

Fidelity China Special Situations PLC

Final Results for the year ended 31 March 2018

Financial Highlights:

- **Fidelity China Special Situations PLC's NAV returned +22.2% (total return) over the year ended 31 March 2018.**
- **The Company increased its dividend by 40% to 3.50 pence per Ordinary Share.**
- **The discount narrowed from 13.2% to 12.3% over the period, as a result of the share price total return of +23.6%.**
- **The Company will adopt a new Variable Management Fee structure which will take effect from 1 July 2018 which includes the removal of the performance fee.**
- **The annual administration fee of £600,000 reduced to £100,000 from 1 April 2018.**

Contacts

For further information, please contact:

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Chairman's Statement

Fidelity China Special Situations PLC was launched in 2010 to give investors an opportunity to invest in China's growing economy. Since that time and up to the end of the financial year the value of our investment, as shareholders, has grown at an annualised rate of 12.5% (including the dividends we have received).

When we launched, the question we encountered was "Why invest in China?" Now it is "What is the best way to invest in China?" We believe that our Company provides investors with a highly attractive way of gaining exposure to the growing parts of the Chinese economy.

Our Portfolio Manager, Dale Nicholls, has built a well-diversified portfolio, across a broad range of companies but particularly in small to medium sized companies with strong growth potential, focusing on China's New Economy and following the spending power of China's middle class which continues to grow in both number and wealth. In particular, he has invested in companies that are part of the growth in the consumer economy; and avoided bank stocks and exporters.

Our structure as a closed ended investment trust has enabled us to introduce some gearing into the portfolio, and to invest in unlisted companies ahead of their intended IPO.

Having invested in two more unlisted companies since the year end, we currently have six unlisted holdings comprising 5.3% of Gross Assets as at the date of this report. Our first major unlisted investment was Alibaba, which completed its IPO in 2014 and is now the second largest shareholding in our portfolio.

I believe that a shareholding in Fidelity China Special Situations should be an important component in the diversified portfolio of any investor.

Risks

The principal risks facing the Company and investors, as identified by the Board, are set out in the Strategic Report below.

Performance Review

Over the reporting year, the Company's NAV total return was 22.2%, underperforming the MSCI China Index (the Company's Benchmark Index) return of 23.8%. The Company's share price total return was 23.6%. The year was characterised by very strong performance by two internet stocks, Tencent Holdings and Alibaba Group, which also had a disproportionate weighting in the Index leading in part to marginal underperformance. The weightings in the Index are currently being amended to be more representative of the universe of Chinese stocks.

The following table shows performance (on a total return basis) during Dale Nicholls' tenure as Portfolio Manager and over 3 and 5 years and since launch to 31 March 2018; and both the NAV and share price returns remain well ahead of the Index over these reporting periods.

Total returns (%)	Tenure*	3 years	5 years	Since launch**
NAV per share	+146.6	+69.7	+194.7	+192.6
Share price	+140.6	+72.0	+174.5	+155.8
MSCI China Index	+98.9	+42.8	+85.1	+87.6

* Since 1 April 2014.

** Launch date 19 April 2010.

MSCI Inclusion of Domestic 'A' Shares

The Company's Benchmark Index is the MSCI China index (in sterling) against which we measure our performance.

In June 2017, MSCI announced that it would include 222 China A Large Cap shares in the MSCI China and MSCI Emerging Markets Index and increase the number of constituents in the MSCI China Index from 152 to 423, in two steps: in June 2018 and in August 2018. In May 2018, the final list of 230 new stocks was announced.

This is to be welcomed as it provides a more representative universe of stocks in the Index; and by increasing the weight of China stocks in the MSCI Emerging Market Index

too, it will require index tracking investors to invest more in China, which should be to the benefit of our shareholders. It will also reduce slightly the dominance of the largest stocks in the China Index.

Due Diligence visit to China

The Board undertook its annual due diligence visit to China in October 2017, visiting Hong Kong, Shenzhen and Shanghai.

In Hong Kong we met Fidelity's investment, research and oversight teams and spent time with the analysts who cover the individual stocks in which we are invested.

In all three cities we met economists and commentators as well as with some 15 companies in the portfolio, each of which we visited together with Dale Nicholls and the relevant Fidelity research analyst.

Specifically, we visited two of our unlisted holdings. In Shenzhen, we met Jiguang, China's leading big data provider and mobile app cloud service provider. In Shanghai, we met Yiguo, which has teamed with Alibaba and leads China's online grocery market. Details of our unlisted holdings are set out in the Annual Report.

Our visit confirmed our confidence in the Portfolio Manager and his team of research analysts.

Gearing

The Company has a three-year unsecured fixed rate facility agreement with Scotiabank Europe PLC for US\$150,000,000. The interest rate is fixed at 3.01% per annum until the facility terminates on 14 February 2020.

To achieve further gearing, the Company uses contracts for difference ("CFDs") on a number of holdings in its portfolio. Further details are in Note 19 to the Financial Statements below.

At 31 March 2018, the Company's gearing, defined as the Gross Asset Exposure in excess of Net Assets, was 20.2% (2017: 27.6%). This is within the limit set by the Company's Prospectus of 30%.

Ongoing Charges

The basis of calculating Ongoing Charges under MiFID II changed at the beginning of the accounting year to include interest on bank loans and overdrafts. This had the effect of adding 0.24% to this year's ongoing charge compared to the prior year. Performance fees, all other finance costs and taxation continue to be excluded.

Dividend

The Board recommends a final dividend of 3.50 pence per ordinary share for the year ended 31 March 2018 for approval by shareholders at the forthcoming Annual General Meeting. This represents an increase of 40.0% over the 2.50 pence paid in respect of the prior year. Shareholders may recall that in last year's statement, I announced a change in the way in which management fees and finance costs are allocated resulting in an increase in the amount available for distribution.

The dividend will be payable on 30 July 2018 to shareholders on the register on 22 June 2018 (ex-dividend date 21 June 2018).

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

Discount Management

The Company's discount narrowed from 13.2% at the start of the reporting year to 12.3% at the end of the reporting year.

The Board recognises that the Company's share price is affected by the interaction of supply and demand in the market and investor sentiment towards China, as well as the performance of the NAV per share.

Recognising these factors, the Board regularly reviews the level of discount and discusses the ways in which it might be reduced so that the shares can trade at a level closer to the NAV. The Directors also monitor market practice amongst peer group companies and take regular advice from the Company's Broker on this subject. The Board

believes that at present the discount is best addressed by repurchasing the Company's shares, when appropriate, according to market conditions. During the reporting year, the Board authorised the repurchase of 500,000 ordinary shares by the Company to be held in Treasury. These repurchases will have benefited all shareholders as the NAV per share has been increased by purchasing the shares at a discount. Since the year end and as at the date of this report, the Company has repurchased 300,000 ordinary shares into Treasury.

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 at the forthcoming AGM, as it has done each year previously, and assures shareholders that it will keep both the discount and the share repurchase policy under review.

Fidelity as Manager

The Board has contracted with Fidelity to provide the Company with investment management and administrative services. In reviewing Fidelity, the Board notes Fidelity's leadership position in fund management in China where it employs a significant number of analysts on the ground in both Shanghai and Hong Kong. Furthermore, the performance of the Portfolio Manager, Dale Nicholls, since his appointment four years ago, has been well ahead of the Benchmark Index making the Company one of the best performing specialist China funds available to investors.

