THIS DOCUMENT AND THE ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. When considering what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, solicitor, accountant or other appropriately qualified independent financial adviser authorised under the Financial Services and Markets Act 2000.

This document comprises a prospectus relating to Fidelity China Special Situations PLC prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000 in order to make an offer of transferable securities to the public and to admit the transferable securities to trading on the main market of the London Stock Exchange. Application has been made to the Financial Services Authority for the Shares to be admitted to the Official List. Application will be made to the London Stock Exchange for all such Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. This document has been approved by and filed with the Financial Services Authority in accordance with the Prospectus Rules. This document and the information herein relates expressly to the Shares. The distribution of this document and/or the accompanying documents in jurisdictions other than the UK may be restricted by law, and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

Cenkos Securities, which is authorised and regulated by the Financial Services Authority, is acting for the Company in connection with the Offer for Subscription and Placing and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Cenkos Securities or for advising any such person in connection with the Offer for Subscription and Placing and the contents of this document. Cenkos Securities is not responsible for the contents of this document. This does not exclude or limit any responsibility which Cenkos Securities may have under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder.

FIDELITY CHINA SPECIAL SITUATIONS PLC
(Incorporated in England and Wales with company number 07133583 and registered as an investment company under section 833 of the Companies Act 2006)

OFFER FOR SUBSCRIPTION AND PLACING OF UP TO 650,000,000 SHARES

APPLICATION FOR ADMISSION TO THE OFFICIAL LIST

Investment Manager
FIL Investment Management (Hong Kong) Limited

Sponsor and Global Coordinator
Cenkos Securities plc

Completed Application Forms and payment under the Offer for Subscription must be received by midnight on 5 April 2010. The procedure for application and payment is set out in Part III (The Offer for Subscription and Placing) of this document.

This document should be read in its entirety before making any decision whether to subscribe for Shares. In particular, your attention is drawn to the section headed “Risk Factors” on pages 5 to 17 of this document.

It is expected that Admission will become effective and that unconditional dealings in the Shares on the London Stock Exchange’s main market for listed securities will commence on or around 19 April 2010.

The Shares will not be registered under the relevant laws of any country except the United Kingdom. Subject to certain exceptions, the Shares issued under the Offer for Subscription or the Placing may not, directly or indirectly, be offered, sold, taken up, delivered or transferred in or into any country other than the United Kingdom or to, or for the account or benefit of, US Persons (as defined in Regulation S under the US Securities Act). The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, and no regulatory authority has passed comment upon or endorsed the merits of the Offer for Subscription or the Placing or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The attention of Overseas Investors and other recipients of this document who are residents or citizens of any country outside the United Kingdom is drawn to the section entitled “Overseas Investors” on page 19 of this document. Potential investors should inform themselves as to (a) the possible tax consequences; (b) the legal requirements; and (c) any foreign exchange restrictions or exchange control requirements, which they might encounter under the laws of the countries of their citizenship, residence or domicile, and which might be relevant to the subscription for, holding or disposal of Shares.

Dated: 26 February 2010
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SUMMARY

This summary section should be read as an introduction to the Prospectus, which comprises the whole of this document. Any decision to invest in Shares should be based on a consideration of the Prospectus as a whole by the investor.

Where a claim relating to the information contained in the Prospectus is brought before a court, a plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Introduction

The Company proposes to issue up to 650,000,000 Shares at a price of 100p per Share by way of the Offer for Subscription and Placing.

The Company

The Company is a closed-ended investment company incorporated in England and Wales on 22 January 2010. The Company intends to carry on business as an investment trust within the meaning of section 842 of the Taxes Act. The Company is to be managed by FIL Investment Management (Hong Kong) Limited, a subsidiary of FIL Limited. The Company's financial information will be published in Sterling.

Investment objective

The Company's investment objective is to achieve long-term capital growth.

Investment Policy

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

The Company may invest through equities, index linked, equity linked and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions, equity related securities, forward transactions and other interests including derivative instruments. Forward transactions and derivatives, including futures, options and contracts for difference, may be used to enhance portfolio performance as well as for efficient portfolio management and hedging. The Company’s aggregate exposure through short positions will not exceed 15% of Gross Assets. The Company's interest in any one investment will not, on acquisition, exceed 15% of the portfolio value. The Investment Manager is not required to seek to ensure that the Company's cash resources are fully invested at all times. Accordingly, there may be times when the Company holds cash or money market instruments pending investment.

The Company may invest in China A Shares both directly through the Investment Manager’s Qualified Foreign Institutional Investor (“QFII”) licence and indirectly through other investments, including equity linked securities, derivatives and collective investment schemes. At Admission, the Investment Manager will not have a QFII licence and the Company will therefore seek exposure to China A Shares through indirect investment (which, for the purpose of the investment restrictions, will be treated as investment in the underlying securities to which the indirect investment gives exposure).

Unlisted securities

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

Borrowing and gearing policy

The Board considers that long-term capital growth can be enhanced by the judicious use of borrowing. The Board is responsible for the level of gearing in the Company and will review the position on a regular basis.
The Company may borrow up to 25% of Net Asset Value ("NAV"). Any borrowing, except for short-term liquidity purposes, will be used for investment. The Company may also use derivative instruments for gearing purposes, in which case the investment restrictions will be calculated on the basis that the Company has acquired the securities to which the derivatives are providing exposure.

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

China and the investment opportunity

The Directors, as advised by the Investment Manager, believe that since the introduction of economic reforms more than 30 years ago, China’s relative importance to the global economy has increased dramatically. In recent years, it has experienced rapid growth in GDP, consumption, infrastructure spending and exports (Source: China Statistical Yearbook 2008, National Bureau of Statistics of China). China is now the world’s third largest economy and has been forecast to overtake Japan in 2010 (Source: IMF World Economic Outlook, October 2009). Moreover, China’s economy has already taken significant steps towards a manufacturing and services-based economy. Neither China’s absolute level of GDP nor its contribution to global GDP growth is reflected in the size of its stock markets (Source: IMF World Economic Outlook, October 2009 and RIMES).

Although there is no proven relationship between GDP growth and investment performance, the Directors, as advised by the Investment Manager, believe that the growth seen in China could be rewarding to investors. The challenges and opportunities that may accompany the country’s economic development are likely to result in a wide range of outcomes for companies operating in China - winners and losers will emerge which a research-led investment approach should be well placed to identify. The Directors, as advised by the Investment Manager, believe that this expected range of outcomes, combined with the relative absence of research, typical of an emerging market, will provide a positive environment for the fundamentals-driven active portfolio management with which they will approach the unfolding investment opportunity.

The Offer for Subscription and Placing

The Company is proposing to issue up to 650,000,000 Shares to applicants under the Offer for Subscription and to placees under the Placing.

The Offer for Subscription commences as at the date of this Prospectus and Application Forms for the Offer for Subscription must be received by midnight on 5 April 2010. Applications under the Offer for Subscription must be for a minimum of £2,500. Individual investors may apply for Shares through their existing financial advisers or Individual Savings Account (“ISA”) plan managers.

The Placing commences as at the date of this Prospectus and commitments under the Placing must be received by Cenkos Securities (acting on behalf of the Company) by no later than 12 noon on 7 April 2010. Commitments under the Placing must be for a minimum subscription amount of £50,000.

It is expected that the basis for allocation of Shares under the Offer for Subscription and Placing will be announced via a Regulatory Information Service on or around 9 April 2010.

ISAs/SIPPs/SSASs

Shares issued pursuant to the Offer for Subscription will be qualifying investments for a stocks and shares ISA. Shares acquired pursuant to the Offer for Subscription and Placing may be eligible for inclusion in self invested personal pensions ("SIPPs") and small self-administered pension schemes ("SSASs").

Investment Manager

The investments of the Company will be managed by FIL Investment Management (Hong Kong) Limited, a company incorporated in Hong Kong on 12 May 1981 as a private limited company with registered number 97708. The Investment Manager is a subsidiary of FIL Limited. As at 31 December 2009, FIL had total assets under management exceeding US$210 billion.

Anthony Bolton will lead the management team at the Investment Manager. Mr. Bolton has more than 30 years’ experience of managing equity funds and began investing in Chinese equities in 2004. Mr. Bolton previously acted as portfolio manager for a number of FIL funds, including Fidelity Special Situations Fund, which he managed from 1979 until 2007. Mr. Bolton also managed the portfolios of two
listed investment trusts, Fidelity Special Values PLC (from 1994 to 2007) and Fidelity European Values PLC (from 1991 to 2001).

Under the Management Agreement the Investment Manager has agreed to provide investment management services for an annual fee equal to 1.5% of the NAV. In addition, the Investment Manager is entitled to an annual Performance Fee of 15% of any change in NAV attributable to performance which is more than 2% above the returns on the MSCI China Index subject to a maximum Performance Fee payable in any year equal to 1.5% of the arithmetic mean of the value of assets with valuation calculated at the end of each month during the year. Any outperformance above this cap will be carried forward. If the Company underperforms, such underperformance must be made good before any further Performance Fee becomes payable.

Material risk factors
The material risk factors affecting the Company and the Shares which are known to the Directors are:

A. General risks
- The price of the Shares can go down as well as up and changes in economic conditions and other factors may adversely affect the Company’s business and the value of the Shares.

B. Risks relating to the Company and its business
- The Shares may be illiquid, the market price of the Shares may be volatile and Shareholders may be unable to realise their Shares at the quoted market price, the prevailing NAV per Share or at all.
- The Company may be unable to invest its capital on attractive terms or to generate returns for Shareholders, and the investment strategies used may be unsuccessful under all or any market conditions.
- The calculation of the Company’s NAV may be based on estimates of the value of the Company’s investments, and there can be no assurance that the reported valuations of the investments will reflect actual share prices even if an investment is sold shortly after the relevant valuation date.
- The Company expects to generate negligible distributable reserves, and the level of dividends, if any, is likely to be low.
- The Company does not intend, as a matter of policy, to hedge foreign exchange exposure and, as the Company is exposed to currency risk, this could have an adverse effect upon the performance of the Company and the NAV.
- Any change in the Company’s tax status or in taxation legislation could result in the Company being liable for UK taxation on any realised capital gains which could affect the market value of the Shares and alter the returns to Shareholders.
- Exchange controls and withholding tax may be imposed with respect to certain of the Company’s investments, reducing the income received by the Company on such investments.

C. Risks relating to the Company’s investments
- The Investment Manager has applied for QFII status, allowing it to invest in China A Shares in the People’s Republic of China (“PRC”). However, there can be no guarantee that such application will be successful or, if successful, that such status will be maintained or renewed.
- The Company may seek to invest in China A Shares indirectly through QFII investment quotas held by third parties. There can be no assurance that the Company will be able to procure sufficient, or any, QFII investment quota from third parties to meet all its proposed investments.
- Derivatives may be used by the Company for efficient portfolio management and hedging and may also be used to enhance portfolio performance. The use of derivatives may lead to a higher volatility in the NAV and the Share price than might otherwise be the case.
- Certain of the financing arrangements and derivative instruments in which the Company expects to invest are not traded on exchanges but will instead be traded between counterparties based on contractual relationships. The Company is therefore subject to the risk that a counterparty may not perform its obligations under the related contracts.
• The Company may invest in unlisted investments. Such investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in quoted securities and they may be more difficult to realise.

D. Risks relating to the Company's borrowing
• The Company will employ gearing in seeking to enhance returns to Shareholders by borrowing funds for investment. Due to its borrowings and its reliance upon income from its investments to service these borrowings, the Company may not be able to meet its debt service obligations under its borrowing arrangements.
• In borrowing to fund liquidity needs and to leverage investments, the Company will be exposed to risks associated with movements in prevailing interest rates.

E. Risks relating to the PRC
• Investing in an emerging market such as the PRC subjects the Company to a higher level of market risk than investment in a more developed market. This is due to, among other things, the existence of greater market volatility, lower trading volumes, the risk of political and economic instability, legal and regulatory risks, risks relating to accounting practices, disclosure and settlement, a greater risk of market shut down, and more governmental limitations on foreign investment than are typically found in developed markets.
• Any depreciation of the Renminbi will decrease the value of any dividends that the Company may receive from its PRC investments and the Company's NAV, which will be quoted in Sterling.
• The tax laws, regulations and practices in the PRC are constantly changing, and they may be changed with retrospective effect, potentially disadvantaging the Company and Shareholders.
• Adverse political or economic consequences of wars, local or regional conflicts or terrorist attacks in the PRC may adversely affect the investments and profitability of the Company.

F. Risks relating to Hong Kong
• The Company's financial position could be adversely affected by economic, political and legal developments in Hong Kong.
• If the Hong Kong Dollar ceased to be pegged to the US Dollar, as has been the case since 1983, there is a risk that the value of the Company's Hong Kong investments might be significantly reduced in Sterling terms.
• No investment will be made in unlisted investments or certain other assets until the Board is satisfied that this would not expose the Company to a material risk of exposure to a significant Hong Kong profits tax.

G. Risks relating to the Investment Manager
• The Company's performance will be dependent on the success of the Investment Manager's investment process. The loss of key personnel, including Anthony Bolton, by the Investment Manager could have an adverse effect on the Company's performance and prospects.
• Failure by the Investment Manager to find investments meeting the Company's investment objective and to manage investments effectively could have a material adverse effect on the Company's performance.
• The Investment Manager has other interests in China and it or its associates manage other companies, funds or accounts that may have similar investment objectives and/or policies to those of the Company. There is a risk that transactions by the Company with other entities managed by or affiliated with the Investment Manager may benefit the Investment Manager or such another entity or may be less advantageous to or to the detriment of the Company to an extent which is greater than would be the case if the transactions were with independent parties.
RISK FACTORS

Potential investors should carefully consider all the information in this document, including the risks described below, before deciding to invest in the Company. The Directors have identified these risks as the material risks relating to the Company and an investment in the Shares and to investing in, or being exposed to, Chinese securities and interests of which the Directors are aware as at the date of this document. Additional risks and uncertainties not presently known to the Directors, or that the Board considers immaterial, may also adversely affect the Company's business, results of operations or financial condition. If any or a combination of these following risks or any other risks materialise, the Company’s business, financial condition, operational performance and the Share price could be materially adversely affected. In that case, the trading price of the Shares could decline and investors could lose some or all of their investments in the Company.

A. General risks

An investment in the Company is only suitable for persons capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from the investment. Potential investors should consider with care whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

The typical investors for whom an investment in the Company is intended are private investors in the UK and institutional investors seeking long-term capital growth from investment in China. Private investors in the UK should consider consulting an independent financial adviser authorised under the Financial Services and Markets Act 2000 (“FSMA”) before investing.

