) and China Renaissance Holdings (suspended April 2023). All holdings have been valued at £nil, apart from China Renaissance Holdings which has been valued at £5,796,000.

18 Financial Instruments continued

Significant holdings

Details of significant holdings are noted below in accordance with the disclosure requirements of paragraph 82 of the AIC SORP. The Company is required to provide a list of all investments at the balance sheet date with a value greater than 5% of its portfolio and at least the ten largest investments, including the value of each investment and for unlisted investments included in the list, additional detail is required as shown below. This disclosure includes turnover, pre-tax profits and net assets attributable to investors, as reported within the most recently audited financial statements of the investee companies.

	Latest Financial Statements	Income recognised from the holding in the year	Turnover £'000	Pre-tax profit/(loss) £'000	Net assets attributable to shareholders £'000
Pony.ai	n/a	nil	Information not publicly available		
DJI International	n/a	nil	Information not publicly available		
Chime Biologics	n/a	nil	Information not publicly available		

Movements in level 3 investments during the year	2024 Level 3 £'000	2023 Level 3 £'000
Level 3 investments at the beginning of the year	192,878	194,650
Purchases at cost	–	–
Sales proceeds - Venturous Holdings	(2,943)	–
Sales gain - Venturous Holdings	615	–
Transfers into level 3 at cost – China Renaissance Holdings	17,316	–
Transfers out of level 3 at cost[1]	(35,153)	(9,971)
Unrealised (loss)/profit recognised in the Income Statement	(15,705)	8,199
Level 3 investments at the end of the year	**157,008**	192,878

1 Financial instruments are transferred out of level 3 when they become listed. See page 88 for more information.

Notes to the Financial Statements continued

19 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital, reserves and gearing, which are disclosed on the Balance Sheet. The Company is managed in accordance with its investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on pages 22 and 23. The principal risks and their management are disclosed in the Strategic Report on pages 24 to 29 and in Note 18 above.

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

	2024 Gross gearing Exposure £'000	**%[1]**	**2024 Net gearing Exposure £'000**	**%[1]**
Investments	1,162,265	98.8	1,162,265	98.8
Long CFDs	412,237	35.1	412,237	35.1
Total long exposures before hedges	**1,574,502**	**133.9**	**1,574,502**	**133.9**
less: short derivative instruments hedging the above	(138,402)	(11.8)	(138,402)	(11.8)
Total long exposures after the netting of hedges	**1,436,100**	**122.1**	**1,436,100**	**122.1**
Short CFDs	14,766	1.3	(14,766)	(1.3)
Gross Asset Exposure/net market exposure*	**1,450,866**	**123.4**	**1,421,334**	**120.8**
Net Assets	**1,176,014**		**1,176,014**	
Gearing[2]		**23.4%**		**20.8%**

	2023 Gross gearing Exposure £'000	%[1]	2023 Net gearing Exposure £'000	%[1]
Investments	1,318,764	98.5	1,318,764	98.5
Long CFDs	512,674	38.3	512,674	38.3
Call options	2,161	0.2	2,161	0.2
Put options (long exposure)	5,097	0.4	5,097	0.4
Total long exposures before hedges	1,838,696	137.4	1,838,696	137.4
less: short derivative instruments hedging the above	(198,903)	(14.9)	(198,903)	(14.9)
Total long exposures after the netting of hedges	1,639,793	122.5	1,639,793	122.5
Short CFDs	19,086	1.4	(19,086)	(1.4)
Put options (short exposure)	188	–	(188)	–
Gross Asset Exposure/net market exposure*	1,659,067	123.9	1,620,519	121.1
Net Assets	1,338,421		1,338,421	
Gearing[2]		23.9%		21.1%

* Defined in the Glossary of Terms on pages 99 and 100.
1 Exposure to the market expressed as a percentage of Net Assets.
2 Gearing is the amount by which Gross Asset Exposure/net market exposure exceeds Net Assets expressed as a percentage of Net Assets.