Management Fee Arrangement

Following Fidelity's announcement in October last year offering its clients a variable management fee structure, the Board has agreed a new fee arrangement with FIL Investment Services (UK) Limited, the Company's Alternative Investment Fund Manager (the "Manager"). The new arrangement will replace the Company's current annual fee of 1.00% of the Company's net assets per annum and will remove the existing performance fee of up to 1.00%. The new fee will reduce the headline annual fee of 1.00% of net assets to 0.90% of net assets per annum plus a +/- 0.20% variation fee based on the Company's NAV per share performance relative to the Company's Benchmark Index. The maximum fee that the Company will pay is 1.10% of net assets, but if the Company underperforms against the Benchmark Index, then the overall fee could fall as low as 0.70% of net assets. This new fee arrangement will be effective from 1 July 2018. In addition, the Board is pleased to confirm that the annual administration fee of £600,000 reduced to £100,000 with effect from 1 April 2018.

The new fee arrangement provides an overall reduction from the current management fee structure, especially in those years where the performance fee was payable.

Full details of the new fee calculation are set out in the Directors' Report in the Annual Report.

Markets in Financial Instruments Directive ("MiFID II")

With effect from 3 January 2018, the MiFID II regulation changed the way that external research is paid for. Previously this research was paid for on a commission basis as part of the costs of transaction, but this is no longer allowed. Fidelity uses external research to access specific technical expertise for the benefit of the portfolio, and the Board is pleased to confirm that Fidelity has agreed to cover these costs under its existing management agreements rather than pass them on to investors. This represents an ongoing saving to the Company which will be directly reflected in the NAV of the Company.

Board of Directors

After serving on the Board as a Director for two years, John Ford will be stepping down at the conclusion of this year's AGM. I would like to take this opportunity to thank him on behalf of the Board and shareholders for his contribution to the Company.

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

Outlook

Even the lowest estimates of China's forecast economic growth are in excess of the developed markets in the West. I remain confident in the long-term future of the Company as our Portfolio Manager takes advantage of the growth opportunities identified by him and his research team.

Annual General Meeting – Wednesday, 25 July 2018

The AGM will be held at 11.00 am on Wednesday 25 July 2018 at 155 Bishopsgate, London EC2M 3YD. Full details of the meeting are given in the Annual Report.

This is an opportunity for shareholders to meet the Portfolio Manager and the Board.

I hope that you are able to join us.

Nicholas Bull

Chairman

11 June 2018

Portfolio Manager's Review

Question

What has the market environment been like in the year under review?

Answer

The Chinese market had a strong bull run from early 2016 through to early 2018 supported by solid earnings growth on the back of a clear pick-up in economic growth.

Supply-side reform cut excess capacity in troubled sectors like steel, leading to better pricing, in turn feeding through into improved earnings.

There were also clear policy shifts aimed at reining in unbridled credit growth, particularly in so-called 'shadow banking' which I view as positive for the long-term health of the financial system. Ongoing strength in consumption trends also supported the market.

Leading the pack were the larger internet stocks like Alibaba and Tencent, both of which enjoyed exceptional growth, with able and innovative management teams capitalising on rapid structural change in the economy. A marked pick-up in flows through Stock Connect, the trading scheme linking Shanghai and Shenzhen with Hong Kong, also served to boost markets.

With valuations becoming stretched in some parts of the market, I took steps to reduce the portfolio's level of net gearing. Towards the end of the reporting period we saw increased volatility and in February, a market correction, against a backdrop of growing concerns over trade wars with the US. More recently, net gearing has started to move up reflecting increased investment in areas that in my view had been unduly punished.

Question

And how has the Company performed over this period?

Answer

Over the period under review, the Company's NAV per share was up 22.2% in sterling terms and the share price was up by 23.6%, but slightly lagged the MSCI China Index which returned 23.8% – in part due to the relative underperformance of the small and mid-cap section of the market on which I focus as shown in the chart in the Annual Report. With the valuation gap now relatively wide in a historic context, I feel positive about the potential for small-caps to start closing the performance gap going forward.

Ultimately stock selection drives performance and the portfolio has benefited from strong contributions from holdings such as Yihai (a hot pot seasonings and sauce producer), Kingdee International Software (an enterprise management and e-commerce software company) and Noah Holdings (a wealth and asset management company). Tarena (professional education services), Clear Media (a media company) and CT Environmental (an environmental protection company) conversely, were among the names that weighed on returns over the period.

Question

Have there been any major changes to your strategy?

Answer

No, the portfolio's main focus continues to be on companies likely to benefit from the structural rise of consumption in China. Ways of getting exposure to this theme remain varied and include direct consumption, consumption via the internet, as well as areas of future (increasingly affluent) consumer focus, like healthcare and services.

It is this part of the economy often dubbed "New China" that is driving the change in the country's growth engine as China takes its next step of development.

I believe this trend will grow in importance as the government attempts to reduce investment spending as a source of growth. The future of trade as a growth driver will inevitably come under increased scrutiny amid heightening trade war tension with the US.

Question

How have President Trump's proposed trade tariffs impacted the portfolio?

Answer

To date there has been no direct impact on the Company. It is worth emphasizing that the portfolio's holdings are chiefly related to China's domestic structural growth in areas like consumption. Over 90% of the portfolio's underlying revenue streams come from China including Hong Kong and Macau. Revenues from the US make up only around 1% of the portfolio's total revenues.

That said, growth in global trade has been a major factor in global growth for decades and if this trend is truly set to reverse then it will have implications for growth in all countries. I take the view that this scenario is unlikely given the obvious drawbacks for all players.

One concern for me is how China might react to the US and whether it too might increase tariffs. Ultimately this could push up input costs for Chinese companies, which will be passed on to consumers or eat into profits, neither of which is a good outcome for investors. This is something we continue to analyse for the companies in the portfolio.

Question

The inclusion of A-shares in the Benchmark Index has received a lot of coverage. What are your thoughts on this?

Answer

Without a doubt A-share inclusion is a positive step towards the opening up of China's capital markets. Not only does it acknowledge the considerable development in the country's equity markets, but it also puts China firmly on the radar for investors.

I have had significant exposure to the A share market for years and believe it will continue to provide a fertile hunting ground for stock-pickers like me. The market is under-researched despite a wide range of compelling opportunities. That said, one needs to be aware that it is relatively volatile with a significant portion of the market driven by retail investors.

Despite a small cap bias in the portfolio, of greatest interest to me at the moment are the larger cap A-shares which often seem out of favour with the standard domestic Chinese investor, who tends to be attracted by the very high growth 'blue-sky' businesses for which valuations are often excessive. In general, I find the relative valuation of the larger-cap names far more attractive.

Question

What about the unlisted positions in the portfolio?

Answer

One unlisted position was added during the reporting period resulting in a total of four unlisted positions in the portfolio. Jiguang is a leading app developer service provider and big data platform in China which as at the end of 2017, served over 707,000 apps in China and worked with 300,000 developers, holding a dominant position in the "App Push Notification Service" segment in China.