The price of the Shares and the income derived from them, if any, can go down as well as up. Past performance is not necessarily a guide to the future.

Changes in economic conditions including, for example, interest rates, currency fluctuations, rates of inflation, industry conditions, consumer behaviour, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments and the Company’s business and prospects.

B. Risks relating to the Company and its business

General

The Company is intended to be an investment trust. Investment trusts aim to generate returns for shareholders by investing in other companies. However, potential investors should be aware of certain factors which apply to the Company and to investment trusts generally:

(a) there can be no guarantee that any appreciation in the value of the Company’s investments will occur or that the investment objective of the Company will be achieved. The value of an investment in the Company, and the income derived from it, if any, may go down as well as up, and an investor may not get back the amount invested; and

(b) any adverse developments affecting, or constraints on, the economy of the PRC or a fall in the value of Chinese equities or other securities (the value of which may move separately to the economy of the PRC) are each likely to have an adverse impact on the value of the Shares.

Shares

An investment in Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets. Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before making an investment in the Company.

The Shares are expected to represent a geared investment, so a movement in the market price of the Company’s portfolio may result in a greater movement, unfavourable or favourable, in the market price of the Shares.

The published market price of the Shares will typically be their mid-market price. Due to the potential difference between the mid-market price of the Shares and the price at which Shares can be sold, there is no guarantee that the realisable value of the Shares will reflect their published market price.
Although Shares are tradable securities, it is possible that there may not be a liquid market in the Shares and investors may have difficulty in selling Shares. Accordingly, Shareholders may be unable to realise their Shares at the quoted market price (or at the prevailing NAV per Share) or at all.

The Company has applied to the Financial Services Authority for the Shares to be admitted to the Official List and the Company will apply for the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. The London Stock Exchange has the right to suspend or limit trading in a company's securities (for example, where an issuer's listing is suspended or to ensure the orderly operation of markets). The Financial Services Authority has the right to suspend or cancel the listing of a company's securities (for example, for breach of the Listing Rules, where an issuer has failed to publish financial information, or where an issuer is unable to assess accurately its financial position and inform the market accordingly). Any suspension from trading or cancellation of listing of the Shares is likely to affect the ability of Shareholders to realise their investments or the price of the Shares.

The nature of the Company's investments and the use of gearing may contribute to the market price of the Shares being volatile.

Investment strategies

The success of the Company will depend, inter alia, on the performance of the Chinese stock and securities markets, the Chinese economy, and the Investment Manager's ability to identify and make attractive investments and to realise them in accordance with the Company's investment objective. Any factor which would make it more difficult to buy or sell investments may have an adverse effect on the success of the Company. No assurance can be given that the Company will be able to invest its capital on attractive terms or to generate returns for Shareholders, or that the strategies to be used will be successful under all or any market conditions.

A further description of risks concerning the Company's dependency on the Investment Manager is contained under the heading “Risks relating to the Investment Manager” on pages 15 to 17 of this document.

 Discounts

Among other factors, the price of the Shares will be affected by the interaction of supply and demand in the market as well as the NAV per Share. The market price of the Shares is therefore likely to fluctuate and may represent either a discount or a premium to the NAV per Share. This means that the Share price may go down as well as up and the Share price can fall when the NAV per Share rises, or vice versa.

The Board will regularly review the level of discount, if any, and has power to take a number of actions which may, depending on prevailing conditions and circumstances, operate to reduce the discount, if only in the short-term. However, there can be no guarantee that any of these powers will be exercised or that, if exercised, there will be any resulting reduction in the discount.

Closed-ended company

The Company is a closed-ended company. Accordingly, Shareholders have no right to have their Shares repurchased or redeemed by the Company at any time. Shareholders wishing to realise their investment in the Company will therefore be required to dispose of their Shares to purchasers.

Interest rates

Interest rate movements may affect the level of income receivable on the Company's cash deposits and the interest payable on the Company's variable rate cash borrowings. Such movements may therefore operate to the detriment of the Company.

Calculation of Net Asset Value

In calculating the Company's daily unaudited NAV, the Secretary may rely on estimates of the values of the Company's investments. Such estimates may be unaudited and may not comply with International Financial Reporting Standards (“IFRS”) or other valuation principles.

Valuation of the Company's unlisted securities and interests will normally be carried out on a semi-annual basis by the Board. The valuation of such securities and interests is inherently subjective due to the lack of their marketability and the nature of accounting practice. The calculation of the fees due to the
Investment Manager is based on valuations rather than realised gains. There can be no assurance that the reported valuations of the investments of the Company on which the fees are calculated will reflect actual share prices even if an investment is sold shortly after the relevant valuation date.

**Dividends and income**

The Company may pay dividends only to the extent that it has distributable revenue profits available for that purpose. Under the Articles, the Company may not pay a dividend out of its capital reserves. Under IFRS, all financing costs must be charged to income. As a result, it is expected that the Company will generate negligible distributable reserves and the level of dividends, if any, is likely to be low.

**Currency**

The Company's total return and balance sheet are likely to be affected by foreign exchange movements because the Company is likely to have assets and income which are denominated in Renminbi, Hong Kong Dollars, US Dollars and other foreign currencies, while the Company's base currency is Sterling. The Company does not intend as a matter of policy to hedge such foreign exchange exposure, which may have an adverse effect upon the performance of the Company. Certain of the Company's borrowings and derivative transactions are likely to be in Renminbi, Hong Kong Dollars and other foreign currencies, which is likely to operate, to a certain extent, as a hedge against movements in the exchange rate between those currencies in which the Company's assets and income are denominated and the Company's base currency.

**UK taxation**

Any change in the Company's tax status, including failure to secure or maintain approval as an investment trust for tax purposes or any change in taxation legislation, could result in the Company being liable for UK taxation on any capital gains it realises, which could affect the market value of the Shares, affect the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders.

Commentary in this document concerning the taxation of Shareholders and the Company is based on current tax law and practice, both of which are subject to change. If you are in any doubt as to your tax position, you should consult an appropriate independent professional adviser.

**Legal and regulatory**

The Company must comply with the provisions of the 2006 Act and, as its Shares are admitted to the Official List, with the Listing Rules and the Disclosure and Transparency Rules. A breach of the 2006 Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. A breach of the Listing Rules could result in the Shares being suspended from listing.

The European Commission has published a draft Alternative Investment Fund Managers Directive designed to regulate private equity and hedge funds. However, as currently drafted the Directive may have significant consequences for the Company (and all similar investment companies) which might materially increase compliance and regulatory costs. The Directive is subject to consultation and potential revision and redrafting, so the final text remains uncertain and it is not expected to come into effect until sometime in 2011. The Board and the Investment Manager will continue to monitor the progress and likely implications of the Directive.

**Exchange controls and withholding tax**

The Company may, from time to time, purchase investments that will subject the Company to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the return received by the Company on such investments.

**Economic conditions**

Changes in economic conditions can substantially and adversely affect the Company's prospects and the value of the Company's portfolio.
Financial statements

The Company will prepare its financial statements in accordance with the 2006 Act and IFRS and with the AIC Statement of Recommended Practice (“SORP”) for Investment Trust Companies and Venture Capital Trusts dated January 2009. IFRS, the SORP and the resulting accounting treatments are subject to change and this may have an effect on the Company’s results and calculation of the NAV. Changes in the Company’s accounting policies could also adversely affect Shareholders.

Correlation risks

The Company’s portfolio will be managed without reference to the composition of any stock market index. Therefore, it is likely that there will be periods when the Company’s performance will be quite unlike that of the MSCI China Index or any index (which may or may not be to the advantage of potential investors). The Shares are an unsuitable investment for those who seek investments in some way correlated to a stock market index.

C. Risks relating to the Company’s investments

QFII

Under the prevailing regulations in the PRC, foreign investors can invest in China A Shares through institutions that have obtained QFII status in the PRC.

The Company itself is not a QFII (and does not intend to apply for a QFII licence) and therefore may seek to invest in China A Shares through a QFII investment quota obtained by one or more third parties. There can be no assurance that the Company will be able to procure sufficient QFII investment quota from third parties to meet all of its proposed investments or, in extreme circumstances, any QFII investment quota at all.

The Investment Manager has applied for a QFII licence. The Directors expect that the Investment Manager will be granted a QFII licence. However, there can be no guarantee as to the timing of the application process or that such application will be successful or, if successful, that such status will be maintained or renewed. In addition, there can be no assurance as to the size of the quota which the Investment Manager may have from time to time, nor as to the amount of any such quota which will be available for the benefit of the Company, nor as to the specific restrictions, repatriations or foreign currency and exchange rate rules that might apply to the Company if it seeks to utilise any QFII investment quota obtained by the Investment Manager. The Investment Manager’s duties to its other clients and applicable law and regulation may restrict or remove the Company’s access to any quota obtained by the Investment Manager. As a result of these matters, the Company may obtain indirect exposure to China A Shares through the use of other investments including equity linked securities, derivative instruments and collective investment schemes. This may increase the cost to the Company of obtaining any such exposure and give rise to counterparty risks.

In addition, although legislation permitting shorting exists, no business has yet been conducted and it is unclear whether QFIIs are able to participate in shorting China A Shares or China B Shares.

Investment restrictions, repatriation

In accordance with the SAFE Rules, China imposes a quota on onshore investments in securities by QFIIs. Such investment quotas must be approved by the State Administration of Foreign Exchange (“SAFE”) of the PRC. The investment quota applicable to a single QFII is between US$50 million and US$1 billion. A QFII may not apply for an increase of its investment quota within one year from the last approval of its investment quota by the SAFE.

QFIIs are required to fund the facility within six months upon each approval of the quota. As currently applied to the Company, QFIIs are required to obtain approval from the central SAFE for a single repatriation of funds, and to obtain approval from the local SAFE for a single repatriation of accumulated profits after an audit has been conducted by a certified public accountant firm in the PRC. These restrictions would apply to the Company pursuant to the investment quota approved by the SAFE for any third party through which indirect exposure to China A Shares is obtained. In any case, QFII restrictions on repatriation apply to the investment quota granted to the relevant third party QFII as a whole and not simply to investments made by the Company. The capacity of the Company to make investments in China
A Shares and the ability to repatriate funds may be thus adversely affected by the investments, performance and/or repatriation of funds invested by utilising the QFII investment quota of third parties.

Investors should also note that direct investments in China A Shares through QFIIs are subject to compliance with the following investment restrictions currently imposed under QFII regulations in the PRC, as amended from time to time, which apply to each foreign investor investing through QFIIs and which will affect the ability of the Company to invest in China A Shares:

(a) shares held by each underlying foreign investor (such as the Company) which invests through QFII investment quotas in one listed company should not exceed 10% of the total outstanding shares of the listed company; and

(b) total shares held by all underlying foreign investors (such as the Company and all other foreign investors, if any) who invest through QFII investment quotas in one listed company should not exceed 20% of the total outstanding shares of the listed company.

As there are limits on the total shares held by all underlying foreign investors in one listed company in the PRC, the capacity of the Company to make investments in China A Shares will be affected by the activities of all underlying foreign investors investing through QFIIs and QFIIs who make investments themselves.

In addition to the above investment restrictions, foreign investors who invest in China A Shares through QFIIs are subject to restrictions imposed on foreign investment in some industries, as further elaborated in the PRC Foreign Investment Industrial Guidance Catalogue. Accordingly, foreign investors who invest in China A Shares through QFIIs are only permitted to invest in sectors that are classified as open to foreign investment.

As a result of these restrictions, capital cannot flow freely into or from China A Shares. This may affect the actions which the Company or the Investment Manager is able to take in respect of the Company's portfolio and the prices which can be achieved on divestments.

Currency and exchange rate

Issuers of China B Shares and China H Shares pay dividends in US Dollars or Hong Kong Dollars. Their ability to pay dividends in US Dollars is dependent on their ability to generate sufficient revenues in US Dollars or currencies freely convertible to US Dollars. The conversion of revenues earned domestically in Renminbi may be carried out by the issuers at commercial banks permitted to conduct foreign exchange businesses in China and is subject to the restrictions of the SAFE. Under some circumstances, this may prevent the issuer from being able promptly to distribute dividends or affect the amount which may be distributed to investors such as the Company.

QFII custodian and PRC brokers

Any China A Shares or other permissible securities acquired by the Company through the QFII investment quota of a third party will be maintained by its QFII custodian, in electronic form via a securities account in such name as may be permitted or required in accordance with PRC law with China Securities Depository and Clearing Corporation Limited. The QFII custodian typically agrees with the third party QFII as to the custody, operation and management of the QFII's assets in the PRC and is responsible for providing custody services to the Company's assets and uninvested cash in the PRC. Further, the relevant third party QFII must use PRC brokers to execute transactions for the third party in the PRC markets.

The Company may incur losses due to the acts or omissions of the PRC brokers or the QFII custodian and will be exposed to the risk involved in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC settlement system.

Developing regulatory system

The Investment Regulations which govern investments by QFIIs in the PRC, the repatriation of funds and currency conversion are relatively new. The application and interpretation of such Investment Regulations is therefore relatively untested, and there is no certainty as to how they will be applied. The China Securities Regulatory Commission ("CSRC") and SAFE have been given wide discretion in such Investment Regulations and there is no precedent or certainty as to how these discretion might be exercised now or in the future. At this early stage of development, the QFII Investment Regulations may be subject to further revisions in the future and there is no assurance as to whether such revisions will
prejudice QFII or whether the QFII investment quotas (including any quota granted to the Investment Manager to be utilised by the Company) which are subject to review from time to time by the CSRC and the SAFE may be removed substantially or entirely.

**Derivative instruments**

Derivatives may be used by the Company for efficient portfolio management and hedging purposes; derivatives may also be used to achieve the Company's investment objective (i.e. to enhance portfolio performance). The use of derivatives may lead to a higher volatility in the NAV and Share price than might otherwise be the case.