20 Transactions with the Managers and Related Parties

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

Details of the current fee arrangements are given in the Directors' Report on page 37. During the year, management fees of £11,421,000 (2023: £14,727,000) were payable to Fidelity. At the Balance Sheet date, management fees of £678,000 (2023: £1,266,000) were accrued and included in other payables. Fidelity also provides the Company with marketing services. The total amount payable for these services was £269,000 (2023: £263,000). At the Balance Sheet date, marketing services of £91,000 (2023: £43,000) were accrued and included in other payables.

FIL Investment Services (UK) Limited agreed to contribute towards the costs of the transaction with ACIC and an amount equal to eight months of management fees in the year to 31 March 2025, that would otherwise be payable by the enlarged Company to the AIFM in respect of the assets transferred by ACIC to the Company pursuant to the Scheme was waived. In the financial period ended 31 March 2024, the Company has recognised an initial contribution of £400,000 in respect of the transaction with ACIC, with the balance being recognised in the year ending 31 March 2025.

Disclosures of the Directors' interests in the 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 46 and 47. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £23,000 (2023: £22,000) of employers' National Insurance contributions were paid by the Company. At the Balance Sheet date, Directors' fees of £26,000 (2023: £22,000) were accrued and payable.

Alternative Performance Measures

Discount/Premium
The discount/premium is considered to be an Alternative Performance Measure. It is the difference between the Net Asset Value ("NAV") per Ordinary Share of the Company and the Ordinary Share price expressed as a percentage of the NAV per Ordinary Share. Details of the Company's discount/premium are on the Financial Highlights page and are both defined in the Glossary of Terms on page 99 and on page 101.

Gearing
Gearing (both gross and net) is considered to be an Alternative Performance Measure. See Note 19 on page 90 for details of the Company's gearing.

Net Asset Value ("NAV") per Ordinary Share
The NAV per Ordinary Share is considered to be an Alternative Performance Measure. See the Balance Sheet on page 63 and Note 17 on page 79 for further details.

Ongoing Charges Ratio
The ongoing charges ratio is considered to be an Alternative Performance Measure. It 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.

	2024	2023
Investment management fees (£'000)	**9,719**	12,049
Other expenses (£'000)	**1,238**	1,101
Ongoing charges (£'000)	**10,957**	13,150
Variable management fees (£'000)	**1,702**	2,678
Average net assets (£'000)	**1,122,589**	1,338,770
Ongoing charges ratio	**0.98%**	0.98%
Ongoing charges ratio including variable management fees	**1.13%**	1.18%

The ongoing charges ratio represents the total expenses of the Company, excluding transaction costs, interest payments, tax and non-recurring expenses expressed, as a percentage of the average daily net asset value, in accordance with guidance issued by the AIC. The ongoing charges ratio, excluding the variable management fee, for the year ended 31 March 2024 was 0.98%. It is estimated that the ongoing charges ratio for the year ending 31 March 2025 will be 0.88%, the significant reduction reflecting the management fees waived by the Manager in lieu of its contribution to the costs of the Company's transaction with ACIC.

Revenue, Capital and Total Earnings per Share
Revenue, capital and total earnings per share are considered to be Alternative Performance Measures. See the Income Statement on page 61 and Note 8 on page 73 for further details.

Total Return Performance
Total return performance is considered to be an Alternative Performance Measure. NAV per share 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 share and share prices of the Company, the impact of the dividend reinvestments and the total returns for the years ended 31 March 2024 and 31 March 2023.