Jiguang should benefit from the fast-growing mobile 'software as a service' and big data application market. It also enjoys first mover advantage in this field, with its depth and unique data granularity. We have seen the value of this company double after a new round of external funding. Our analysts believe that there is a good chance Jiguang will IPO within the next 12 months.

On the other unlisted holdings, the position in China Internet Plus (formerly 'Meituan') (an online platform for a range of services including food delivery) was revalued following market transactions at significantly higher valuations.

Didi, China's dominant player in ride-sharing, has also seen lots of news flow due to new funding deals with companies such as Softbank.

Question

What have been the major changes to the portfolio over the period?

Answer

I have been increasing my allocation to healthcare, especially pharmaceutical distributors such as Sinopharm and China Resources Pharmaceutical. Regulations have changed in China designed to streamline distribution. While this has been disruptive for the market it will ultimately drive industry consolidation and it will be the strongest players, with the broadest networks that will survive and ultimately come out even stronger.

Elsewhere in the sector I have been looking at private health as I see significant government appetite for shifting the financial burden of the healthcare system away from the state. I have been increasing my allocation to China Resources Phoenix Healthcare.

The portfolio has also seen an increase in financials over the period. This is largely due to increasing life insurance exposure through China Life Insurance and China Pacific Insurance.

As people get wealthier they inevitably look to savings and insurance products to protect and grow their wealth. China is at a very early stage in life insurance and this market offers significant growth potential. The insurance sector has lagged the market due to policies limiting growth in more savings-type products. This has created buying opportunities and the shift to more protection-type products will ultimately create more value for the companies.

Conversely, I have been taking profits from the automobile sector, especially Brilliance, which has a joint venture with BMW. The sector has seen strong growth, but I see a cyclical slowdown ahead.

Question

Can you explain how gearing has changed over the reporting period?

Answer

I have reduced gearing over the year as markets have fallen. I focus on the net market exposure of securities and derivatives. This has generally been coming down over the year as the market has rallied. This is an outcome of profit taking from some of my long positions which have rallied and adding more single stock and Index option shorts as the markets have gone up.

Volatility had fallen over the year leading to options being relatively cheaply priced. I remain positive, however, given the long-term investment opportunities in the market.

Question

What is your outlook for the next 12 months?

Answer

I remain highly encouraged by the long-term prospects for the Chinese equity market. The secular drivers of growing consumption, rising wealth and technological change remain as compelling as ever.

Challenges remain with the debt growth still outpacing overall growth in the economy. While the Chinese government increasingly appears to be taking steps to tackle this situation it is essential that it continues to make progress, implementing an effective package of reforms in areas such as shadow banking. I expect the pace of economic growth to slow due to the impact of reform and efforts to slow credit growth.

However, this is less of an issue for companies benefiting from the structural growth trends discussed above. In both the public and private markets, I continue to see activity with companies displaying creativity, innovation and entrepreneurship to capitalise on these shifts. I remain confident in the very rich opportunity the Chinese market continues to afford me as a stock picker and continue to be personally invested in the Company.

Dale Nicholls, Portfolio Manager, 11 June 2018

Strategic Report

Principal Risks and Uncertainties and Risk Management

As required by provision C.2.1 of the 2016 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/the “Manager”), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks that the Company faces. The risks identified are placed on the Company’s risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed regularly in the form of comprehensive reports considered by the Audit and Risk Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

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

The Board considers the following as the principal risks and uncertainties faced by the Company. There have been no changes to these since the prior year.

Principal Risks

Description and Risk Mitigation

Market risk

Investing in an emerging market such as the People’s Republic of China (PRC) subjects the Company to a higher level of market risk than investment in a more developed market. This is due, among other things, to the existence of greater market volatility, lower trading volumes, the risk of political and economic instability (such as US-China trade tensions and the risk of a major military confrontation on the Korean peninsula), legal and regulatory risks, risks relating to accounting practices, disclosure and settlement, a greater risk of market shut down, standards of corporate governance and more governmental limitations on foreign investment than are typically found in developed markets. The Portfolio Manager’s success or failure to protect and increase the Company’s assets against this background is core to the Company’s continued success. The Board reviews material economic, market and legislative changes at each Board meeting.

The Company has exposure to a number of companies with all or part of their business in Variable Interest Entity (“VIE”) structures. These are entities where there is a controlling interest that is not based on the majority of voting rights and may result in a risk to investors being unable to enforce their ownership rights in certain circumstances. The proportion of the portfolio invested in companies operating a VIE structure is monitored on a monthly basis by the Manager and holdings are reported to the Board. As at 31 March 2018, 46.7% of the companies in the portfolio had a VIE structure (Benchmark Index: 42.6%).

Performance risk

The achievement of the Company’s performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to underperformance of the Benchmark Index.

The Company has a clearly defined strategy and investment remit. Borrowing and derivative limits are set by the Board in line with the Company’s Prospectus. The portfolio is managed by a highly experienced Portfolio Manager who is supported by a team of 27 analysts. The Board relies on the Portfolio Manager’s skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the portfolio against the Company’s Benchmark Index and that of its competitors and the outlook of the markets with the Portfolio Manager. The emphasis is on long-term investment performance and the Board accepts that by targeting long-term results the Company risks volatility in the shorter-term.

Performance for the financial year is outlined in the Chairman’s Statement and Portfolio Manager’s Review above.

Discount control risk

Due to the nature of investment companies, the Board cannot control the discount at which the Company's share price trades to Net Asset Value. However, it can influence this through its share repurchase policy and through creating demand for the Company's shares through good performance and an active investor relations programme. The Company's share price, NAV and discount volatility are monitored daily by the Manager and regularly reported to the Board. Further details are provided in the Chairman's Statement above.

Gearing risk

The Company has the ability to invest up to the total of any loan facilities in equities. The principal risk is that while in a rising market the Company should benefit from gearing, in a falling market the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing inappropriate in relation to market conditions. The Company has a US\$150,000,000 fixed rate unsecured facility agreement with Scotiabank Europe PLC which has been fully drawn down. In addition, the Company can also use contracts for difference ("CFDs") to obtain further gearing exposure. The Board regularly considers the level of gearing and gearing risk.

Currency risk

The functional and presentational currency of the Company in which it reports its results is UK sterling. Most of its assets and its income are denominated in other currencies, mainly Hong Kong dollars, US dollars and Chinese renminbi. Consequently, it is subject to currency risk on exchange rate movements between UK sterling and these other currencies. It is the Company's current policy not to hedge against currency risks. The loan facility is denominated in US dollars and, therefore, the effect of US dollar exchange rate movements on assets denominated in US dollars will be offset by their effect on the loan facility. Further details can be found in Note 18 to the Financial Statements below.

Other risks facing the Company include:

Cybercrime risk

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

Tax and Regulatory risks

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

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

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

Operational risks

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

Viability Statement

In accordance with provision C.2.2 of the 2016 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 five years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period.

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

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

The Company's performance has been strong over the five year period to 31 March 2018. The Board regularly reviews the investment policy and considers whether it remains appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

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

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement below.

Going Concern Statement

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt the going concern basis for at least twelve months from the date of this Annual Report. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement above.