The Investment Manager may use one or more separate counterparties to undertake derivative transactions on behalf of the Company, and may be required to pledge collateral paid out of the property of the Company to secure the Company's obligations under such contracts. There may be a risk that the counterparty will wholly or partially fail to honour its contractual obligations regarding the return of collateral and any other payments due to the Company. In accordance with the risk management process which the Investment Manager employs to oversee and manage derivative exposures, the Investment Manager will seek to minimise such risk by only entering into transactions with counterparties that it believes to have an adequate credit rating at the time the transaction is entered into, and by ensuring that formal legal agreements covering the terms of the contract are entered into in advance. In certain circumstances, however, the Company may be unable to enforce or rely on rights and obligations arising under such agreements. In the event of bankruptcy or insolvency of a counterparty, the Company may only have the rights of a general creditor and so recovery of money owed may be slow or impossible and the Company may incur losses. The Investment Manager will assess on a continuing basis the creditworthiness of counterparties as part of its risk management process but, for the avoidance of doubt, would not be liable for any default by any counterparty (absent any negligence, recklessness, wilful default or fraud by the Investment Manager).

**Equity linked notes**

The Company may use equity linked notes (“ELNs”) to gain exposure to China A Shares. ELNs and similar structured notes involve a counterparty structuring a note whose value is intended to move in line with the underlying security specified in the ELN. The holders of ELNs have no legal, beneficial or proprietary interest in or to the underlying security and have no rights to make any claim against the issuer of such underlying security. The Company is exposed to a credit risk on the counterparty, irrespective of the value of the underlying security within the note. In addition, the liquidity of an ELN or similar note can be less than that for the underlying security, a regular bond or debt instrument, and this may adversely affect either the Company's ability to sell the ELN or the price at which such a sale may be made.

The Company may invest in ELNs that reflect price appreciation/depreciation and dividend payments in respect of the underlying securities but such products may not reflect the full economic benefits of holding the underlying securities, such as voting rights at meetings of the holders of such underlying securities. Furthermore, investment through ELNs may negatively affect the performance of the Company when compared with investing directly in similar assets, because of the higher transaction costs involved.

**Unlisted investments**

The Company may invest in unlisted investments. Such investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in quoted securities and they may be more difficult to realise.

In comparison with listed investments, unlisted companies are subject to further particular risks, including that such companies:

(a) may be subject to a higher risk of default under financing and contractual arrangements, leading to severe adverse consequences for those companies and the value of the Company’s investment in them;

(b) may have limited financial resources and reduced access to financing sources;
may have shorter operating histories, narrower product lines and smaller market shares, rendering them more vulnerable to competitors’ actions and market conditions as well as general economic downturns;

(d) are more likely to depend on the management talents and efforts of a founder or small group of persons and, if any such persons were to cease to be involved in the management or support of such companies, this could have a material adverse impact on their business and prospects and the investment made by the Company; and

(e) generally have less predictable operating results and may require significant additional capital to support their operations, expansion or competitive position.

Investments which are unlisted at the time of acquisition may remain unlisted and may therefore be difficult to value and/or realise. Investment in the securities of smaller companies may involve greater risks than is customarily associated with investments in larger, more established companies. In particular, such companies may often have limited product offerings, markets or financial resources and may be dependent on a small number of key individuals.

It may be particularly difficult for the Investment Manager to obtain accurate or extensive due diligence information prior to making an unlisted investment. There can be no assurance as to the adequacy or accuracy of information provided during any due diligence exercise and the Company may have no, or limited, recourse if such information subsequently turns out to be inaccurate.

Investments made by the Company in unlisted securities may rank behind investments made by others, which may mean that more senior ranking investors take actions outside the control of the Company which are adverse to the interests of the Company.

In addition, investment in or disposal of unlisted securities by the Company in the PRC, or the dissolving and/or liquidation of unlisted companies, are generally subject to prior approvals by and registration with government authorities in the PRC. The Company may not be able to obtain or complete such approvals and registrations in a timely manner, or at all, in respect of any investment in or disposal of unlisted securities by the Company in the PRC.

Where any foreign investment is made in the unlisted securities of a PRC company, the PRC company will become a Foreign Investment Enterprise (“FIE”). China has adopted a broad range of laws, administrative rules and regulations that govern the conduct and operations of FIEs. These laws, rules and regulations provide incentives for the flow of capital into China but also subject FIEs, and investors in FIEs, to restrictions that may not apply to domestic PRC companies. For example, FIEs may have greater difficulties, compared with domestic PRC companies, in obtaining permission to list on the Chinese Stock Exchanges.

Counterparty risk

Because certain of the financing arrangements and derivative instruments which the Company expects to invest in are not traded on an exchange but will instead be traded between counterparties based on contractual relationships, the Company is subject to the risk that a counterparty may not perform its obligations under the related contracts. Any failure by a counterparty to perform its obligations may have a material adverse effect on the Company's investments.

D. Risks relating to the Company’s borrowing

Borrowing and gearing

The Company intends to borrow and will use leverage to enhance returns. These borrowings may be secured against the Company’s assets. While the use of borrowings should enhance the returns on the NAV of the Shares where the value of the Company’s underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In the event of a default on investments which have been acquired by the Company with borrowings, the level of losses suffered by the Company will be proportionately higher as a percentage of equity than as a percentage of assets as a function of this leverage. Further, the return on the Company's investments and the amount of cash available for distribution to Shareholders may be reduced to the extent that changes in market conditions cause the cost of these borrowings to increase relative to the income that can be derived from the Company's underlying assets.
The Company may not be able to meet its debt service obligations and so may breach its obligations under its borrowing arrangements. To the extent that it does, the Company risks the loss of some or all of its assets to foreclosure or sale to satisfy its debt obligations and may be required to dispose of investments to meet its debt obligations at a time not of its choosing and at a price less than the Company's valuation of such investments.

Interest rates
The Company expects to incur indebtedness to fund its liquidity needs and to leverage investments and will therefore be exposed to risks associated with movements in prevailing interest rates.

Borrowing through derivatives
An additional risk to the Company of using derivatives rather than traditional forms of finance or investment is that the Company will not own the underlying securities, such as, for example, Chinese equities to which the derivatives give exposure and the Company will be at risk if the counterparty defaults (whether by reason of insolvency or otherwise).

E. Risks relating to the PRC
Investing in the PRC carries a high degree of risk. Apart from the usual investment risk, investing in the PRC is also subject to certain other inherent risks and uncertainties. The Directors have identified the risks described below as the material risks relating to the PRC of which the Directors are aware as at the date of this document. Additional risks and uncertainties relating to China not presently known to the Directors, or that the Board considers immaterial, may also adversely affect the Company's business, results of operations or financial condition.

Emerging market risk
Investing in an emerging market such as the PRC subjects the Company to a higher level of market risk than investment in a more developed market. Among other things, this is due to the existence of greater market volatility, lower trading volumes, the risk of political and economic instability, legal and regulatory risks, risks relating to accounting practices, disclosure and transparency, settlement risk, a greater risk of market shut down and the fact that more governmental limitations on foreign investment apply than is typically found in developed markets. In particular, the securities markets in the PRC are undergoing a period of growth and change which may lead to difficulties in the settlement and recording of transactions and in interpreting and applying the relevant regulations. In addition, there is less regulation and monitoring of Chinese securities markets and of the activities of investors, brokers and other participants than is the case in stock exchanges in more developed markets. Accordingly, issuers of securities in China are not subject to the same degree of regulation as those in other countries with respect to such matters as fraudulent and unfair trade practices, disclosure of material developments and material information, insider trading, tender offer regulation, stockholder proxy requirements, regulations regarding substantial acquisitions of shares and takeovers of companies and the requirements regarding timely disclosure of information.

Political, economic and social considerations
The PRC government has in recent years implemented economic and related social reform policies emphasising the utilisation of market forces in the development of the PRC's economy and a high level of management autonomy. However, there can be no assurance that the PRC government will continue to pursue such policies or, if it does, that those policies will continue to be successful. Any adjustment or modification of those policies may have an adverse impact on the securities markets in the PRC as well as on overseas companies which trade with or invest in the PRC.

The economy of the PRC has experienced significant growth in the past twenty years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government may from time to time adopt corrective measures to control inflation and restrain the rate of economic growth, which may also have an adverse impact on the capital growth and performance of the Company. Also, political changes, social instability and adverse diplomatic developments in the PRC could result in the imposition of additional government restrictions including the expropriation of assets, confiscatory taxes or nationalisation of some or all of the investments held by the underlying entities in which the Company may invest.
Furthermore, a portion of the economic activity in the PRC is export-driven and so is affected by developments in the economies of the principal trading partners of the PRC. Given that the Chinese stock market has in the past experienced substantial price volatility, there is no assurance that such volatility will not occur in the future. The above factors could negatively affect the value of the investments held by the Company and the NAV.

**Government control of currency conversion and future movements in exchange rates**

The People’s Bank of China permits the official Renminbi exchange rate to float against a basket of foreign currencies. There can be no assurance that such exchange rate will not fluctuate widely against the US Dollar or any other foreign currency in the future. Any depreciation of Renminbi will decrease the value of any dividends that the Company may receive from its PRC investments and the NAV, which will be quoted in Sterling.

**Legal and regulatory system**

Many of the laws and regulations in the PRC remain unclear. The PRC government is still in the process of developing a comprehensive set of laws and regulations as part of the PRC’s transformation from a centrally planned economy to a more free market oriented economy. There is no assurance that any future changes in such laws and regulations or their interpretation, or the ability to enforce such laws and regulations, will not have any material adverse effect on the Company’s investments in the PRC.

The securities market and the regulatory framework for the securities industry in the PRC are still at an early stage of development as compared with those of developed countries, and there may be a lower level regulatory monitoring system of the activities in an emerging securities market.

In addition, there is a lack of legal support and procedure for the recognition and enforcement of foreign court judgments in China. Furthermore, the Company cannot rely on arbitration provisions to guarantee adequate and timely compensation in the case of contract disputes. Any inability on the part of the Company to obtain enforceable judgments against other parties in contract disputes may have an adverse effect on the performance of the Company and the price of the Shares.

**Nationalisation and expropriation**

After the foundation of the PRC in 1949, the Chinese government renounced debt obligations and nationalised private assets without compensation. There can be no assurance that the Chinese government will not take similar actions in the future. Accordingly, an investment in the Company involves the risk of a significant loss as a result of the total loss of the Company’s investments in the PRC.

**Illiquidity and potential market volatility**

The trading volumes of the markets in the PRC might be lower than those on stock exchanges in developed financial markets. This means that the Company may experience difficulty in investing in securities which trade exclusively on an exchange with low trading volumes and/or may experience difficulty in realising the value of such investments. Low turnover may also result in significant price volatility and a potential lack of liquidity.

Potential investors should note that the Chinese Stock Exchanges, on which China A Shares and China B Shares are traded, are in the process of change and development, and that their average market capitalisation and trading volumes are lower than those in more developed financial markets. This may lead to trading volatility, difficulty in the settlement and recording of transactions, difficulty in interpreting and applying relevant regulations and potential lack of liquidity due to low trading volume in the markets. The Company may be exposed to significant fluctuations in the prices of securities traded on those markets, and the value of the Shares may be adversely affected if the Company has made any direct or indirect investments in such securities. There are risks that an emergency situation may arise in the market or that large price fluctuation may occur in the market, as a result of which the trading of securities may cease or may be substantially curtailed.

**Accounting and reporting standards**

PRC companies are required to follow PRC accounting standards and practice which follow international accounting standards to a certain extent. However, the accounting, auditing and financial reporting standards and practices applicable to PRC companies may be less rigorous than more established...
organisations, and there may be significant differences between financial statements prepared by accountants following the PRC accounting standards and practice and those prepared in accordance with international accounting standards. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors which may result in non-disclosure of certain material information relating to the companies in which the Company may invest.

As the disclosure and regulatory standards in the PRC are less stringent than in more developed markets, there might be substantially less publicly available information about Chinese issuers. Therefore, disclosure of certain material information may not be made, and less information may be available to the Company and other investors.

Corporate and securities laws

The Company's rights with respect to its investments in China will not be governed generally by the laws of the United Kingdom but by Chinese law (or by Hong Kong law with regard to investments in China H Shares).

Legal principles relating to corporate affairs and the validity of corporate procedures, directors’ fiduciary duties and liabilities and stockholders’ rights often differ in the PRC from those that may apply in the United Kingdom and other common law countries. Chinese laws providing protection to investors, such as laws regarding the fiduciary duties of company officers and directors, are undeveloped and will not provide investors, such as the Company, with protection in all situations where protection would be provided in the United Kingdom. It may therefore be difficult for the Company to enforce its rights as an investor under Chinese corporate and securities laws, and it may be difficult or impossible for the Company to obtain or enforce a judgment in court.

Disclosure of interests and short swing profit rule

Under the PRC's disclosure of interest requirements, the Company may be deemed a “concert party” with other funds managed by the Investment Manager or its affiliates and therefore may be subject to the risk that the Company's holdings may be required to be reported in the aggregate with the holdings of such other funds should the aggregate holdings trigger the reporting threshold under the PRC law, which is currently 5% of the total issued shares of a listed company.

As a result, the operation of the PRC “short swing profit” rule may be applicable to the trading of the Company with the result that, where the holdings of the Company (possibly with the holdings of other investors deemed as concert parties of the Company) exceed 5% of the total issued shares of a PRC company, the Company may not reduce its holdings in the company within six months of the last purchase of shares of the PRC company. If the Company violates this rule, it may be required by the PRC company to return any profits realised from any relevant reductions of holdings. The Company's assets in the PRC may be frozen to the extent of the claims made by the PRC company in question. The inability to sell such assets and any obligation to return profits may adversely affect the performance of the Company.

Taxation in the PRC

By investing in China A Shares, China B Shares, China H Shares and other permissible PRC investments, the Company may be subject to withholding and other taxes imposed in the PRC. The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. In particular, there is uncertainty as to whether and how capital gains on China A Shares are to be taxed. In addition, any provision for taxation made by the Investment Manager may be excessive or inadequate to meet final PRC tax liabilities on gains derived from the disposal of PRC investments. Consequently, the Company and Shareholders may be disadvantaged depending upon the final outcome of how such gains will be taxed.

World Trade Organisation (“WTO”)

As a member of the WTO, the PRC may be required to reduce import barriers from time to time. The resultant greater exposure to foreign competition may impact the profitability of companies in the PRC. This may adversely affect the performance of the Company.
International trade agreements
The financial viability of some of the Company's investments may be affected by changes in international trade agreements between the PRC and its trading partners. This may impact the competitiveness of companies in the PRC. Investments in export-oriented industries, for example, may be affected by the introduction of tariffs and domestic industries may be exposed to foreign competition. This may adversely affect the performance of the Company.

Risk relating to wars or terrorist attacks
The PRC may suffer adverse political or economic consequences from wars, local or regional conflicts, or terrorist attacks. These matters may in turn adversely affect the investments and profitability of the Company. Any such changes may have a material adverse effect on the Company's performance.