2024	**Net asset value per share**	**Share price**
31 March 2023	**274.08p**	**247.50p**
31 March 2024	**223.71p**	**201.00p**
Change in the year	**-18.4%**	**-18.8%**
Impact of dividend reinvestment	**+2.1%**	**+2.4%**
Total return for the year	**-16.3%**	**-16.4%**

2023	Net asset value per share	Share price
31 March 2022	272.52p	252.00p
31 March 2023	274.08p	247.50p
Change in the year	+0.6%	-1.8%
Impact of dividend reinvestment	+2.0%	+2.1%
Total return for the year	+2.6%	+0.3%

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity China Special Situations PLC will be held at 4 Cannon Street, London EC4M 5AB and virtually via the Lumi AGM meeting platform on Tuesday, 23 July 2024 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 2024.
2. To declare that a final dividend for the year ended 31 March 2024 of 6.40 pence per ordinary share be paid to shareholders who appear on the register as at close of business on 21 June 2024.
3. To re-elect Mr Mike Balfour as a Director.
4. To re-elect Mr Alastair Bruce as a Director.
5. To re-elect Mrs Vanessa Donegan as a Director.
6. To re-elect Ms Georgina Field as a Director.
7. To re-elect Mr Gordon Orr as a Director.
8. To re-elect Dr Edward Tse as a Director.
9. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 45) for the year ended 31 March 2024.
10. 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.
11. 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 12 will be proposed as an ordinary resolution and Resolutions 13 and 14 as special resolutions.

Authority to Allot Shares and Disapply Pre-Emption Rights

Resolutions 12 and 13 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 at the latest practicable date of this document. 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 ordinary share, or at a premium to NAV per ordinary share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per ordinary share.

12. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or 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 £608,614 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) at the latest practicable date of this document) 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.
13. THAT, subject to the passing of Resolution 12, 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 12 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:

    a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £608,614 (approximately 10% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) at the latest practicable date of this document); 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 ordinary 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 14 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) at the latest practicable date of this document, 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 ordinary share, thereby resulting in an increased NAV per ordinary share.

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

    a) the maximum number of shares hereby authorised to be purchased shall be 78,395,400;

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

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

        (i) 5% above the average of the middle market quotations for the shares as derived from the London Stock Exchange Official List for the five business days preceding the date of purchase; and

        (ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the London Stock Exchange at the time the purchase is carried out;

    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
10 June 2024

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 Form of Proxy.

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 Friday, 19 July 2024. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person or virtually 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, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL 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 (in each case excluding non-business days).

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 Friday, 19 July 2024. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time, any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) of the Uncertified Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 11:00 on Friday, 19 July 2024.

Notice of Meeting continued

6. Proxymity Voting – If you are an institutional investor, you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to **www.proxymity.io**. Your proxy must be lodged by no later than 11:00 on Friday, 19 July 2024 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity Platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

7. Unless otherwise indicated on the Form of Proxy, CREST voting, Proximity or any other electronic voting channel instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.

8. 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 Friday, 19 July 2024. Shareholders are urged to vote using the Form of Proxy provided or electronically where permitted by your nominee or platform.

9. The Company is pleased to be able to offer facilities for shareholders to attend, ask questions and vote at the AGM electronically in real time should they wish to do so. The details are set out below.

   In order to join the AGM electronically and ask questions via the platform, shareholders will need to connect to the following site **https://web.lumiagm.com**. Lumi is available as a mobile web client, compatible with the latest browser versions of Chrome, Firefox, Edge and Safari and can be accessed using any web browser, on a PC or smartphone device.

   Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will be asked to enter the **Lumi Meeting ID** which is **134-206-210**. You will then be prompted to enter your unique 11 digit Investor Code ("IVC") including any leading zeros and 'PIN'. Your PIN is the last 4 digits of your IVC. This will authenticate you as a shareholder.

   Your IVC can be found on your share certificate or as detailed on your proxy form. Signal Shares users (**www.signalshares.com**) will find this under 'Manage your account' when logged in to the Signal Shares portal. You can also obtain this by contacting Link, our Registrar, by calling **+44 (0) 371 277 1020***

   Access to the AGM will be available from **30 minutes before the meeting start time**, although the voting functionality will not be enabled until the Chairman of the meeting declares the poll open. During the AGM, you must ensure you are connected to the internet at all times in order to vote when the Chairman commences polling on the Resolutions. Therefore, it is your responsibility to ensure connectivity for the duration of the AGM via your wi-fi. A user guide to the Lumi platform is available on the Company's pages of the Manager's website at: **www.fidelity.co.uk/china**.