Statement of Directors' Responsibilities

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

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

In preparing these Financial Statements the Directors are required to:

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

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

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

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

The Directors confirm that to the best of our knowledge:

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

The Directors consider 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 11 June 2018 and signed on its behalf by:

Nicholas Bull
Chairman

Income Statement

for the year ended 31 March 2018

	Notes	year ended 31 March 2018			year ended 31 March 2017		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Revenue							
Investment income	3	21,761	–	21,761	20,534	–	20,534
Derivative income	3	7,076	–	7,076	6,182	–	6,182
Other income	3	163	–	163	162	–	162
		-----	-----	-----	-----	-----	-----
Total income		29,000	–	29,000	26,878	–	26,878
		=====	=====	=====	=====	=====	=====
Gains on investments at fair value through profit or loss	10	–	212,441	212,441	–	330,480	330,480
Gains on derivative instruments	11	–	45,967	45,967	–	17,568	17,568
Foreign exchange (losses)/gains on other net assets		–	(954)	(954)	–	6,936	6,936
Foreign exchange gains/(losses) on bank loans		–	12,690	12,690	–	(15,350)	(15,350)
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Total income and gains		29,000	270,144	299,144	26,878	339,634	366,512
		=====	=====	=====	=====	=====	=====
Expenses							
Investment management and performance fees	4	(3,548)	(10,645)	(14,193)	(5,485)	(5,485)	(10,970)
Other expenses	5	(1,630)	–	(1,630)	(1,737)	–	(1,737)
		-----	-----	-----	-----	-----	-----
Profit before finance costs and taxation		23,822	259,499	283,321	19,656	334,149	353,805
		=====	=====	=====	=====	=====	=====
Finance costs	6	(2,161)	(6,485)	(8,646)	(2,809)	(2,809)	(5,618)
		-----	-----	-----	-----	-----	-----
Profit before taxation		21,661	253,014	274,675	16,847	331,340	348,187
Taxation	7	(673)	–	(673)	(709)	–	(709)
		-----	-----	-----	-----	-----	-----
Profit after taxation for the year		20,988	253,014	274,002	16,138	331,340	347,478
		=====	=====	=====	=====	=====	=====
Earnings per ordinary share	8	3.80p	45.86p	49.66p	2.92p	60.01p	62.93p
		=====	=====	=====	=====	=====	=====

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

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

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

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

The Notes below form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2018

	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 2017		5,713	211,569	914	336,625	665,544	23,429	1,243,794
Repurchase of ordinary shares	16	–	–	–	(1,132)	–	–	(1,132)
Profit after taxation for the year		–	–	–	–	253,014	20,988	274,002
Dividend paid	9	–	–	–	–	–	(13,798)	(13,798)
Total equity at 31 March 2018		5,713	211,569	914	335,493	918,558	30,619	1,502,866
Total equity at 31 March 2016		5,713	211,569	914	338,837	334,204	17,241	908,478
Repurchase of ordinary shares	16	–	–	–	(2,212)	–	–	(2,212)
Profit after taxation for the year		–	–	–	–	331,340	16,138	347,478
Dividend paid	9	–	–	–	–	–	(9,950)	(9,950)
Total equity at 31 March 2017		5,713	211,569	914	336,625	665,544	23,429	1,243,794

The Notes below form an integral part of these Financial Statements.

Balance Sheet

as at 31 March 2018 Company number 7133583

	Notes	31 March 2018 £'000	31 March 2017 £'000
Non current assets			
Investments at fair value through profit or loss	10	1,495,818	1,295,266
		=====	=====
Current assets			
Derivative instruments	11	37,518	48,639
Amounts held at futures clearing houses and brokers		30,247	2,069
Other receivables	12	10,714	13,154
Cash and cash equivalents		80,439	47,722
		-----	-----
		158,918	111,584
		=====	=====
Current liabilities			
Derivative instruments	11	(34,841)	(33,458)
Other payables	13	(10,054)	(9,933)
		-----	-----
		(44,895)	(43,391)
		=====	=====
Net current assets		114,023	68,193
		=====	=====
Total assets less current liabilities		1,609,841	1,363,459
		=====	=====
Non-current liabilities			
Bank loans	14	(106,975)	(119,665)
Net assets		1,502,866	1,243,794
		=====	=====
Equity attributable to equity shareholders			
Share capital	15	5,713	5,713
Share premium account	16	211,569	211,569
Capital redemption reserve	16	914	914
Other reserve	16	335,493	336,625
Capital reserve	16	918,558	665,544
Revenue reserve	16	30,619	23,429
		-----	-----
Total equity		1,502,866	1,243,794
		=====	=====
Net asset value per ordinary share	17	272.55p	225.36p

=====

The Financial Statements above and below were approved by the Board of Directors on 11 June 2018 and were signed on its behalf by:

Nicholas Bull

Chairman

The Notes below form an integral part of these Financial Statements.

Cash Flow Statement

for the year ended 31 March 2018

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
Operating activities		
Cash inflow from investment income	19,148	19,331
Cash inflow from derivative income	7,078	6,095
Cash inflow from other income	163	162
Cash outflow from Directors' fees	(148)	(168)
Cash outflow from other payments	(17,335)	(21,605)
Cash outflow from the purchase of investments	(438,969)	(447,722)
Cash outflow from the purchase of derivatives	(7,914)	(2,705)
Cash inflow from the sale of investments	456,943	466,823
Cash inflow/(outflow) from the settlement of derivatives	66,385	(2,715)
Cash (outflow)/inflow from amounts held at futures clearing houses and brokers	(28,178)	11,130
	-----	-----
Net cash inflow from operating activities before servicing of finance	57,173	28,626
	=====	=====
Financing activities		
Cash outflow from loan interest paid	(3,487)	(2,310)
Cash outflow from CFD interest paid	(3,180)	(2,042)
Cash outflow from short CFD dividends paid	(1,905)	(1,084)
Cash outflow from the repurchase of ordinary shares	(1,132)	(2,720)
Cash outflow from dividends paid to shareholders	(13,798)	(9,950)
	=====	=====
Cash outflow from financing activities	(23,502)	(18,106)
	=====	=====
Increase in cash and cash equivalents	33,671	10,520
	=====	=====
Cash and cash equivalents at the start of the year	47,722	30,266
Effect of foreign exchange movements	(954)	6,936
	=====	=====
Cash and cash equivalents at the end of the year	80,439	47,722
	=====	=====

The Notes below form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Principal Activity

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

2 Accounting Policies

The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), to the extent that they have been adopted by the European Union, the Companies Acts that apply to companies reporting under IFRS, IFRIC interpretations and, as far as it is consistent with IFRS, with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014, and updated in January 2017 with consequential amendments. The accounting policies adopted in the preparation of these financial statements are summarised below.

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

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

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

- IFRS 9: Financial instruments – The standard is not expected to have any impact on the Company as all its investments are held at fair value through profit or loss.
- IFRS 15: Revenue from contracts with customers – Given the nature of the Company's revenue streams from financial instruments, the provisions of this standard are not expected to have any impact.
- IFRS 16: Leases – This standard is not applicable to the Company as it has no leases.