F. Risks relating to Hong Kong

Economic, political and legal developments
The Company may invest in securities listed on the Hong Kong Stock Exchange and in companies listed elsewhere which have significant interests in Hong Kong. Accordingly, the Company's financial position could be affected by economic, political and legal developments in Hong Kong. There is no assurance that such developments will not be adversely affected as a result of the exercise of sovereignty by the PRC over Hong Kong or otherwise. If there are any material adverse changes in the general economic, political and legal situation in Hong Kong, the Company's results and financial position may be adversely affected.

Devaluation of the Hong Kong Dollar
The Hong Kong Dollar has been pegged to the US Dollar since 1983. The Hong Kong government has repeatedly reaffirmed its commitment to this pegged exchange rate system. Accordingly, any depreciation in the US Dollar against other currencies will cause the Hong Kong Dollar value of the Company's investments in Hong Kong to depreciate against such other currencies. If this pegged exchange rate system were to change, there is a risk that the Hong Kong Dollar might devalue against the US Dollar and the corresponding value of the Company's Hong Kong investments might be significantly reduced in Sterling terms.

Hong Kong profits tax
The Board has been advised that any investment in unlisted investments or in other assets which are not listed securities, derivative instruments or cash would expose the income of the Company which arises in or derives from business carried out in Hong Kong to a material risk of exposure to Hong Kong profits tax. Accordingly, no such investment will be made unless the Board is satisfied that there is no such risk as a result.

G. Risks relating to the Investment Manager

Dependence on the Investment Manager
The Company has no employees and is reliant on the Investment Manager, which has significant discretion as to the implementation of the Company's Investment Policy. In particular, the Company's performance will be dependent on the success of the Investment Manager's investment process (described on pages 28 and 29 of this document).

The Investment Manager has the right to resign under the Management Agreement by giving not less than 12 months' written notice to the Company expiring no earlier than the third anniversary of the Management Agreement. Such resignation, or other termination of the Management Agreement, could have an adverse effect on the Company's performance and prospects, particularly if no suitable replacement is found, although the notice period in the Management Agreement seeks to protect the Company from such a risk.

There can be no guarantee that Anthony Bolton or any other fund manager will remain with the Investment Manager. If the appointment of the Investment Manager is terminated, or if key personnel of the Investment Manager cease to be involved in the management of the Company's portfolio, there is no assurance that suitable replacements will be found. If any such matter occurs, this may have an adverse effect on the performance of the Company and the value of the Shares.
Investment strategies

The Company's ability to implement its Investment Policy will depend on the Investment Manager's ability to identify, analyse, invest in, manage and dispose of investments that meet the Company's investment criteria. The Investment Manager has significant discretion as to the implementation of the Company's investment objective and strategies. Accordingly, failure by the Investment Manager to find investments meeting the Company's investment objective and/or to manage investments effectively could have a material adverse effect on the Company's performance.

Investment Manager's compensation structure

The Investment Manager is entitled to receive a Performance Fee, summarised in Part I (Information on the Company) of this document, which is calculated by reference to the performance of the NAV per Share compared with the total return on the MSCI China Index. Any increase in NAV per Share for such purposes may not be realised (and any unrealised gains may reverse) and in such circumstances the Investment Manager will be under no obligation to repay any Performance Fee earned in previous accounting periods. The Performance Fee will not be conditional upon the Company's portfolio outperforming any previous high point for its NAV.

Conflicts of interest

Many of the Company's strengths are derived from the breadth and depth of the experience and skills of the Investment Manager. However, the relationship between the Company and the Investment Manager may lead to certain conflicts of interest, as the Investment Manager may be involved in other financial, investment or professional activities, which may, on occasion, give rise to conflicts of interest with the Company.

In particular, the Investment Manager currently provides, and may continue to provide, investment management, investment advice or other services in relation to a number of companies, funds or accounts that may have similar investment objectives and/or policies to those of the Company and may receive ad valorem and/or performance-related fees for so doing. The Investment Manager has other interests in China and its affiliates manage private equity investment funds. The Company may buy assets at the same time as other entities that are affiliated with or managed by the Investment Manager, co-invest with such entities, or invest with such entities in special purpose vehicles which in turn invest in investee companies. The Company may also, from time to time, buy assets from, or sell assets to, other entities that are affiliated with, advised by or managed by the Investment Manager. The Investment Manager may also have conflicts of interest in allocating investments or access to its QFII investment quota (if this is obtained) among the Company and other clients and in effecting transactions between the Company and other clients. The Investment Manager may give advice or take action with respect to such clients that differs from the advice given or actions taken with respect to the Company.

If the Company invests in companies or other entities in which FIL (meaning for these purposes FIL Limited or any of its subsidiaries or affiliates) also invests for its own account, the Company will be exposed to the following additional risks:

(a) FIL's investment may rank above or be on preferential terms to the investment made by the Company;

(b) FIL may have contractual rights and/or representation on the board or other governing body of the entity in which the investment is made, giving it access to more information concerning the investment than the Company and, because of contractual or other duties of confidence, FIL may not be at liberty to share this information with the Company or the Investment Manager;

(c) investment professionals within FIL's proprietary investment teams may be in possession of information that is material to the price of the investment and which they are not obliged to share with the Company or the Investment Manager. If such information is shared with Company or the Investment Manager, it may prevent the Company or the Investment Manager from trading in the securities of any entity in relation to which the information is material;

(d) FIL maintains information barriers such that investment professionals within FIL's proprietary investment teams do not have an affirmative duty to share information with the Investment Manager or the Company;
certain issuers in which FIL invests may become “affiliates” of FIL as a result of an investment. In certain jurisdictions, this affiliation may prevent the Company from trading in the securities of the issuers at or near the time of, or otherwise in connection with, specific corporate actions, including an initial public offering;

the Company may invest in securities at a higher price than FIL and may sell securities at a lower price than FIL;

the valuation of the investment by FIL and the Company may be based on subjective factors and/or be on different bases and so may differ;

the investment decision made by the Investment Manager for the Company may differ from the investment decision made by the investment professionals within FIL's proprietary investment teams with respect to FIL's proprietary investment; for example (i) the Company may buy a security at or around the same time as FIL sells that security, or (ii) in cases where the Company co-invests in unlisted securities with FIL, the Company may not be able to realise the investment, either in whole or in part, unless FIL also realises its investment;

generally, it is FIL's policy not to enter into principal transactions with its clients, including the Company. From time to time, however, the Company may purchase securities from, or sell securities to, a member or members of FIL on an arm's length transaction, with the prior approval of the independent members of the Board and on terms that the Board and the Investment Manager consider fair and equitable to the Company; and

there may be conflicts relating to the allocation of investment opportunities. If the Investment Manager identifies an investment opportunity for the Company before FIL elects to invest in an issuer, the internal procedures of FIL will ensure that the Company will have the first opportunity to invest. On the other hand, if FIL invests in an issuer before the Company, the Company's ability to invest in the issuer may be restricted.

Any arrangements between the Company and the Investment Manager would be subject to the rules concerning related party transactions in the Listing Rules.

Litigation and claims

The Investment Manager, as a separate legal entity, may become subject to litigation or proceedings brought by government entities or any other parties and relating to the services provided to the Company by the Investment Manager. Except to the extent that such litigation or proceedings arise from the Investment Manager's negligence, wilful default or fraud in the performance of its duties, the Investment Manager shall be indemnified by the Company in respect of all expenses and liabilities arising from such litigation or proceedings.

Termination of the Management Agreement

Termination of the Management Agreement may be slow and costly. The Management Agreement continues indefinitely until terminated and, unless terminated for the reasons set out in paragraph 9.1 of Part V (General Information) of this document, may be terminated by the Company only by giving the Investment Manager not less than 12 months' written notice, expiring no earlier than the third anniversary of the Management Agreement. In certain circumstances, the Company may remain obliged to pay (or procure that there is paid to) the Investment Manager the Management Fee and Performance Fee which would have been payable in respect of the 12 month notice period. These amounts, together with the amount of fees which would be payable during the same 12 month notice period to a replacement investment manager, may be a material amount. The Investment Manager is also entitled to terminate the Management Agreement in certain circumstances. A summary of the Management Agreement is set out in paragraph 9.1 of Part V (General Information) of this document.
EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Offer for Subscription and Placing open. ................................. 26 February
Latest time and date for applications under the .................... Midnight on 5 April
Offer for Subscription* .......................................................... Noon on 7 April
Latest time and date for commitments under the Placing* ........ 8 a.m. on 19 April
Admission of Shares to the Official List and to trading on ........... 19 April
the main market of the London Stock Exchange
Crediting of CREST stock accounts in respect of the Shares ....... Week commencing 19 April
Despatch of share certificates in respect of the Shares .......... Week commencing 19 April

* The Directors may, with the prior approval of Cenkos Securities, alter such date and thereby shorten or lengthen the Offer for Subscription and/or the Placing period, to a date no earlier than 15 March 2010 and no later than 30 April 2010. The Company will notify investors of any such change through the publication of a notice through a Regulatory Information Service.
All references to times in this document are to London times.

DEALING CODES

ISIN: .......................... GB00B62Z3C74
SEDOL: .......................... B62Z3C7
Ticker: .......................... FCSS

ISSUE STATISTICS

Offer Price per Share .......................................................... 100p
Estimated initial NAV per Share** ...................................... 98.9p
Expected number of Shares in issue following ....................... £650,000,000
the close of the Offer for Subscription and Placing
Expected net proceeds of the Offer for ............................... £643,000,000
Subscription and Placing, after costs**

** Based upon maximum gross proceeds of £650,000,000
IMPORTANT INFORMATION

Potential investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the holding, transfer or other disposal of Shares; (b) any foreign exchange restrictions applicable to the holding, transfer or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the holding, transfer or other disposal of Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force and are subject to changes therein.

Forward looking statements

This Prospectus contains forward looking statements including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, investors are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements apply only as at the date of this Prospectus. Subject to its legal and regulatory obligations (including under the Listing Rules, the Prospectus Rules, and the Disclosure and Transparency Rules), the Company expressly disclaims any obligations to update or revise any forward looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based unless required to do so by law, regulation or by any appropriate regulatory authority, including the UK Listing Authority, the Listing Rules, the Prospectus Rules, and the Disclosure and Transparency Rules.

Overseas Investors

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including those in the following paragraphs which relate to the jurisdictions listed below. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or buy any of the Shares to any person in any jurisdiction to whom it is unlawful to make any such offer or solicitation in any such jurisdiction.

Notice to potential investors in the European Economic Area

In relation to each member state of the European Economic Area (other than the UK) that has implemented the Prospectus Directive (each, a “relevant member state”), an offer to the public of the Shares may not be made in that relevant member state, except that an offer to the public in that relevant member state of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that relevant member state:

(a) to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; or

(b) to any legal entity that has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million and (iii) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances falling within article 3(2) of the Prospectus Directive, provided that no such offer of Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to article 3 of the Prospectus Directive.

Each subscriber for or purchaser of Shares described in this document located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of article 2(1)(e) of the Prospectus Directive. For the purposes of this provision, the
expression an “offer to the public” in relation to any Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Placing and the Shares to be offered so as to enable a potential investor to decide to purchase or subscribe for the Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

In the case of any Shares being offered to a financial intermediary as that term is used in article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted to and agreed with the Company that (i) the Shares acquired by it have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant member state other than qualified investors, or in circumstances in which the prior consent of the Company has been obtained to each such proposed offer or resale, or (ii) where Shares have been acquired by it or on behalf of persons in any relevant member state other than qualified investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons. The Company will rely upon the truth and accuracy of the foregoing representation, warranty and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Company of such fact in writing may, with the consent of the Company, be permitted to subscribe for or purchase Shares.

Notice to potential investors in Denmark

This Prospectus has not been filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in the Kingdom of Denmark. The Shares in the Company have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark, unless in compliance with chapter 6 or chapter 12 of the Danish Act on Trading in Securities and executive orders issued pursuant thereto as amended from time to time. Accordingly, this Prospectus may not be made available nor may the Shares otherwise be marketed and offered for sale in Denmark other than in circumstances which are deemed not to be a marketing activity or an offer to the public in Denmark.

Notice to potential investors in Finland

This Prospectus does not constitute a public offer or an advertisement of securities to the public in the Republic of Finland. The Shares will not and may not be offered, sold, advertised or otherwise marketed in Finland under circumstances which would constitute a public offering of securities under Finnish law. Any offer or sale of the Shares in Finland shall be made pursuant to a private placement exemption as defined under European Council Directive 2003/71/EC, article 3(2) and the Finnish Securities Markets Act (1989/495, as amended) and any regulation made thereunder, as supplemented and amended from time to time. The Shares cannot be subject to public trade. This Prospectus has not been approved by or notified to the Finnish Financial Supervision Authority.

Notice to potential investors in France

This Prospectus has not been prepared in the context of a public offering of securities in France within the meaning of Article L.411-1 and seq. of the French Code monétaire et financier and Articles 211-1 and seq. of the General Regulations of the Autorité des marchés financiers (“AMF”) and has therefore not been submitted to the AMF for prior approval or otherwise. The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France and neither this Prospectus nor any other offering material relating to the Shares has been distributed or caused to be distributed or will be distributed or caused to be distributed to the public in France, except to persons licensed to provide the investment service of portfolio management for the account of third parties (“personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers”) and/or to “qualified investors” (“investisseurs qualifiés”) (as defined in Article L.411-2, D.411-1 and D.411-2 of the French Code monétaire et financier) on the condition that no such Prospectus nor any other offering material relating to the Shares shall be delivered by them to any person nor reproduced (in whole or in part).

Such “qualified investors” are notified that they must act for their own account in accordance with the terms set out by Article L.411-2 of the French Code monétaire et financier and by Article 211-3 of the AMF’s General Regulations. No re-transfer, directly or indirectly, of the Shares in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in Articles L.411-1, L. 411-2, L.412-1 and L .621-8 and seq. of the French Code monétaire et financier) shall be made.
Notice to potential investors in Germany

The Shares in the Company are not admitted for public distribution in Germany and must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner. This Prospectus and any other materials relating to or describing the Shares in the Company must not be supplied to the public in Germany and must not be disclosed to any person or entity other than the recipients hereof. The Shares in the Company may qualify as foreign investment units within the meaning of the German Investment Tax Act in which case investors subject to taxation in Germany may be subject to punitive taxation of their investment in the Shares under the German Investment Tax Act.