   If you wish to appoint a proxy other than the Chairman of the meeting and for them to attend the virtual meeting on your behalf, please submit your proxy appointment in the usual way before contacting Link Group on **+44 (0) 371 277 1020*** in order to obtain their IVC and PIN. It is suggested that you do this as soon as possible and at least 48 hours (excluding non-business days) before the meeting.

   If your shares are held within a nominee/platform and you wish to attend the electronic meeting, you will need to contact your nominee as soon as possible. Your nominee will need to present a corporate letter of representation to Link Group, the Registrar, as soon as possible and at least 72 hours (excluding non-business days) before the meeting, in order that they can obtain for you your unique IVC and PIN to enable you to attend the electronic meeting.

   If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **134-206-210**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

   * Lines are open from 09:00 to 17:30 Monday to Friday, excluding public holidays in England and Wales. 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.

10. 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.

11. 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.

12. 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 Friday, 19 July 2024. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members by 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.

13. As at the latest practicable date prior to the publication of this document, the Company's issued share capital consisted of 608,614,733 ordinary shares carrying one vote each. The number of shares held by the Company in Treasury was 85,629,548. Therefore, the total number of shares with voting rights in the Company was 522,985,185.

14. 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.

15. 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.

16. 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 is 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.

17. No Director has a service contract with the Company.

18. 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.fidelity.co.uk/china**.

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 (the Manager).

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

Alternative Performance Measures
The Company uses the following Alternative Performance Measures which are all defined in this Glossary:

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

Asset Exposure
The value of an underlying security or instrument to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of derivatives).

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).

Broker
The Company's Broker is Jefferies International Limited.

Capital Gains Tax (CGT)
The tax that may be payable if shares are sold at a profit.

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 also 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 subsidiary of the Shenzhen Stock Exchange for innovative and fast-growing companies, especially high-tech companies. It started trading in October 2009. The MSCI added 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
Asset provided as security for the unrealised gain or loss under a contract for difference.

Contract For Difference (CFD)
A contract for difference is a derivative. It is a contract between the Company and an investment house at the end of which the parties exchange the difference between the opening price and the closing price of an 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 collateral. 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 and interest is received.

Corporation Tax
The tax the Company may have to pay on its profits for a year. As an investment trust, the Company is exempt from corporation tax on its capital gains and does not pay tax on any UK dividends. It can also offset expenses against any taxable income and consequently it is tax efficient for the Company.

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

Debt
Bank borrowings and long contracts for difference.

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

Derivatives
Financial instruments (such as futures, options and contracts for difference) whose value is derived from the value of an underlying asset.

Discount
If the share price of the Company is lower than the net asset value per ordinary share, the Company is said to be trading at a discount. The discount is shown as a percentage of the net asset value per ordinary share.

Earnings
The earnings generated in a given period from investments:

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

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

Fidelity International (Fidelity)
FIL Investments International.

Forward Contract
An agreement to buy or sell a currency, commodity or other asset at a specified future date and at a predetermined price.

Future
An agreement to buy or sell a fixed amount of an asset at a fixed future date and a fixed price.

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 strategy aimed at minimising or eliminating the risk or loss through adverse movements, normally involving taking a position in a derivative such as a future or an option. For the purposes of calculating Gross Asset Exposure, the exposure attributed to the hedge positions will be deducted from the exposure of the corresponding long positions. Short positions are added to long positions in arriving at the Gross Asset Exposure.

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

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

Investment Manager
FIL Investment Management (Hong Kong) Limited.

Glossary to the Annual Report continued

Kroll
Kroll provides an objective and independent assessment of value using sophisticated valuation methodologies. It constantly monitors changing regulations and consistently provides input to Accounting Standards Boards as they develop implementation guidance and new financial reporting rules with valuation implications.

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

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 Manager.