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

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

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

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

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

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

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

i) Finance costs – Finance costs comprise interest and fees on bank loans and overdrafts and interest paid on CFDs, which are accounted for on an accruals basis, 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. With effect from 1 April 2017, finance costs are allocated 25% to revenue and 75% to capital. Prior to 1 April 2017, finance costs were allocated equally between revenue and capital.

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

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

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

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

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

l) Investments – The portfolio of investments is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Investments are designated by the Company as held at fair value through profit

or loss, which is initially taken to be their cost, and is subsequently measured as bid or last traded prices, depending upon the convention of the exchange on which they are listed, where available, or otherwise at fair value based on published price quotations. Investments which are not quoted, or are not frequently traded, are stated at the Directors best estimate of fair value. The Manager's Fair Value Committee, which is independent of the Portfolio Manager's team, provides a recommendation of fair values to the Directors based on recognised valuation techniques that take account of the cost of the investment, recent arm's length transactions in the same or similar investments and financial performance of the investment since acquisition.

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

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

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

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

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

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

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

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

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

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

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

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

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

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date the portfolio of the Company consisted of: investments listed on a recognised stock exchange and derivative instruments, contracted with counterparties having an adequate credit rating and the portfolio was considered to be readily convertible to cash, with the exception of level 3 investments which had unrealised investment holding gains of £20,886,000 (2017: £8,448,000).

3 Income

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
Investment income		
Overseas dividends	20,753	20,278
Overseas scrip dividends	1,008	256
	-----	-----
	21,761	20,534
	=====	=====
Derivative income		
Dividends on long CFDs	7,026	6,170
Interest on short CFDs	50	12
	-----	-----
	7,076	6,182
	=====	=====

Other income

Deposit interest	163	162
	-----	-----
Total income	29,000	26,878
	=====	=====

4 Investment Management and Performance Fees

	year ended 31 March 2018			year ended 31 March 2017		
	revenue*	capital*	total	revenue*	capital*	total
	£'000	£'000	£'000	£'000	£'000	£'000
	-----	-----	-----	-----	-----	-----
Investment management fee	3,548	10,645	14,193	5,485	5,485	10,970
	=====	=====	=====	=====	=====	=====

* As disclosed in Note 2, investment management fees for the year ended 31st March 2018 are charged 25% to revenue and 75% to capital. For the year ended 31 March 2017 investment management fees were charged 50% to revenue and 50% to capital.

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

In addition, the Investment Managers are entitled to an annual performance fee of 15.0% of any change in the NAV per ordinary share attributable to performance which is more than 2% above the return on the MSCI China Index, subject to a maximum performance fee payable in any year equal to 1.0% of the arithmetic mean of the NAV calculated at the end of each month during the year. Any outperformance above the cap is lost. If the Company's NAV performance in any year is less than 2% above the return on the MSCI China Index, the underperformance must be made good before any further performance fee becomes payable. Both the NAV per ordinary share and the MSCI China Index are calculated on a total return basis.

There is no performance fee payable for this year (2017: nil).

5 Other Expenses

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
AIC fees	20	20
Custody fees	248	231
Depositary fees	68	61
Directors' expenses	57	61
Directors' fees*	164	172
Legal and professional fees	70	94
Marketing expenses	201	257

Printing and publication expenses	50	107
Registrars' fees	54	46
Secretarial and administration fees payable to the Investment Managers	600	600
Other expenses	70	60
Fees payable to the Independent Auditor for the audit of the Financial Statements	28	28
	-----	-----
	1,630	1,737
	=====	=====

* Details of the breakdown of Directors' fees are provided within the Directors' Remuneration Report in the Annual Report.

6 Finance Costs

	year ended 31 March 2018			year ended 31 March 2017		
	revenue*	capital*	total	revenue*	capital*	total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest on bank loans and overdrafts	854	2,563	3,417	1,278	1,278	2,556
Interest paid on CFDs	831	2,493	3,324	989	989	1,978
Dividends paid on short CFDs	476	1,429	1,905	542	542	1,084
	-----	-----	-----	-----	-----	-----
	2,161	6,485	8,646	2,809	2,809	5,618
	=====	=====	=====	=====	=====	=====

* As disclosed in Note 2, finance costs for the year ended 31 March 2018 are charged 25% to revenue and 75% to capital. For the year ended 31 March 2017, finance costs were charged 50% to revenue and 50% to capital.

7 Taxation

	year ended 31 March 2018			year ended 31 March 2017		
	revenue	capital	total	revenue	capital	total
	£'000	£'000	£'000	£'000	£'000	£'000
a) Analysis of the taxation charge for the year						
Overseas taxation charge	673	-	673	709	-	709
	-----	-----	-----	-----	-----	-----
Taxation charge for the year (see Note 7b)	673	-	673	709	-	709
	=====	=====	=====	=====	=====	=====

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 20% (2017: 20%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	year ended 31 March 2018			year ended 31 March 2017		
	revenue	capital	total	revenue	capital	total

	£'000	£'000	£'000	£'000	£'000	£'000
Profit before taxation	21,661	253,014	274,675	16,847	331,340	348,187
	=====	=====	=====	=====	=====	=====
Profit before taxation multiplied by the standard rate of UK corporation tax of 19% (2017: 20%)	4,116	48,073	52,189	3,369	66,268	69,637
Effects of:						
Capital gains/(losses) not taxable *	–	(51,327)	(51,327)	–	(67,671)	(67,671)
Income not taxable	(4,122)	–	(4,122)	(4,086)	–	(4,086)
Expenses not deductible	–	745	745	–	306	306
Excess expenses	6	2,509	2,515	717	1,097	1,814
Overseas taxation	673	–	673	709	–	709
	-----	-----	-----	-----	-----	-----
Taxation charge (Note 7a)	673	–	673	709	–	709
	=====	=====	=====	=====	=====	=====

* 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 £17,908,000 (2017: £15,657,000), in respect of excess expenses of £105,342,000 (2017: £92,102,000) has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 Earnings per Ordinary Share

	year ended 31 March 2018			year ended 31 March 2017		
	revenue	capital	total	revenue	capital	total
	£'000	£'000	£'000	£'000	£'000	£'000
Earnings per ordinary share – basic and diluted	3.80p	45.86p	49.66p	2.92p	60.01p	62.93p
	=====	=====	=====	=====	=====	=====

Earnings per ordinary share are based on the revenue profit after taxation for the year of £20,988,000 (2017: £16,138,000), the capital profit after taxation for the year of £253,014,000 (2017: £331,340,000) and the total profit after taxation for the year of £274,002,000 (2017: £347,478,000) and on 551,681,603 (2017: 552,192,288) ordinary shares, being the weighted average number of ordinary shares held outside Treasury in issue during the year. Basic and diluted earnings per share are the same as the Company has no dilutive financial instruments.