Notice to potential investors in Guernsey

Shares in the Company may be offered directly only to those businesses holding licences under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended (“POI”), the Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000, the Insurance Business (Bailiwick of Guernsey) Law, 2002 or the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002. Private investors may be offered Shares in the Company only by appropriately POI licensed businesses.

Notice to potential investors in Hong Kong

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong and no action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any document issued in connection with it. You are advised to exercise caution in relation to the offer. If you are in any doubt about the contents of this Prospectus, you should obtain independent professional advice.

This Prospectus is not a prospectus under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) (the “Companies Ordinance”), and nor is it required to be authorised under section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Shares have not been and will not be offered or sold in Hong Kong by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance, or (b) in other circumstances which do not result in this document being a “prospectus” as defined in the Companies Ordinance or which do not constitute an offer to the public with the meaning of that Ordinance.

No advertisement, invitation or document relating to the Shares has been or will be issued in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to potential investors in Ireland

The distribution of this Prospectus and the offering or purchase of Shares in the Company is restricted to the individual to whom this Prospectus is addressed. Accordingly, it may not be reproduced in whole or in part, nor may its contents be distributed in writing or orally to any third party, and it may be read solely by the person to whom it is addressed and his/her professional advisers.

This Prospectus may not be distributed and the Shares may not be offered or sold otherwise than in circumstances which do not require the publication of a prospectus pursuant to article 3(2) of Directive 2003/71/EC and will not be offered or sold otherwise than in a conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended).

Notice to potential investors in Italy

The offering in Italy of the Shares in the Company has not been authorised by the Bank of Italy or notified to the Bank of Italy. Accordingly, the Shares may not be offered in Italy and neither this Prospectus nor any
other offering material relating to the Shares may be used, distributed or made available in Italy for the purposes of a solicitation.

**Notice to potential investors in Jersey**

This Prospectus may be circulated in Jersey only by persons who are registered by the Jersey Financial Services Commission in accordance with the Financial Services (Jersey) Law 1998, as amended (the “FSL”) for the conduct of financial services business and the distribution of this Prospectus, or are exempt from such registration in accordance with the FSL. In addition, this Prospectus may be circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom.

Consent for the circulation of this Prospectus in accordance with article 8 of the Control of Borrowing (Jersey) Order 1958, as amended, has not been sought from or given by the Jersey Financial Services Commission.

**Notice to potential investors in Korea**

Neither the Company nor the Investment Manager is making any representation with respect to the eligibility of any recipients of this Prospectus to acquire any shares in the Company under the laws of Korea, including, but without limitation, the Foreign Exchange Transaction Act and Regulations thereunder. The Shares have not been registered with the Financial Services Commission of Korea for a public offering in Korea under the Financial Investment Services and Capital Markets Act of Korea, and none of the Shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea. Furthermore, Shares may not be re-sold to Korean residents unless the purchaser of the Shares complies with all applicable regulatory requirements (including, but not limited to, governmental approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the Shares.

**Notice to potential investors in the Netherlands**

Shares in the Company are not and will not be offered, as part of their initial distribution or at any time thereafter, in the Netherlands, unless one or both of the following apply:

(i) the offer is made only to qualified investors within the meaning of the Dutch Financial Markets Supervision Act (the “FMSA” (Wet op het financieel toezicht)); or

(ii) the offer is made to fewer than one hundred (100) persons, not being qualified investors as described under (i).

The Company does not require a licence pursuant to the FMSA. The Company is not supervised by the Dutch Authority for the Financial Markets on the basis of the Part “Prudential supervision of financial undertakings” or the Part “Conduct of business supervision of financial undertakings” of the FMSA. Under the FMSA, the Company and the person that offers the Shares in the Company do not require a licence with respect to such offering and are not supervised by the Dutch Authority for the Financial Markets with respect thereto.

**Notice to potential investors in Norway**

This Prospectus has not been produced in accordance with the prospectus requirements laid down or with legal basis in the Norwegian Securities Trading Act or in the Norwegian Investment Fund Act. This Prospectus has not been approved or disapproved by, or registered with, the Oslo Stock Exchange, the Financial Supervisory Authority of Norway or the Norwegian Registry of Business Enterprises. The offer to participate in the subscription contained in this Prospectus is only and exclusively directed to the addressees of this offer and can not be distributed, offered or presented, either directly or indirectly, to other persons or entities domiciled in Norway without the consent of the offeror. The Company is not subject to supervision from the Norwegian supervisory authorities. Each potential investor should seek independent tax advice before any investment in the Company is made.
Notice to potential investors in Portugal

The Shares have not and will not be offered or sold, directly or indirectly, in Portugal, except to the extent that such offers and sales do not qualify as public offerings of securities for the purposes of the Portuguese Securities Code and relevant ancillary legislation and are made in compliance with other relevant laws of Portugal. The recipients of this Prospectus and other offering materials in respect of the Shares are qualified investors, targeted exclusively on the basis of a private placement, all as defined in and in accordance with articles 30, 109 and 110 of the Portuguese Securities Code. Accordingly, the Shares must not be, and are not being, offered or advertised, and no offering or marketing materials relating to the Shares may be made available or distributed in any way that would constitute a public offer under the Portuguese Securities Code (whether at present or in the future).

Notice to potential investors in the PRC

This Prospectus has not been nor will it be approved by or registered with the relevant Chinese governmental authorities, and it does not constitute nor is it intended to constitute an offer of securities within the meaning prescribed under the PRC Securities Law or other laws and regulations of the PRC. Accordingly, this Prospectus shall not be offered or made available, nor may the Shares be marketed or offered for sale to the general public, directly or indirectly, in the People's Republic of China (for such purposes, not including Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan).

The Shares in the Company shall only be offered or sold to PRC investors that are authorised or qualified to be engaged in the purchase of the Shares being offered. Potential investors in the PRC are responsible for obtaining all the relevant regulatory approvals/licences from the Chinese government by themselves, including, without limitation, those that may be required from the State Administration of Foreign Exchange, the China Banking Regulatory Commission, the Ministry of Commerce and the National Development and Reform Commission, where appropriate, and for complying with all the relevant PRC laws and regulations in subscribing for Shares.

Notice to potential investors in Spain

The Company has not been registered with the Spanish Securities Market Commission (Comision Nacional del Mercado de Valores, “CNMV”) pursuant to Spanish laws and regulations. Therefore, the Shares in the Company may not be offered or distributed in Spain except in circumstances which do not constitute an offer of securities in Spain within the meaning of Law 24/1988, of 28 July, of the Securities Market and without complying with all legal and regulatory requirements in relation thereto. Neither this Prospectus nor any other offering material in relation to the Company has been registered with the CNMV, and therefore they are not intended for the marketing, offer or distribution of the Shares in the Company in Spain.

Notice to potential investors in Sweden

The Company is not authorised under the Swedish Investment Funds Act (2004:46) and is not supervised by Finansinspektionen (the Swedish Financial Supervisory Authority). This Prospectus has not been nor will it be registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority) under the Swedish Financial Instruments Trading Act (1991:980). Accordingly, this Prospectus may not be made available, nor may the Shares offered hereunder be marketed and offered for sale, in Sweden, other than under circumstances which are deemed not to be an offer to the public in Sweden under the Swedish Financial Instruments Trading Act. Potential investors should not construe the contents of this Prospectus as legal or tax advice. This Prospectus has been prepared for marketing purposes only and should not be conceived as investment advice.

Notice to potential investors in Switzerland

The Company has not been registered with the Swiss Financial Market Supervisory Authority (“FINMA”) as a foreign collective investment scheme pursuant to article 120 of the Collective Investment Schemes Act of 23 June 2006 (“CISA”). Accordingly, the Shares may not be offered to the public in or from Switzerland, and neither this Prospectus nor any other offering materials relating to the Company may be made available through a public offering in or from Switzerland. The interests in the Company may only be offered and this Prospectus may only be distributed in or from Switzerland, by way of private placement exclusively to Qualified Investors (as defined in the CISA and its implementing ordinance).
Notice to US Persons

The Shares are not being offered in the United States or to, or for the account or benefit of, US Persons. Every applicant for Shares will be required to warrant to the Company that he/she is neither a US Person nor acquiring any Shares for the account of or benefit of any US Person.

Under the Articles, the Directors have the power to require the transfer of Shares in certain circumstances. Such power may be exercised, inter alia, (i) to prevent the Company from being in violation of, or required to register under, the US Investment Company Act of 1940 and (ii) to avoid the Company's assets being treated as “plan assets” for purposes of ERISA.
DIRECTORS, INVESTMENT MANAGER, SECRETARY AND ADVISERS

Directors of the Company
John Owen (Chairman)
Nicholas Bull
David Causer
Douglas Naismith
Peter Pleydell-Bouverie
all of the registered office

Registered office
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Tadworth
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Investment Manager
FIL Investment Management (Hong Kong) Limited
7/F
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Central
Hong Kong

Company Secretary
FIL Investments International
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Hildenborough
Kent TN11 9DZ

Financial Adviser, Sponsor and Global Co-ordinator
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

Auditors
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Registrar
Capita Registrars Limited
Northern House
Woodsome Park, Fenay Bridge
Huddersfield
West Yorkshire HD8 0GA

Receiving Agent
Capita Registrars Limited
Corporate Actions
The Registry
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Beckenham, Kent BR3 4TU

Custodian and principal banker
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London EC2Y 5AJ
Legal advisors to the Company

As to English law
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London EC1Y 8YY

As to PRC law
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8 Jianguomenbei Avenue
Beijing 100005
People’s Republic of China

Legal advisor to the Sponsor

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10 Queen Street Place
London EC4R 1BE

Hong Kong tax advisor to the Company

Grant Thornton Tax Limited
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong
PART I: INFORMATION ON THE COMPANY

Introduction

The Company is a closed-ended investment company incorporated in England and Wales on 22 January 2010. The Company intends to carry on business as an investment trust within the meaning of section 842 of the Taxes Act. The Company will apply to become a member of the Association of Investment Companies.

Investment objective

The Company's investment objective is to achieve long-term capital growth.

Investment Policy

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

The Company may invest through equities, index linked, equity linked and other debt securities, cash deposits, money market instruments, foreign currency exchange transactions, equity related securities, forward transactions and other interests including derivative instruments. Forward transactions and derivatives, including futures, options and contracts for difference, may be used to enhance portfolio performance as well as for efficient portfolio management and hedging. The Company's aggregate exposure through short positions will not exceed 15% of Gross Assets.

The Company's interest in any one investment will not, on acquisition, exceed 15% of the portfolio value. The Investment Manager is not required to seek to ensure that the Company's cash resources are fully invested at all times. Accordingly, there may be times when the Company holds cash or money market instruments pending investment.

The Company may invest in China A Shares both directly through the Investment Manager's QFII licence and indirectly through other investments, including equity linked securities, derivatives and collective investment schemes. At Admission, the Investment Manager will not have a QFII licence and the Company will therefore seek exposure to China A Shares through indirect investment (which, for the purpose of the investment restrictions, will be treated as investment in the underlying securities to which the indirect investment gives exposure).

Unlisted securities

The Company is permitted to invest up to 5% of Gross Assets in unlisted securities issued by, and other interests in, entities carrying on business, or which have significant interests, in China or Hong Kong. However, no such investments will be made unless the Board is satisfied that there is no material exposure to taxation as a result.

Borrowing and gearing policy

The Board considers that long-term capital growth can be enhanced by the judicious use of borrowing. The Board is responsible for the level of gearing in the Company and will review the position on a regular basis.

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

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

The Company will comply with the following investment restrictions:

- the Company will invest and manage its assets in accordance with the objective of spreading risk in accordance with the Investment Policy set out above;
- neither the Company nor any of its subsidiaries (if any) will conduct any trading activity which is significant in the context of its group as a whole; and
- not more than 10%, in aggregate, of the value of the Company’s Gross Assets at the time of acquisition may be invested in other investment companies admitted to the Official List (including listed investment trusts), but this restriction will not apply to investments in investment companies or investment trusts which themselves have stated investment policies to invest no more than 15% of their Gross Assets in other listed investment companies (including listed investment trusts).

In order to gain approval as an investment trust under section 842 of the Taxes Act, the Company is required to operate under certain constraints. These include the following limits on investments and operations:

- the Company’s interest in any one company or group must generally not, on acquisition or whenever an increase in the relevant holding is acquired, exceed 15% of the portfolio value;
- the Company may not retain more than 15% of the income it derives from shares and securities;
- at least 70% of the Company’s income must consist of income deriving from shares and securities (which does not include bank deposit income); and
- the Company may not distribute capital profits by way of dividend.

The legislation in section 842 of the Taxes Act is to be replaced by broadly equivalent provisions in Chapter 4 of Part 24 of the Corporation Tax Bill which is currently before Parliament. Those provisions will, once the bill is enacted, set out the relevant tests which the Company will need to satisfy in each of its accounting periods, including those accounting periods commencing prior to the enactment of the bill, in order to obtain investment trust status for tax purposes.

The maximum percentage limits set out in the section titled “Investment Policy” above will be applied at the time of the relevant acquisition, trade or borrowing. If any of those limits is subsequently exceeded due to changes in value of the unlisted or listed securities in the Company’s portfolio, or to which the Company is otherwise exposed, or for other reasons, the Company will endeavour to rebalance its portfolio so as to be within such limits, subject to applicable law and regulation and market conditions.

Changes to Investment Policy

Any material change to the Investment Policy will require the approval of the Shareholders by way of an ordinary resolution at a general meeting. The Company will promptly issue an announcement to inform Shareholders and the public of any change of its Investment Policy.

Investment process

The Board has agreed with the Investment Manager that the approach to investing the assets of the Company should build on the core investment philosophy of FIL which has developed over the last 40 years and is now at the heart of FIL’s management of over US$210 billion.

The Board, as advised by the Investment Manager, considers that long-term investment success will best be achieved for the Company through understanding the prospects for individual companies based on in-depth local research and analysis. However, China is an increasing part of the global economy, so it is important to combine local knowledge with analysis of global competitors, suppliers and customers.

The Board, as advised by the Investment Manager, considers that, in emerging markets, compelling opportunities can be identified from a rigorous, research driven approach, as many companies are not researched as thoroughly as in developed markets. This emphasis on exploiting relatively under-researched companies is expected to lead to the Company investing more in smaller and mid-sized opportunities than in large companies, although investment in suitable large companies is not ruled out.