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 Assets plus Borrowings
Net Assets plus bank loans. The Company currently has no bank loans.

Net Asset Value
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 per Ordinary Share
The net asset value 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 Ratio (excluding Variable Management Fee)
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.

Option
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.

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.

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 rights provision, up to 10% of the Company's issued share capital.

Premium
If the share price of the Company is higher than the net asset value per ordinary share, the Company's shares are said to be trading at a premium. The premium is shown as a percentage of the net asset value per ordinary share.

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
An entity that manages the Company's shareholder register. The Company's Registrar is Link Group.

Reserves
- **Share premium account** represents the amount by which the proceeds from the issue of ordinary shares have exceeded the cost of those ordinary shares and the amounts paid by the Manager to meet costs relating to acquisitions. It is not distributable by way of dividends and it cannot be used to fund share repurchases.

- **Capital redemption reserve** represents the nominal value of ordinary shares repurchased and cancelled. It cannot be used to fund share repurchases and is not distributable by way of dividends.

- **Other reserve** is a distributable premium reserve created on 21 April 2010 when High Court approval was given for the share premium account 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.

- **Capital reserve** represents realised gains or losses on investments and derivatives sold, unrealised 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 dividends.

- **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 dividends.

Secretary
FIL Investments International.

Shareholders' Funds
Shareholders' funds are also described as "net asset value" and 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 or derivative's price.

Size of Company (By 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 ordinary 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
Total shareholder return 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 pay dividends, have no voting rights and are excluded from the net asset value per ordinary share calculation.

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.

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.

Glossary to the Annual Report continued

Variable Management Fee (VMF)
The Company has a Variable Management Fee (VMF) structure. The base fee is on a tiered basis of 0.85% on the first £1.5 billion of Net Assets, reducing to 0.65% on Net Assets over £1.5 billion 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 would pay if it outperforms is 1.05% on Net Assets up to £1.5 billion and reducing to 0.85% on Net Assets over £1.5 billion, but if the Company underperforms against the Benchmark Index, then the overall fee could be as low as 0.65% on Net Assets up to £1.5 billion, reducing to 0.45% on Net Assets over 1.5 billion.

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 and the latest Key Information Document can be found on the Company's pages of the Manager's website at **www.fidelity.co.uk/china**.

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.fidelity.co.uk/its**

Shareholders on the main share register

Contact Link Group, Registrar to Fidelity China Special Situations PLC, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Email: **shareholderenquiries@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).

Fidelity Platform Investors

Contact Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity, PO Box 391, Tadworth, Surrey KT20 9FU.

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

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: **0207 961 4240**

Email: **investmenttrusts@fil.com**

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

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**.

Shareholder Information continued

Managers and Advisors

Alternative Investment Fund Manager (AIFM/the Manager)
FIL Investment Services (UK) Limited
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

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

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
Jefferies International Limited
100 Bishopsgate
London
EC2N 4JL

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

Lawyer
Simmons & Simmons LLP
1 Ropemaker Street
London
EC2Y 9SS

Registrar
Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

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 5555** (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.fidelity.co.uk/china**

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.

Data Protection

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/security-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.

Retention Period
Personal data will be kept for as long as is necessary for these purposes and no longer than 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") as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the investment management to FIL Investment Management (Hong Kong) Limited ("FIMHK") and the company secretarial function to FIL Investments International. Details of the current Management Agreement can be found in the Directors' Report on page 37.

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. 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 22 and 23.
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 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 24 to 29 and in Note 18 to the Financial Statements on pages 80 to 89.
Valuation of illiquid assets	The AIFMD requires the disclosure of the percentage of the Alternative Investment Fund's assets which are subject to special arrangements arising from their illiquid nature and any new arrangements for managing the liquidity of the Company.	As at the date of this report, none of the Company's assets were subject to special arrangements arising from their illiquid nature.