9 Dividends Paid to Shareholders

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
Dividend paid		
Dividend paid of 2.50 pence per ordinary share for the year ended 31 March 2017	13,798	–

Dividend paid of 1.80 pence per ordinary share for the year ended 31 March 2016	–	9,950
	-----	-----
	13,798	9,950
	=====	=====
Dividend proposed		
Dividend proposed of 3.50 pence per ordinary share for the year ended 31 March 2018	19,289	–
Dividend proposed of 2.50 pence per ordinary share for the year ended 31 March 2017	–	13,798
	-----	-----
	19,289	13,798
	=====	=====

The Directors have proposed the payment of a dividend for the year ended 31 March 2018 of 3.50 pence per ordinary share which is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The dividend will be paid on 30 July 2018 to shareholders on the register at the close of business on 22 June 2018 (ex-dividend date 21 June 2018).

10 Investments at Fair Value through Profit or Loss

	2018	2017
	£'000	£'000
Total investments*	1,495,818	1,295,266
	=====	=====
Opening book cost	1,045,403	944,097
Opening investment holding gains	249,863	43,781
Opening fair value of investments	1,295,266	987,878
	-----	-----
Movements in the year		
Purchases at cost	441,671	453,047
Sales – proceeds	(453,560)	(476,139)
Sales – gains in the year	121,590	124,398
Movement in investment holding gains in the year	90,851	206,082
	-----	-----
Closing fair value of investments	1,495,818	1,295,266
	=====	=====
Closing book cost	1,155,104	1,045,403
Closing investment holding gains	340,714	249,863
	-----	-----
Closing fair value of investments	1,495,818	1,295,266
	=====	=====

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

year ended	year ended
31 March	31 March

	2018 £'000	2017 £'000
Gains on investments		
Gains on sales of investments	121,590	124,398
Investment holding gains	90,851	206,082
	-----	-----
	212,441	330,480
	=====	=====

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

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
Investment transaction costs		
Purchases transaction costs	567	607
Sales transaction costs	555	719
	-----	-----
	1,122	1,326
	=====	=====

The portfolio turnover rate for the year was 32.0% (2017: 40.4%).

11 Derivative Instruments

	year ended 31 March 2018 £'000	year ended 31 March 2017 £'000
Net gains on derivative instruments		
Realised gains on CFDs	71,507	2,269
Realised losses on futures	(5,123)	(4,983)
Realised losses on options	(4,270)	(464)
Movement on investment holding (losses)/gains on CFDs	(21,265)	21,983
Movement on investment holding (losses)/gains on futures	(151)	1,000
Movement on investment holding gains/(losses) on options	5,269	(2,237)
	-----	-----
	45,967	17,568
	=====	=====
	2018	2017
	fair value	fair value

	£'000	£'000
Fair value of derivative instruments recognised on the Balance Sheet*		
Derivative instrument assets	37,518	48,639
Derivative instrument liabilities	(34,841)	(33,458)
	-----	-----
	2,677	15,181
	=====	=====

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

	fair value £'000	2018 gross asset exposure £'000	fair value £'000	2017 gross asset exposure £'000
At the year end the Company held the following derivative instruments				
Long CFDs	(9,865)	408,938	20,370	313,013
Short CFDs	2,190	45,356	(2,572)	32,382
Short CFDs (hedging exposure)	1,099	(25,566)	(3,108)	(21,510)
Futures (hedging exposure)	336	(27,807)	487	(26,599)
Put options (hedging exposure)	8,917	(90,189)	4	(5,699)
	-----	-----	-----	-----
	2,677	310,732	15,181	291,587
	=====	=====	=====	=====

12 Other Receivables

	2018 £'000	2017 £'000
Amounts due from dissenters claim	5,354	-
Securities sold for future settlement	3,750	12,487
Accrued income	1,551	621
Other receivables	59	46
	-----	-----
	10,714	13,154
	=====	=====

13 Other Payables

	2018 £'000	2017 £'000
Securities purchased for future settlement	7,798	6,104
Investment management, secretarial and administration fees	1,439	3,041
Accrued expenses	817	788
	-----	-----

	10,054	9,933
	=====	=====
14 Bank Loans – repayable after more than one year		
	2018	2017
	£'000	£'000
Fixed rate unsecured US dollar loan		
US dollar 150,000,000 @ 3.01%	106,975	119,665
	=====	=====

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

15 Share Capital

	number of shares	2018 £'000	number of shares	2017 £'000
Issued, allotted and fully paid				
Ordinary shares of 1 penny each – Held outside Treasury				
Beginning of the year	551,914,480	5,519	553,339,480	5,533
Ordinary shares repurchased into Treasury	(500,000)	(5)	(1,425,000)	(14)
End of the year	551,414,480	5,514	551,914,480	5,519
	=====	=====	=====	=====
Held in Treasury				
Beginning of the year	19,440,000	194	18,015,000	180
Ordinary shares repurchased into Treasury	500,000	5	1,425,000	14
End of the year	19,940,000	199	19,440,000	194
	=====	=====	=====	=====
Total share capital		5,713		5,713
	=====	=====	=====	=====

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

16 Reserves

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

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

The other reserve is a distributable premium reserve created on 21 April 2010 when High Court approval was given for the share premium account at that date to be cancelled. As a result £452,232,000 was transferred from the share premium account to the other reserve. It can be used to fund share repurchases. During the year 500,000 (2017: 1,425,000) ordinary shares were repurchased and held in Treasury. The cost of these repurchases amounting to £1,132,000 (2017: £2,212,000) was charged to this reserve.

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

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

17 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £1,502,866,000 (2017: £1,243,794,000) and on 551,414,480 (2017: 551,914,480) ordinary shares, being the number of ordinary shares held outside Treasury in issue at the year end. It is the Company's policy that ordinary shares held in Treasury will only be issued at a premium to net asset value per ordinary share and, therefore, the shares held in Treasury have no dilutive effect.

18 Financial Instruments

Management of risk

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

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

The Company's financial instruments may comprise:

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

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

Market price risk

Interest rate risk

The Company finances its operations through share capital raised. In addition, the Company has derivative instruments and an unsecured fixed rate loan facility for

US\$150,000,000 expiring on 14 February 2020. The Company has drawn down the whole of this facility as disclosed in Note 14 above.

Interest rate risk exposure

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

	2018 £'000	2017 £'000
Exposure to financial instruments that bear interest		
Long CFDs – exposure less fair value	418,803	292,643
Bank loans	106,975	119,665
	-----	-----
	525,778	412,308
	=====	=====
Exposure to financial instruments that earn interest		
Cash and cash equivalents	80,439	47,722
Short CFDs exposure plus fair value	74,211	48,212
Amounts held at futures clearing houses and brokers	30,247	2,069
	-----	-----
	184,897	98,003
	=====	=====
Net exposure to financial instruments that bear interest	340,881	314,305
	=====	=====

Foreign currency risk

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

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

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

Currency exposure of financial assets

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

investments held at fair value through profit or loss	gross asset exposure to long derivative instruments ¹	other receivables ²	cash and cash equivalents	2018 total
---	--	-----------------------------------	---------------------------------	---------------

Currency	£'000	£'000	£'000	£'000	£'000
Australian dollar	5,022	–	–	–	5,022
Canadian dollar	449	–	–	–	449
Chinese renminbi	159,652	–	5,975	1,505	167,132
Hong Kong dollar	729,322	284,734	11,547	78,996	1,104,599
Singapore dollar	3,108	–	–	–	3,108
South Korean won	–	–	–	7	7
Taiwan dollar	34,294	–	300	22	34,616
UK sterling	44,741	–	60	(114)	44,687
US dollar	519,230	(19,358)	23,079	23	522,974
	-----	-----	-----	-----	-----
	1,495,818	265,376	40,961	80,439	1,882,594
	=====	=====	=====	=====	=====

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

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

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

Currency exposure of financial liabilities

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

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

Currency	gross asset exposure to short derivative instruments*	US dollar bank loans	other payables	2018 total
	£'000	£'000	£'000	£'000
Hong Kong dollar	45,356	–	7,527	52,883
UK sterling	–	–	1,710	1,710
US dollar	–	106,975	817	107,792
	-----	-----	-----	-----
	45,356	106,975	10,054	162,385
	=====	=====	=====	=====

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

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

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 review the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective.