The Board has instructed the Investment Manager to pick stocks that the Investment Manager finds compelling and not to hold any investment simply because the issuer represents a significant proportion
of its market. Similarly, the Investment Manager is not obliged to ensure that the portfolio is fully invested and may hold cash while seeking suitable investment opportunities. The Investment Manager is also permitted to sell short the stocks of companies (whether held in the portfolio or not) that it thinks will under-perform and to obtain exposure to companies through the use of derivatives.

The Board has endorsed the Investment Manager's plans to pay particular attention to the dynamics of any potential investee company and its business model, as well as to the quality of its earnings, its balance sheet and its management. Valuation and technical analysis is also to play a key role in assessing potential investments. The Investment Manager intends to seek out companies with recovery potential, companies with growth potential and companies which appear undervalued by the market, as well as, from time to time, takeover candidates and companies that have had a change in management or offer a new product.

Before the Company makes an investment, the Investment Manager is to conduct detailed due diligence and research. This process typically includes meetings with management and detailed analysis of financial statements and the ownership structure. The Investment Manager will focus on issues specific to the company while at the same time seeking an understanding of the broader factors, including regulatory and policy environment and competitors, suppliers or others involved in the industry.

Unlisted investments
The investment process for the Company's unlisted investments will involve deal origination and due diligence carried out by the Investment Manager with support from other investment professionals in FIL. Detailed company level research will be conducted as for listed investments but, in addition, further due diligence will normally take place as to management's commitment to an exit strategy, expected to be typically through an initial public offering (“IPO”), and an assessment of the time frame in which this is likely to be achievable.

Dividend policy
As the Company's objective is to achieve long-term capital growth, the Board does not expect that dividends will constitute a material element of any return to Shareholders. In order to continue to qualify as an investment trust, the Company will be required to distribute sufficient net income so that it retains no more than 15% of the income it derives from shares and securities.

Foreign exchange hedging policy
The Company's financial statements will be denominated in Sterling, while investments will be made and realised in currencies other than Sterling, including Renminbi, Hong Kong Dollars and US Dollars.

It is not the policy to hedge the underlying currencies of the holdings in the portfolio but rather to take the currency risk into consideration when making investments. The Company does not therefore intend to hedge its currency exposure.

Derivative instruments
Derivative instruments may be used for efficient portfolio management and hedging and may also be used in order to achieve the investment objective (i.e. to enhance portfolio performance). The use of derivatives may lead to a higher volatility in the NAV and Share price than would otherwise be the case.

The Company will invest and manage its exposure to derivatives in a way which is consistent with the objective of spreading investment risk. In accordance with its Investment Policy, the Company's interest in any one investment will not, on acquisition, exceed 15% of the portfolio value.

The Investment Manager will employ a risk management process to oversee and manage exposure, which will be independently audited on an annual basis.

The Investment Manager may use one or more separate counterparties to undertake derivative transactions on behalf of the Company, and may be required to pledge collateral paid out of the property of the Company in order to secure the Company’s obligations under such contracts. The Investment Manager will assess on a continuing basis the creditworthiness of counterparties as part of its risk management process but, for the avoidance of doubt, would not be liable for any default by any counterparty (in the absence of any negligence, recklessness, wilful default or fraud by the Investment Manager).
Valuation policy

The NAV per Share will be calculated in Sterling and published each Business Day by the Secretary. Each security in the portfolio will be valued using accepted industry practice. Securities which are traded on stock exchanges will be valued at the last available bid price at the time the valuation is carried out. Unlisted investments will be valued by the Directors at fair value, normally on a semi-annual basis.

FIL has a range of fair value policies that are set and monitored by its fair value committee. The policies include determining the value of a single security because a price is unavailable as a result of a corporate action, or because the security is unlisted or its listing is suspended.

The calculation of the NAV per Share will be suspended only in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

Management of conflicts of interest

Other clients of FIL

The Investment Manager may be involved in other financial, investment, or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager currently provides, and may continue to provide, investment management, investment advice or other services in relation to a number of companies, funds or accounts that may have similar investment objectives and/or policies to those of the Company and may receive ad valorem and/or performance-related fees for so doing.

The Investment Manager may have conflicts of interest in allocating investments or access to its QFII investment quota (if this is obtained) among the Company and other clients and in effecting transactions between the Company and other clients. The Investment Manager may give advice or take action with respect to such clients that differs from the advice given or actions taken with respect to the Company.

FIL's own account investments

FIL also invests on its own account in private equity and other investments worldwide and has its own private equity and other investment professionals advising on proprietary investments, primarily for FIL, in China, Hong Kong, India and Europe (including the UK). FIL has adopted a conflicts of interest policy for the purpose of seeking, amongst other matters, to maintain and to operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of its clients, including the Company.

Under the Management Agreement, where a transaction is intended to be effected by the Investment Manager for or on behalf of the Company and there is a potential conflict between the interests of the Investment Manager or its affiliates or their respective directors, officers or employees and either (i) the interests of the Company, or (ii) the duty owed by the Investment Manager to the Company and, in any case, of which any of the individuals directly responsible for the performance of the Investment Manager’s services to the Company under the Management Agreement is actually aware, then the Investment Manager will:

- use all reasonable endeavours to ensure that the terms of any relevant transaction are no less favourable to the Company than if the conflict had not existed (or, if applicable, that the terms do not place the Company in a less favourable position than if the conflict had not existed);
- disclose to the Company all relevant details of each potential conflict;
- require the independent members of the Board to approve such transaction by majority resolution of those independent Directors attending a duly convened meeting of the Board or by the prior written consent of a majority of the independent members of the Board before effecting such transaction; and
- comply with all applicable legal and regulatory rules and requirements, including the Listing Rules.

Subject to the above and to the overriding principles that investments of the Company be suitable for its investment objective and Investment Policy and comply with the terms of the Management Agreement,
the Investment Manager and any of its affiliates may recommend and/or effect transactions in which, or provide services in circumstances where, the Investment Manager or any of its affiliates has, directly or indirectly, a material interest in or a relationship of any description with another party which may involve a potential conflict with the interests of the Company and/or the Investment Manager’s duty to the Company.

In addition, subject to the provisions of the Management Agreement summarised above and in paragraph 9.1 of Part V (General Information) of this document, neither the Investment Manager nor any of its associates will be liable to account to the Company for any profit, commission or remuneration made or received from or by reason of any such transactions or any connected transactions and the Investment Manager’s fees will not, unless otherwise provided, be reduced thereby.

Share rating management

Premium management

In the event that the Shares trade at a premium to NAV, the Company may issue new Shares. It is expected that any such issue of new Shares will made pursuant to the Directors’ authority to issue new Shares free from pre-emption rights (provided that such authority has been renewed by the Shareholders). Shares may be issued without the publication of a prospectus in accordance with exemptions set out in the Prospectus Rules, which currently allow for the issue of shares representing, over a period of 12 months, less than 10% of the number of shares of the same class already admitted to trading on the same regulated market, provided that such issue is not made by way of an offer of the Company’s securities to the public.

Investors should note that the issuance of new Shares is entirely at the discretion of the Board, and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of new Shares that may be issued.

Discount control

The Company will seek to address any significant imbalance between the supply of and demand for Shares in the secondary market and to manage the discount to the NAV at which its Shares may be trading by purchasing its own Shares in the market on an ad hoc basis, or by exercising its discretion to operate tender offers no more than twice in any 12 month period, further details of which are below.

Purchases of Shares by the Company

The Company may purchase Shares in the market at prices which represent a discount to the prevailing NAV per Share so as to enhance the NAV per Share for the remaining holders of Shares. So as to allow for this, the Company proposes (subject to High Court approval) to cancel its share premium account, thereby creating a reserve which may be treated as capital profits and could be used for purchasing Shares.

A special resolution, expressed to take effect on Admission, has been passed granting the Company authority to make market purchases of up to 14.99% of its own issued Shares following the conclusion of the Offer for Subscription and Placing. The maximum price (exclusive of expenses) which may be paid for a Share must not be more than the higher of (i) 5% above the average of the mid-market values of the Shares for the five Business Days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Shares. In addition, Shares will be repurchased only at prices below the NAV per Share, which should have the effect of increasing the NAV per Share for remaining Shareholders.

A renewal of the authority to make market purchases will be sought from Shareholders at each annual general meeting of the Company. No purchases of Shares can be made by the Company until the cancellation of the share premium account has been approved by the High Court (and the terms of any undertaking required by the High Court for protection of the creditors of the Company complied with). The High Court is expected to approve such cancellation at a hearing on 21 April 2010, and the cancellation is expected to become effective shortly thereafter. Purchases of Shares will be made within guidelines established from time to time by the Board. Any purchase of Shares would be made only out of the available cash resources of the Company (excluding borrowed monies). Shares purchased by the Company will be cancelled.
Purchases of Shares may be made only in accordance with the 2006 Act, the Listing Rules, and the Disclosure and Transparency Rules.

Tender offers

The Directors have the discretion to implement tender offers of up to 15% of the Shares then in issue, no more than twice in any 12 month period. Subject to certain limitations (set out below) and to the Directors exercising their discretion to operate any tender offer, Shareholders may tender for purchase all or part of their holdings of Shares at a price equal to the prevailing NAV per Share less a discount of no more than 5%.

Implementation of tender offers will be subject to prior Shareholder approval. However, resolutions have been passed granting the Directors authority to implement the first two tender offers, should they decide to exercise their discretion to do so. The terms and conditions upon which it is intended any tender offer will be implemented and a description of the detailed mechanics will be included in a circular which will be sent to Shareholders at the time of any such tender offer.

Investors should note that the operation of the regular tender offers is entirely at the discretion of the Board, and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Shares that may be tendered. In addition, in accordance with the 2006 Act, Shares may be repurchased only out of the proceeds of a fresh issue of Shares made for the purpose or out of distributable profits.

Management of the Company

The Board

The Directors are responsible for determining the Company's Investment Policy and have overall responsibility for the Company's activities.

All of the Directors are non-executive and all except Douglas Naismith are independent of the Investment Manager. Douglas Naismith is an employee of a FIL company.

John Owen CMG MBE DL (Chairman)

Mr. John Owen, aged 70, is an independent non-executive Director and the Chairman of the Company. John has enjoyed careers in both the diplomatic service and industry. He served in the diplomatic service for thirty years until his retirement in 1999, serving in Indonesia, Vietnam, France, El Salvador, Iran, Brazil, China and London. John was British Consul General in Boston, USA from 1992 to 1995, and Governor of the Cayman Islands from 1995 to 1999. He also worked in industry for seven years.

John is currently chairman of several companies including Iceman Capital Advisers Limited, an investment advisory company specialising in investment in the developing markets of Asia. He has a number of directorships including Queensgate Bank Limited and Queensgate Trust Company Limited.

John is also chairman of the Friends of Cayman in London. He is an Honorary Fellow of the University of Wales. He is also a Deputy Lieutenant of the County of Isle of Wight.

Nicholas Bull

Nicholas Bull, aged 57, is an independent non-executive Director. He is also the chairman of Smith's Corporate Advisory Limited, an independent corporate advisory firm based in London. Nicholas has over 30 years of experience as a corporate finance practitioner with Morgan Grenfell (subsequently Deutsche Bank), Société Générale and ABN AMRO in London, Sydney, Singapore and Hong Kong.

Nicholas is a qualified chartered accountant and a member of Council of the University of Exeter.

David Causer

David Causer, aged 60, is an independent non-executive Director and is chairman of the audit committee. David is a non-executive director of Schroder Income Growth Fund plc, an investment trust listed on the London Stock Exchange. He is a qualified chartered accountant and a member of the Securities Institute.
David has held a number of senior positions within financial services organisations, including as finance director of Mercury Asset Management Group plc and as a managing director of Merrill Lynch Investment Managers until 2001. He was finance director of The British Red Cross Society until December 2007. He is a trustee of a number of charities and of a pension fund.

Douglas Naismith

Douglas Naismith, aged 50, is a non-executive Director. He is managing director of the UK Institutional Group and of the European Product Group at FIL. In addition, he is chief executive of FIL Pensions Management and FIL Investment Advisors (UK) Limited and a director of FIL Life Insurance Limited and a member of the Supervisory Board of Fidelity Investissements S.A.S..

Douglas has spent 27 years in asset management, eleven of which he has spent at FIL, joining the Hong Kong office in 1998 as a senior director and regional institutional head. In 2001, Douglas was appointed as managing director for FIL's South East Asia operations. He then spent a further four years in Hong Kong before returning to the UK to take up a position as head of UK and European direct retail businesses in 2005. Before taking up his current role, Douglas also managed FIL’s European and UK defined contribution businesses.

The Hon. Peter Pleydell-Bouverie DL

Peter Pleydell-Bouverie, aged 52, is an independent non-executive Director. He is an investment professional with over 29 years of investment experience, particularly in the Far East and emerging markets. His current non-executive positions include acting as a trustee on investment committees for family and charitable trusts.

Previously, Peter spent ten years with FIL where he was investment director until 1996, managing Japanese-focused unit trusts (including Japan Special Situations Trust), offshore funds, pension funds and the Fidelity Emerging Markets Fund.

Prior to his time with FIL, Peter was an associate director at Kleinwort Grieveson Investment Management and fund manager at Grieveson, Grant and Co, where he also managed Asia-focused investment funds.

Administration and secretarial arrangements

Under the Secretarial Agreement, FIL Investments International (a FIL company) provides services of a company secretarial, accounting and administrative nature. FIL Investments International receives an annual fee based on the services provided of up to £600,000 (plus an amount equal to any applicable VAT).

Investment Manager

The Investment Manager is a subsidiary of FIL Limited. As at 31 December 2009, FIL had total assets under management exceeding US$210 billion.

FIL manages the assets of four other UK investment trusts with aggregate assets under management as at 31 December 2009 of approximately US$1.8 billion.

FIL has had a presence in Asia since 1969 and now has offices in seven countries across the region, including in three cities in mainland China and in Hong Kong. The Hong Kong office is FIL’s second largest in the region, with approximately 40 investment professionals. Investment professionals are also to be found across the region in Mumbai, Seoul, Singapore, Sydney, Taipei and Tokyo.

Anthony Bolton will lead the management team at the Investment Manager. Mr. Bolton has more than 30 years’ experience of managing equity funds and began investing in Chinese equities in 2004. Mr. Bolton previously acted as portfolio manager for a number of FIL funds, including Fidelity Special Situations Fund, which he managed from 1979 until 2007. Mr. Bolton also managed the portfolios of two listed investment trusts, Fidelity Special Values PLC (from 1994 to 2007) and Fidelity European Values PLC (from 1991 to 2001).