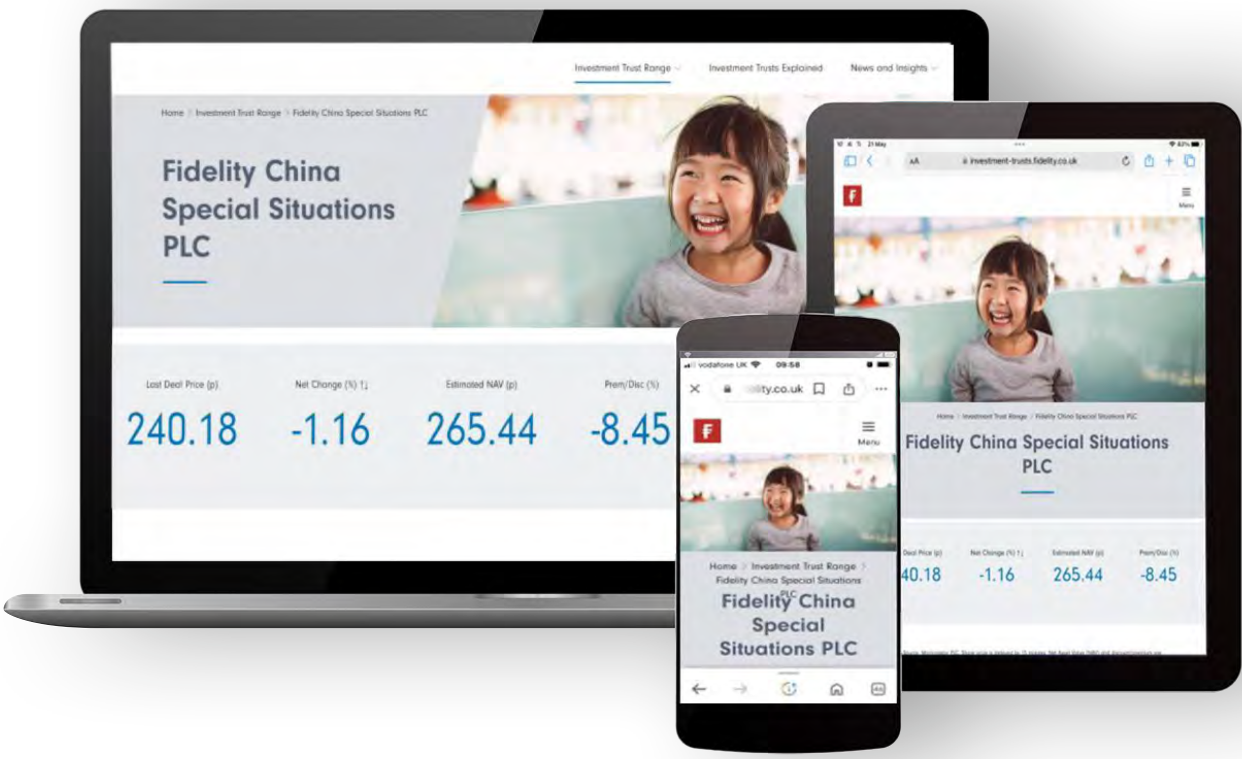
Function	AIFM Role and Responsibility	AIFMD Disclosure
Leverage	The Company uses leverage to increase its exposure primarily to the stock markets of China and currently holds long derivatives to achieve this. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems 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 2024, actual leverage was 1.51 for the Gross Method and 1.35 for the Commitment Method.
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 18 on page 83.
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 2024, 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)	1,301	0.11%	2,613	–
HSBC Bank plc (UK)	1,068	0.09%	198	–
J.P. Morgan Securities plc (UK)	(5,242)	(0.45%)	–	5,186
Morgan Stanley & Co International (UK)	(3,746)	(0.32%)	–	3,714
UBS AG (UK)	890	0.08%	–	895

Collateral held by the broker 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 2024 from CFDs was a loss of £97,385,000.



To find out more about Fidelity China Special Situations PLC, visit our website **www.fidelity.co.uk/china** where you can read articles and watch videos on the Company.

www.fidelity.co.uk/its

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