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

Liquidity

The Company's assets mainly comprise readily realisable securities which can be sold to meet funding commitments if necessary. Short term flexibility is achieved by the use of a bank overdraft, if required. The Company has the facility to borrow up to US\$150,000,000 (2017: US\$150,000,000) until 14 February 2020. The current borrowing is shown in Note 14 above. Other financial liabilities are repayable within one year.

Counterparty risk

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

Collateral

For OTC and exchange traded derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 March 2018, £24,747,000 (2017: £23,717,000) was received from brokers and held, in a segregated collateral account, on behalf of the Company to reduce the credit risk exposure of the Company. This collateral comprised: Goldman Sachs £1,177,000 in cash denominated in US dollars and UBS AG £23,570,000 in cash denominated in US dollars. £30,247,000 (2017: £2,069,000), shown as amounts held at futures clearing houses and brokers on the Balance Sheet, was held by the Company, in a segregated collateral account, on behalf of the brokers to reduce the credit risk exposure of the brokers. This collateral comprised: Deutsche Bank AG £13,300,000 in cash, HSBC Bank plc £8,986,000 in cash and UBS AG £7,961,000 in cash.

Offsetting

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

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

	gross amount of recognised financial liabilities set off on the balance sheet	net amount of financial assets presented on the balance sheet	related amounts not set off on the balance sheet		2018 net amount	
	gross amount £'000	£'000	financial instruments £'000	margin account received or pledged as collateral £'000	£'000	
Financial assets						
CFDs	28,265	–	28,265	(6,348)	(21,917)	–
Futures (exchange traded)	336	–	336	–	(336)	–
Options	8,917	–	8,917	–	(8,917)	–
	-----	-----	-----	-----	-----	-----
	37,518	–	37,518	(6,348)	(31,170)	–
	=====	=====	=====	=====	=====	=====
		gross amount of recognised	net amount	related amounts not set off on the balance sheet		

	gross amount £'000	financial assets set off on the balance sheet £'000	of financial liabilities presented on the balance sheet £'000	financial instruments £'000	margin account pledged as collateral £'000	2018 net amount £'000
Financial liabilities						
CFDs	(34,841)	–	(34,841)	6,348	22,286	(6,207)
	=====	=====	=====	=====	=====	=====

	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 financial instruments £'000	not set off on the balance sheet margin account received as collateral £'000	2017 net amount £'000
Financial assets						
CFDs	48,148	–	48,148	(30,150)	–	17,998
Futures (exchange traded)	487	–	487	–	–	487
Options	4	–	4	–	–	4
	-----	-----	-----	-----	-----	-----
	48,639	–	48,639	(30,150)	–	18,489
	=====	=====	=====	=====	=====	=====

	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 financial instruments £'000	not set off on the balance sheet margin account pledged as collateral £'000	2017 net amount £'000
Financial liabilities						
CFDs	(33,458)	–	(33,458)	30,150	415	(2,893)
	=====	=====	=====	=====	=====	=====

Credit risk

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

Derivative instruments risk

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

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

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

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at the Balance Sheet date, an increase of 0.25% in interest rates throughout the year would have decreased the profit after taxation for the year and decreased the net assets of the Company by £585,000 (2017: decreased the profit after taxation and decreased the net assets by £487,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

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

Currency	2018 £'000	2017 £'000
Australian dollar	457	340
Canadian dollar	41	119
Chinese renminbi	15,194	15,839
Hong Kong dollar	95,611	80,974
Singapore dollar	127	415
South Korean won	1	467
Taiwan dollar	3,147	3,773
US dollar	37,744	25,856
	-----	-----
	152,322	127,783
	=====	=====

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

Currency	2018 £'000	2017 £'000
----------	---------------	---------------

Australian dollar	558	415
Canadian dollar	50	145
Chinese renminbi	18,570	19,359
Hong Kong dollar	116,857	98,969
Singapore dollar	156	507
South Korean won	1	571
Taiwan dollar	3,846	4,612
US dollar	46,131	31,602
	-----	-----
	186,169	156,180
	=====	=====

Other price risk sensitivity analysis

Changes in market prices affect the profit 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 above.

An increase of 10% in the share prices of the investments held at the Balance Sheet date would have increased the profit after taxation for the year and increased the net assets of the Company by £149,582,000 (2017: increased the profit after taxation and increased the net assets by £129,527,000). A decrease of 10% in the share prices of the investments designated at fair value through profit or loss would have had an equal but opposite effect.

An increase of 10% in the valuation of the unlisted investments held at the Balance Sheet date would have increased the profit after taxation for the year and increased the net assets of the Company by £6,434,000 (2017: increased the profit after taxation and increased the net assets by £3,718,000). 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 exposure to the equity market. An increase of 10% in the share prices of the investments underlying the derivative instruments at the Balance Sheet date would have increased the profit after taxation for the year and increased the net assets of the Company by £22,002,000 (2017: increased the profit after taxation and increased the net assets by £22,682,000). A decrease of 10% in the share prices of the investments underlying the derivative instruments would have had an equal but opposite effect.

Fair Value of Financial Assets and Liabilities

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

	2018		2017	
	fair value	book value	fair value	book value
	£'000	£'000	£'000	£'000
Fixed rate unsecured loan of US dollar 150,000,000	105,860	106,975	119,098	119,665
	=====	=====	=====	=====

Fair Value Hierarchy

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

reliability of the inputs used to estimate the fair values.

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

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

	level 1	level 2	level 3	2018
	£'000	£'000	£'000	total
				£'000
Financial assets at fair value through profit or loss				
Investments – shares	1,431,461	–	64,357	1,495,818
Derivative instruments	9,253	28,265	–	37,518
	-----	-----	-----	-----
	1,440,714	28,265	64,357	1,533,336
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instruments	–	(34,841)	–	(34,841)
	=====	=====	=====	=====
Financial liabilities at fair value				
Bank loan	–	(105,860)	–	(105,860)
	=====	=====	=====	=====
	level 1	level 2	level 3	2017
	£'000	£'000	£'000	total
				£'000
Financial assets at fair value through profit or loss				
Investments – shares	1,255,115	–	37,179	1,292,294
Investments – equity linked notes	–	2,972	–	2,972
Derivative instruments	487	48,152	–	48,639
	-----	-----	-----	-----
	1,255,602	51,124	37,179	1,343,905
	=====	=====	=====	=====
Financial liabilities at fair value through profit or loss				
Derivative instruments	–	(33,458)	–	(33,458)
	=====	=====	=====	=====
Financial liabilities at fair value				
Bank loan	–	(119,098)	–	(119,098)
	=====	=====	=====	=====
Level 3 investments			2018	2017
			£'000	£'000

Xiaoju Kuaizhi Inc ('Didi Chuxing')	20,528	17,235
China Internet Plus Holdings	12,634	7,977
Shanghai Yiguo E-commerce ('Yiguo')	10,698	11,967
Aurora Mobile Limited ('Jiguang')	20,479	–
BNN Technology	18	–
	-----	-----
	64,357	37,179
	=====	=====

Xiaoju Kuaizhi Inc ('Didi Chuxing')

Didi Chuxing is a leading Chinese e-commerce company providing transport services and is an unlisted company incorporated in the Cayman Islands. The Company holds 565,153 preference shares in Didi Chuxing, which represents 0.05% of the preference shares in issue. The valuation at 31 March 2018 is based on the price of shares when US\$4bn of funding was raised in December 2017. As at 31 March 2018 its fair value was £20,528,000.