Anthony Bolton has joined the team of portfolio managers within the Hong Kong office which is dedicated to investing in Chinese equities, supported by specialist research analysts and traders.
Management Fee and Performance Fee

The Company and the Investment Manager have entered into the Management Agreement, under which the Investment Manager has been given responsibility for the day to day discretionary management of the Company’s assets in accordance with the Company’s Investment Policy, subject to the overall supervision of the Board.

Under the Management Agreement the Investment Manager has agreed to provide investment management services for an annual fee equal to 1.5% of the NAV (excluding investments in other funds managed by the Investment Manager or associated companies, with the exception of Fidelity Institutional Cash Fund plc and any other money market fund of which the Investment Manager, or any of its associates, is the manager) payable quarterly in arrear and calculated as of the last Business Day of March, June, September and December in each year.

In addition, the Investment Manager is entitled to an annual Performance Fee of 15% of any change in NAV attributable to performance which is more than 2% above the returns on the MSCI China Index subject to a maximum Performance Fee payable in any year equal to 1.5% of the arithmetic mean of the value of assets with valuation calculated at the end of each month during the year. Any outperformance above this cap will be carried forward. If the Company underperforms 2% above the returns on the MSCI China Index in any year, the underperformance must be made good before any further Performance Fee becomes payable in future years. Both the NAV and the MSCI China Index will be calculated on a total return basis, while the NAV will be based on the weighted average number of Shares in issue.

The Management Agreement will continue unless and until terminated by either party giving to the other not less than twelve months’ notice in writing expiring no earlier than the third anniversary of the Management Agreement. The Management Agreement may also be terminated forthwith as a result of a material breach of the Management Agreement or on the insolvency of the Investment Manager.

Full details of the fees provided for by the Management Agreement are contained in paragraph 9.1 of Part V (General Information) of this document.

FIL in China

FIL has a number of existing funds focused on investing into China, including the China Focus Fund, Greater China Fund and China Opportunities Fund within its Luxembourg-based Fidelity Funds SICAV. The FIL approach to investing in China is the same as in the other markets in which it invests its US$210 billion of client assets: long-term investment success is best achieved by understanding the prospects of individual companies. Resource is targeted to combine the local “on the ground” knowledge with worldwide analysis of competitors, suppliers and customers, to form a view of each investment opportunity.

The team of dedicated portfolio managers (which will include Anthony Bolton), research analysts and traders dedicated to investing in China from within FIL’s Hong Kong office can also draw upon the resource of other FIL portfolio managers and analysts covering the Asia Pacific ex-Japan region and of the global team of FIL’s and its affiliates’ investment professionals.

The approach has already proved successful in managing Chinese equities. FIL manages US$20 billion of Chinese and China-related equity assets, including existing open ended funds. The flagship retail fund, Fidelity Funds China Focus Fund, is ranked amongst the top quartile of its peer group over the period since its launch in 2003 to 31 December 2009 when its NAV was US$4.8 billion.

In addition, FIL has gained experience of the specialist Chinese venture capital and private equity markets through proprietary investments since 1996.

Registrar and Receiving Agent

Capita Registrars Limited has been appointed Registrar to the Company and the Receiving Agent in respect of the Offer for Subscription.

Custodian

The Company has entered into the Custody Agreement with JPMorgan Chase Bank N.A. (London Branch) pursuant to which the Custodian is entrusted with the safe custody of the assets of the Company. The Custodian carries out all usual duties relating to cash and securities and, in addition, may delegate
such duties to sub-custodians. The Custodian is required to use reasonable care in the selection and appointment of sub-custodians.

**Financial statements and reports to Shareholders**

The Company’s annual report and financial statements will be prepared up to 31 March each year. The Company’s AGMs will usually be held in July of each year commencing in 2011. The financial statements of the Company will be drawn up in Sterling and prepared in accordance with IFRS and the AIC Statement of Recommended Practice (SORP) for Investment Trust Companies and Venture Capital Trusts dated January 2009. IFRS, the SORP and the resulting accounting treatments are subject to change and this may have an effect on the Company’s calculation of NAV.

**Taxation**

The attention of Shareholders is drawn to the summary of tax matters set out in Part IV (Taxation) of this document. Shareholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

**Net proceeds from the Offer for Subscription and Placing**

If the Offer for Subscription and Placing are fully subscribed, the net proceeds will be approximately £643 million. The Company will invest the net proceeds in accordance with the Investment Policy.

**ISAs/SIPPs/SSASs**

Shares issued pursuant to the Offer for Subscription will be qualifying investments for a stocks and shares ISA. Shares acquired pursuant to the Offer for Subscription and Placing may be eligible for inclusion in SIPPs and SSASs. Potential investors wishing to include Shares in SIPPs or SSASs should seek independent confirmation of their eligibility from their professional tax or financial advisers after taking into account the rules of their schemes.
PART II: CHINA AND THE INVESTMENT OPPORTUNITY

The Directors confirm that the statistical information extracted from third party sources in this Part has been accurately reproduced and, so far as the Directors are aware, no facts have been omitted which would render the reproduced information inaccurate or misleading. Sources for the information set out in this Part II are set out in the paragraph headed Sources in Part V (General Information) of this document.

Why invest in China?

Since the introduction of economic reforms more than 30 years ago, China’s relative importance to the global economy has increased dramatically. In recent years it has experienced rapid growth in GDP, consumption, infrastructure spending and exports. The Directors, as advised by the Investment Manager, believe that the growth of the Chinese economy should provide a supportive environment for equity investors, especially as China’s global economic importance is not reflected in the relative size of its stock markets.

China’s economy has already taken significant steps up the economic value chain (by which is meant a structural shift from a raw materials-based economy to a manufacturing and service-based economy), with an increasing proportion of manufactured goods in its exports and the development of newer industries such as pharmaceuticals.

The Directors, as advised by the Investment Manager, believe that China’s economic growth is likely to be driven by a combination of infrastructure spending, exports and higher domestic consumption; that growth in consumer spending is likely to be more complex than simply an increasingly affluent population purchasing more consumer goods, with, in particular, relatively greater growth in the services sector. Against this complex and changing economic backdrop, the Company will benefit from FIL’s research resources to underpin stock selection.

Although there is no proven relationship between GDP growth and investment performance, the Directors, as advised by the Investment Manager, believe that the growth in China could be rewarding for investors. The challenges and opportunities that may accompany the country’s economic development are likely to result in a wide range of outcomes for companies operating in China - winners and losers will emerge which a research-led investment approach should be well-placed to identify. This range of outcomes, combined with the relative absence of research typical of an emerging market, will provide a positive environment for the fundamentals-driven, active portfolio management with which the Investment Manager is to approach the unfolding investment opportunity.

The economic case for investing in China

China’s economy has developed rapidly since Chinese premier Deng Xiaoping introduced a programme of free-market reforms in 1978. It has been transformed over the past 32 years from a centrally-planned system to a more market-oriented economy. It is now a leading contributor to global economic growth. Between 1978 and 2007 China’s GDP increased by over 65 times.

<table>
<thead>
<tr>
<th>Some key facts about China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population: 1.34bn</td>
</tr>
<tr>
<td>Land Area: 9.6m sq km</td>
</tr>
<tr>
<td>2009 GDP: US$4.7 trillion</td>
</tr>
<tr>
<td>2009 GDP per capita: US$3,600</td>
</tr>
<tr>
<td>Urban population: 43%</td>
</tr>
<tr>
<td>Literacy: 90.9%</td>
</tr>
<tr>
<td>Arable land: 14.9%</td>
</tr>
<tr>
<td>Population aged over 65: 8.1%</td>
</tr>
<tr>
<td>Life expectancy at birth: 73.5 years</td>
</tr>
<tr>
<td>Labour force: 813 million</td>
</tr>
<tr>
<td>Oil consumption: 8 billion barrels/day</td>
</tr>
<tr>
<td>Airports: 482</td>
</tr>
</tbody>
</table>

Note: The above figures are approximate and estimated as at the end of 2009.

China is now the world’s third largest economy and has been forecast to overtake Japan to become the second, behind the US, during 2010. Forecasts for when China might overtake the US to become the world’s biggest economy vary, but the Directors, as advised by the Investment Manager, believe that a transfer of economic leadership is foreseeable.

China has achieved its economic ranking with a combination of a centrally-planned one-party state and the introduction of free-market reforms. With a population of approximately 1.34 billion, China is the world’s most populous nation and its economic growth has had consequences from the US bond market,
where China is one of the largest holders of US sovereign debt, to the commodity markets, in which it is one of the most significant purchasers of many raw materials.

Over the past two decades China’s economy has grown by an average of 9.9% per annum and the IMF has estimated that China contributed 27% of global growth in 2008. Furthermore, as the developed world struggled with recession in 2009, the Chinese economy grew by more than 8%.

China’s GDP nearly quadrupled between the end of 2000 and the end of 2009 in US$ terms, from US$1.2 trillion to US$4.7 trillion. Over the same period, the value of US GDP increased by approximately US$4.3 trillion from US$10.0 trillion to US$14.3 trillion. On this basis, China’s contribution to global GDP growth over the nine year period was over 80% of the contribution of the US, despite China’s economy starting the period less than one-eighth the size of the US economy. China’s contribution to global GDP since 2000 can be expressed as the equivalent of adding more than one and a half times the UK’s 2009 GDP and three times the 2009 GDP of India.

The Directors, as advised by the Investment Manager, believe that if the Chinese economy were to become the world’s largest, this would represent a return to the leading position China held prior to the European and then US acceleration in economic growth during the 19th and 20th centuries, as the chart below illustrates.

Modern economic reform in China started in the late 1970s with the phasing out of collectivised agriculture, and expanded to include the gradual liberalisation of prices, increased autonomy for state enterprises, the foundation of a diversified banking system, the development of stock markets, the rapid growth of the non-state sector and the opening up of the Chinese economy to foreign trade and investment. As at the end of 2009, the stock of foreign direct investment into China was estimated to be over US$575bn. Progressive development has created a balanced economy, with a relatively minor dependence on agriculture compared to manufacturing and services.
Rapidly growing GDP

It has been estimated that China’s economy will overtake Japan during 2010 to become second in size to the United States as the chart below illustrates. Although the size of the US economy remains larger than China’s, the rate of growth of China’s GDP has been forecast to be significantly greater over the next five years.

Real GDP growth in China has been strong for many years.

<table>
<thead>
<tr>
<th>Year</th>
<th>1991-2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.4(^1)</td>
<td>8.3</td>
<td>9.1</td>
<td>10.0</td>
<td>10.1</td>
<td>10.4</td>
<td>11.6</td>
<td>13.0</td>
<td>9.0</td>
<td>8.7</td>
</tr>
</tbody>
</table>

\(^1\) 1991-2000 average

Despite the overall size of China’s economy, in per capita terms the country’s GDP remains well below that of many developed nations (including the UK, Germany, Japan, France and the US). China’s economy is moving towards a per capita GDP level at which a number of developing markets have in the past experienced accelerating rates of domestic consumption, an economic phenomenon which has been called the S-curve effect. The Directors, as advised by the Investment Manager, believe that the level of China’s GDP per capita is a key element in the investment case.

China has growing levels of personal savings. Between 1998 and 2007, household savings deposits increased rapidly.

| Household savings deposits, US$bn |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 645        | 720        | 777        | 891        | 1,050      | 1,251      | 1,444      | 1,746      | 2,069      | 2,341      |

The Directors, as advised by the Investment Manager, believe that the levels of personal savings in China may be supportive of increased consumption if GDP per capita continues to increase. If China was to follow a similar path of economic development to that experienced by a number of other developing countries, increasing GDP per capita would lead to an expansion of credit, higher consumption of a range of consumer goods, increased spending on services (including hotels) and growth in health care spending. The Directors have instructed the Investment Manager to seek opportunities to invest in companies that are exposed to these trends.

Social and economic developments and challenges

Many commentators expect that the Chinese government is likely to face numerous economic development challenges, including: (a) social security, including pension and health system, reform; (b) sufficient job growth for migrants, new entrants to the work force and former workers from state-owned enterprises; (c) corruption and other economic crimes; (d) environmental damage and social tension accompanying economic development; and (e) inflation.

One of the challenges facing China is demographic. As a consequence of its “one child” policy, which saw China’s fertility rate fall from an average of about six children per woman in the 1950s, China is now one of the most rapidly ageing countries in the world. There is considerable uncertainty about the future size of the Chinese population, with the United Nations’ predictions for the population in 2050 ranging from 1.24 billion to 1.62 billion, depending principally on future fertility rates.

There are over 800 million workers in China. The most rapid growth has been in the tertiary (services) sector where employment increased between 1978 and 2007 from 50 million to 300 million. By contrast, employment in the secondary (manufacturing) sector rose from 65 million to 200 million over the same
period, while employment in agriculture remained broadly unchanged at 300 million. China’s rapid transition from an agricultural to an industrial society has, therefore, already been followed by a shift to a more service-oriented economy.

Moving up the value chain

There has been a rapid improvement in educational attainment levels in China since the introduction of economic reforms in 1978. Between that date and 2007, the number of post-graduate students in China rose from approximately 10,000 to more than one million while the number of Chinese students studying abroad increased from under 1,000 to more than 140,000 over the same period.

The importance China attaches to developing its economy beyond low-cost manufacturing is illustrated by the country’s focus on science and technology research and development. Between 2003 and 2007 spending on science and technology research and development is estimated to have grown from 1.54 trillion Renminbi (approximately US$220 billion) to 3.71 trillion Renminbi (approximately US$530 billion).

If, as many commentators expect, the centre of gravity of global sectors, such as pharmaceuticals, shifts from Europe and North America to Asia, China is well placed to benefit. China may also benefit from any extension of global outsourcing from manufacturing to research and development, clinical trials and analytical services.

Investment opportunities

China’s emergence as a global economic power and the investment opportunity represented by the country’s economic development is supported by a number of potential long-term structural growth drivers.

Infrastructure spending

In 1978 China’s urban population was approximately 170 million, representing 18% of the population, with the rural population approximately 790 million. By 2007 the balance between urban and rural China had shifted, with approximately 590 million city dwellers and nearly 725 million in the countryside. The United Nations has estimated that the urban population in China will exceed the rural population by 2020.

The Directors, as advised by the Investment Manager, believe that the migration to cities is likely to have significant investment implications in a variety of areas, including resource demand, agriculture and infrastructure development such as water facilities, housing, road-building, airports and railways. Between 1997 and 2007, China built approximately 12,000 kilometres of railway and added approximately 236,000 kilometres of highway.
Consumption

Retail spending has grown rapidly in China in recent years as the country’s GDP per capita has increased.