China Internet Plus Holdings

China Internet Plus Holdings develops and operates a platform providing online group buying services. It is an unlisted company incorporated in the Cayman Islands. The Company holds 3,108,000 preference shares in China Internet Plus Holdings, which represents 0.05% of the preference shares in issue. The valuation at 31 March 2018 is based on a secondary transaction in the shares on 26 March 2018. As at 31 March 2018 its fair value was £12,634,000.

Shanghai Yiguo E-commerce ('Yiguo')

Yiguo operates an e-commerce platform, selling fruit and vegetables online to customers in China. It is an unlisted company incorporated in the People's Republic of China. The Company holds 318,287 preference shares in Yiguo, which represents 0.88% of the preference shares in issue. The valuation at 31 March 2018 is based on the price of shares when US\$1.7bn of funding was raised in November 2017. As at 31 March 2018 its fair value was £10,698,000.

Aurora Mobile Limited ('Jiguang')

Jiguang is China's leading mobile big data platform and mobile application ('app') cloud service provider. It is an unlisted company incorporated in the Cayman Islands. The Company holds 2,441,572 preference shares in Jiguang, which represented 3.064% of the preference shares in issue at 31 March 2018. The holding was purchased in May 2017 at a cost of US\$13,175,211 and at 31 March 2018 the valuation is based on the price of shares when US\$35m of funding was confirmed in April 2018. At 31 March 2018 its fair value was £20,479,000.

BNN Technology

BNN Technology plc is a technology, content and services company. On 4 September 2017, BNN Technology was suspended from trading on AIM and the holding was valued at £4,072,000 based on last trade price. The valuation of BNN Technology was reduced to £18,000 in February 2018 based on a review of the financial position of the Company. As at 31 March 2018 its fair value was £18,000.

	2018	2017
	level 3	level 3
	£'000	£'000
Movements in level 3 investments during the year		
Level 3 investments at the beginning of the year	37,179	20,317
Purchases at cost	10,129	11,806
Transfers into Level 3* at cost	4,611	–
Unrealised profits recognised in the Income Statement	12,438	5,056
	-----	-----
Level 3 investments at the end of the year	64,357	37,179

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

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 in the Annual Report. The principal risks and their management are disclosed in the Strategic Report and in Note 18 above.

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

	2018	2017
	£'000	£'000
Gross asset exposure		
Investments	1,495,818	1,295,266
Long CFDs	408,938	313,013
	=====	=====
Total long exposures before hedges	1,904,756	1,608,279
Less: short derivatives instruments hedging the above	(143,562)	(53,808)
	=====	=====
Total long exposures after the netting of hedges	1,761,194	1,554,471
Short CFDs	45,356	32,382
	-----	-----
Gross Asset Exposure	1,806,550	1,586,853
	=====	=====
Net assets	1,502,866	1,243,794
	=====	=====
Gearing (Gross Asset Exposure in excess of Net Assets)	20.2%	27.6%
	=====	=====

20 Transactions with the Managers and Related Parties

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

Details of the current fee arrangements are given in the Directors' Report in the Annual Report. During the year management fees of £14,193,000 (2017: £10,970,000) and accounting, administration and secretarial fees of £600,000 (2017: £600,000) were payable to the Managers. At the Balance Sheet date, management fees of £1,289,000 (2017: £2,891,000) and accounting, administration and secretarial fees of £150,000 (2017: £150,000) were accrued and included in other payables. Fidelity also provides the Company with marketing services. The total amount payable for these services was £201,000 (2017: £257,000). At the Balance Sheet date £40,000 (2017: £39,000) was accrued and included in other payables.

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and taxable benefits, relating to reasonable travel expenses, payable to the Directors are given in the Directors' Remuneration Report in the Annual Report. The Directors received compensation of £181,000 (2017: £194,000). In addition to the fees and taxable benefits disclosed in the Directors' Remuneration Report, this amount includes £17,000 (2017: £20,000) of employers' National Insurance Contributions paid by the Company.

21 Alternative Performance Measures

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

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the years ended 31 March 2018 and 31 March 2017.

	Dividend rate	Net asset value per Ordinary Share	Share price
Year ended 31 March 2018			
31 March 2017	n/a	225.36p	195.70p
29 June 2017	2.50p	238.25p	206.90p
31 March 2018	n/a	272.55p	239.00p
	-----	-----	-----
Total return		22.2%	23.6%
	=====	=====	=====
	Dividend rate	Net asset value per Ordinary Share	Share price
Year ended 31 March 2017			
31 March 2016	n/a	164.18p	136.00p
23 June 2016	1.80p	160.53p	137.60p
31 March 2017	n/a	225.36p	195.70p
	-----	-----	-----
Total return		38.8%	45.8%
	=====	=====	=====

22 Post Balance Sheet Event

Trading in the shares of Clear Media was suspended on 3 April 2018. As a result, in May 2018, the valuation of the holding was decreased by 40% from £9,891,000 to £5,901,000. If this decrease in value had been applied at 31 March 2018, the net assets of the Company would have decreased by 0.27%.

The Annual Financial Report Announcement is not the Company's statutory accounts. The above results for the year ended 31 March 2018 are an abridged version of the Company's full Annual Report and Financial Statements, which have been approved and audited with an unqualified report. The 2017 and 2018 statutory accounts received unqualified reports from the Company's Auditor and did not include any reference to matters to which the Auditor drew attention by way of emphasis without qualifying the reports, and did not contain a statement under s.498 of the Companies Act 2006. The financial information for 2017 is derived from the statutory accounts for 2017 which have been delivered to the Registrar of Companies. The 2018 Financial Statements will be filed with the Registrar of Companies in due course.

A copy of the Annual Report will shortly be submitted to the National Storage Mechanism and will be available for inspection at:
www.morningstar.co.uk/uk/NSM

The Annual Report will be posted to shareholders later this month and additional copies will be available from the registered office of the Company and on the Company's website:

www.fidelityinvestmenttrusts.com

where up to date information on the Company, including daily NAV and share prices, factsheets and other information can also be found.

The Annual General Meeting will be held at 11.00 am on 25 July 2018 at 155 Bishopsgate, London EC2M 3YD.

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

ENDS