A milestone in Chinese consumption was passed in 2009 when China was the world’s biggest market for new vehicle sales. Overall ownership of passenger vehicles remains low in comparison with developed markets; in the US in 2007, for example, there were more than 250 million registered motor vehicles.

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>4.2</td>
<td>5.3</td>
<td>6.3</td>
<td>7.7</td>
<td>9.7</td>
<td>12.2</td>
<td>14.8</td>
<td>18.5</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics of China

The ownership of many other household goods in China’s urban population has grown in recent years, as the following table illustrates. The Directors, as advised by the Investment Manager, believe that the high ownership levels of items such as washing machines and mobile telephones suggests that China may have already begun to move towards Western levels of consumption. In other areas, the ownership of...
cars for example, there is still a long way to go. The picture is not simple and successful investment is likely to focus as much on the purchase of services as of manufactured goods.

<table>
<thead>
<tr>
<th>Ownership per 100 urban households</th>
<th>1990</th>
<th>2000</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motorcycle</td>
<td>2</td>
<td>19</td>
<td>25</td>
</tr>
<tr>
<td>Washing Machine</td>
<td>78</td>
<td>91</td>
<td>97</td>
</tr>
<tr>
<td>Colour TV</td>
<td>59</td>
<td>117</td>
<td>138</td>
</tr>
<tr>
<td>Computer</td>
<td>—</td>
<td>10</td>
<td>54</td>
</tr>
<tr>
<td>Mobile Telephone</td>
<td>—</td>
<td>20</td>
<td>165</td>
</tr>
<tr>
<td>Car</td>
<td>—</td>
<td>0.5</td>
<td>6</td>
</tr>
</tbody>
</table>

**Exports**

China has become one of the leading global exporters, overtaking Germany in the export of manufactured goods during 2008.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>183.7</td>
<td>194.9</td>
<td>249.2</td>
<td>266.1</td>
<td>325.6</td>
<td>438.2</td>
<td>593.3</td>
<td>762.0</td>
<td>968.9</td>
<td>1,217.8</td>
</tr>
</tbody>
</table>

*Source: National Bureau of Statistics of China*

**Stock market growth**

Despite China’s increasing contribution to the global economy, the size of its stock markets remains relatively small. Although China is the largest emerging stock market by capitalisation, it accounts for just 2% of global stock market capitalisation (and still less than 3% if Hong Kong is included). As companies seek stock market listings, China’s equity markets may become more representative of its economic importance, although it is by no means certain that the relationship between the size of the economy and the stock market will mirror those of other countries.

The first of the two charts below illustrates the size of China’s stock markets relative to its contribution to global GDP in 2008. The second chart reinforces the differential between China’s contribution to global GDP growth and the size of its stock market in the same year.
THE CHINESE AND HONG KONG SECURITIES MARKETS

Chinese Stock Exchanges

The Chinese Stock Exchanges (which currently comprise the two stock exchanges in the PRC, the Shanghai Stock Exchange and Shenzhen Stock Exchange) are supervised by the CSRC and are highly automated with trading and settlement executed electronically. The Chinese Stock Exchanges are substantially smaller, less liquid and developed, and more volatile than the major securities markets in the United States, United Kingdom and in other western countries.

The Chinese Stock Exchanges divide listed shares into two classes: China A Shares and China B Shares for different currency denomination. Companies whose shares are traded on the Chinese Stock Exchanges that are incorporated in the PRC may issue both China A Shares and China B Shares. China A Shares and China B Shares may both be listed on either of the Chinese Stock Exchanges. Both classes of shares...
represent an ownership interest comparable to a share of common stock and all shares are entitled to substantially the same rights and benefits associated with ownership.

**Hong Kong Stock Exchange**

There is one stock exchange in Hong Kong, the Hong Kong Stock Exchange.

Currently, there are two stock boards of the Hong Kong Stock Exchange, the Main Board and the Growth Enterprise Market Board, the latter of which was set up to attract higher-risk growth companies.

Other than certain specified forms of short selling, short selling of securities at or through the Hong Kong Stock Exchange is currently proscribed except in respect of a limited group of securities designated by the Hong Kong Stock Exchange as eligible for short selling.

**China H Shares**

China H Shares are shares of PRC companies incorporated in the PRC which are listed on the Hong Kong Stock Exchange. These companies must meet the Hong Kong Stock Exchange's listing and disclosure requirements and obtain approvals from CSRC in order to be listed. China H Shares are available to non-Chinese investors and are traded in Hong Kong Dollars on the Hong Kong Stock Exchange.

**China A Shares**

China A Shares are traded on the Chinese Stock Exchanges in Renminbi.

Foreign investors had historically been unable to participate in the China A Share market. However, following China's introduction of the QFII program in 2002, a legal framework has been provided for licensed QFIIs to invest in China A Shares on the Chinese Stock Exchanges and certain other securities previously not eligible for investment by foreign investors. This is administered through quotas granted by the SAFE to those QFIIs which have been approved by the CSRC.

**China B Shares**

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

**Red Chips**

Red Chip is the term used to describe companies incorporated outside China but which are based in mainland China. Red Chips are listed on, and are required to observe the filing and reporting requirements of, the Hong Kong Stock Exchange. Red Chips typically have a significant portion of their business interests located in mainland China and many are owned, either directly or indirectly, by organisations or enterprises controlled by the Chinese state, provinces or municipalities.
PART III: THE OFFER FOR SUBSCRIPTION AND PLACING

Overview

The Company is targeting to raise up to £650,000,000 through the Offer for Subscription and Placing. The Company intends to use the net proceeds of approximately £643,000,000 from the Offer for Subscription and Placing to make investments in accordance with the Investment Policy.

The Offer Price for the Shares is 100p per Share. The total number of Shares issued under the Offer for Subscription and Placing will be determined by the Company, Cenkos Securities and the Investment Manager after taking into account the demand for the Shares and the prevailing economic conditions. This could be less than the target stated above.

If fully subscribed, the Offer for Subscription and Placing will increase the net assets of the Company by approximately £643,000,000. The fees and expenses of the Offer for Subscription and Placing will reduce the earnings, or increase the losses, of the Company and such fees and expenses will be written off in the first year of incorporation. The only impact of the Offer for Subscription and Placing on the Company's earnings will be the expenses of the Offer for Subscription and Placing. It is anticipated that the Company will incur no liabilities following the Offer for Subscription and Placing, other than those incurred in its ordinary course of business or otherwise disclosed in this Prospectus.

The Offer for Subscription and Placing are conditional on, inter alia, (i) Admission of the Shares issued under Offer for Subscription and Placing having become effective at or before 8.00 a.m. on 19 April 2010 or such later time and/or date as the Company, Cenkos Securities and the Investment Manager may agree (being not later than 8.00 a.m. on 30 April 2010); and (ii) the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms prior to Admission of the Shares issued under the Offer for Subscription and Placing.

Certain restrictions that apply to the distribution of this document and the Shares being issued under the Offer for Subscription and Placing in certain jurisdictions are described in the section headed “Important Information” on pages 19 to 24 (inclusive) of this document.

Offer for Subscription

The Offer for Subscription is being made only in the United Kingdom (but, subject to applicable law, the Company may allot and issue Shares on a private placement basis to applicants in the United Kingdom and other jurisdictions). The Offer for Subscription commences as at the date of this Prospectus, and Application Forms under the Offer for Subscription must be received by midnight on 5 April 2010. Individual investors may apply for Shares though their existing financial advisers or ISA plan managers.

Applications under the Offer for Subscription must be for a minimum of £2,500. Applications in excess of the minimum subscription amount should be in multiples of £1. All application monies must be received in Sterling. The Directors may, in their absolute discretion after taking into account the demand for Shares under the Offer for Subscription and Placing and economic and market conditions, waive the minimum initial application requirement in respect of any particular application under the Offer for Subscription. Multiple subscriptions under the Offer for Subscription by individual investors will not be accepted.

Application Forms, accompanied by a cheque or banker's draft payable to “Capita Registrars Limited re FCSS Offer for Subscription” and crossed “A/C payee” for the appropriate sum, should be returned to the Receiving Agent by midnight on 5 April 2010. Payments must be made by cheque or banker's draft in Sterling, drawn on a branch in the United Kingdom with cleared funds. Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner. Cheques must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder on the back of the cheque/draft by endorsing the cheque/draft to such effect. Any cheques or banker's drafts may be cashed on receipt. The Directors may, with the prior approval of the Investment Manager and Cenkos Securities, alter such date and thereby shorten or lengthen the offer period, to a date no earlier than 15 March 2010 and no later than 30 April 2010. The Company will notify investors of any such change through the publication of a notice through a Regulatory Information Service.

To the extent that the amount of any cheque accompanying an Application Form exceeds the aggregate value of the Shares allocated to such application, the balance will be returned by cheque to the applicant concerned without any interest.
The terms and conditions of the Offer for Subscription are set out in Part VI (Terms and Conditions of the Offer for Subscription) of this document. These terms and conditions should be read carefully before an application is made. Potential investors should consult an independent financial adviser if they are in doubt about the contents of this Prospectus or the action they should take.

**Placing**

The Company, the Investment Manager and Cenkos Securities have entered into a Placing Agreement pursuant to which Cenkos Securities has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the Shares made available under the Placing.

The Offer for Subscription and Placing will lapse if the Placing Agreement is terminated in accordance with its terms prior to Admission, in which case any amounts received in respect of the Offer for Subscription or Placing will be returned to the applicants without interest.

Commitments under the Placing must be for a minimum subscription amount of £50,000. The Directors may, in their absolute discretion and after taking into account the demand for Shares under the Offer for Subscription and Placing and economic and market conditions, waive the minimum initial application requirement in respect of any particular application under the Placing.

The Placing commences as at the date of this Prospectus and commitments under the Placing must be received by Cenkos Securities (acting on behalf of the Company) no later than noon on 7 April 2010. The Directors may, with the prior approval of the Investment Manager and Cenkos Securities, alter the closing date of the Placing and thereby shorten or lengthen the placing period, to a date no earlier than 15 March 2010 and no later than 30 April 2010. The Company will notify investors of any such change through the publication of a notice through a Regulatory Information Service.

Payment for Shares issued under the Placing should be made through Cenkos Securities in accordance with settlement instructions to be notified to Placees by Cenkos Securities. To the extent that any application is rejected in whole or in part, monies received will be returned without interest at the risk of the applicant.

Further details of the Placing Agreement are set out in Part V (General Information) of this document.

**Allocations of Shares**

If valid applications under the Offer for Subscription and valid commitments under the Placing are oversubscribed, such applications and commitments will be scaled back at the discretion of the Board (after consultation with the Investment Manager and Cenkos Securities) subject to:

- a minimum of £400,000,000 being available to meet valid applications under the Offer for Subscription (or such lower amount in respect of which valid applications have been received); and
- a minimum of £231,315,000 being available to Placees under the Placing (or such lower amount in respect of which valid commitments have been received).

FIL, Anthony Bolton, BRJ Bateman (Vice Chairman of FIL) and one or more members of his family, and the Directors and certain members of their families have confirmed to the Company that they intend to subscribe for 15 million, 2.5 million, 1 million and 185,000 Shares respectively. Such subscriptions will not be subject to any scale back.

It is expected that the basis for allocation under the Offer for Subscription and Placing will be announced via a Regulatory Information Service on or around 9 April 2010.

**Dealings**

Application will be made for the Shares to be admitted to the main market for listed securities of the London Stock Exchange, and it is expected that Admission in respect of the Offer for Subscription and Placing will become effective and that unconditional dealings in the Shares will commence on 19 April 2010. The date for settlement of such dealings is expected to be 19 April 2010.

It is expected that CREST accounts will be credited with Shares on 19 April 2010 in respect of the Offer for Subscription and Placing. Definitive share certificates for the Shares will be despatched during the week commencing 19 April 2010 or as soon as practicable thereafter. No temporary documents of title will be
issued. Pending the despatch by post of definitive share certificates where applicable, transfers will be certified against the register held by the Registrar.

When admitted to trading, the Shares will be registered with ISIN number GB00B62Z3C74 and SEDOL number B62Z3C7.

Costs and expenses of the Offer for Subscription and Placing

The costs and expenses of the Offer for Subscription and Placing (including all fees, commissions and expenses payable to Cenkos Securities but excluding certain marketing and promotional expenses which will be paid by FIL) will be paid by the Company. Such costs and expenses are not expected to exceed £7,000,000, equivalent to approximately 1.1% of the gross proceeds of the Offer for Subscription and Placing, assuming the maximum gross proceeds of £650,000,000 is achieved and certain other matters.

Trail commission

The Investment Manager is entitled to a management fee from which discretionary trail commission may be paid to certain intermediaries under the Offer for Subscription and Placing.

Money laundering

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the United Kingdom, the Company and its agents, Cenkos Securities or Capita Registrars, may require evidence of the identity of each investor in connection with any application for Shares, including further identification of the applicant(s), before any Shares are issued.

Distribution and transfer restrictions

No action has been or will be taken in any jurisdiction that would permit a public offering of the Shares outside the United Kingdom, or the possession, circulation or distribution of this document or any other material relating to the Company or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Offer for Subscription and Placing may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.
PART IV: TAXATION

The following is a summary of certain tax matters that should be considered by potential investors. Potential investors are advised, however, to consult their own professional tax advisers about the tax consequences to them of the acquisition, ownership and disposal of Shares.

The statements are based upon current tax law in the relevant jurisdiction and what is understood to be the current practice of the relevant taxation authority, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their Shares by virtue of an office or employment, who may be subject to special rules. The statements in relation to the UK taxation consequences for Shareholders apply only to Shareholders resident and ordinarily resident for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Shares.

A. The Company

China

The Company has been advised as follows with respect to PRC taxation. The following narrative summarises certain Chinese taxation issues relating to the Company and to investments in the Company. This narrative does not purport to describe all of the Chinese tax consequences applicable to the Company or its investors. The actual tax consequences of the purchase, ownership and disposition of an interest in the Company will vary depending upon an investor’s particular circumstances. Potential investors should consult their own tax advisers on the actual PRC implications of their contemplated investment in the Company.

This summary has been prepared based on Chinese tax laws and practices in force as of the Latest Practicable Date and is subject to change after such date.

Corporate Income Tax ("CIT") — resident and non-resident

Under the CIT Law and the CIT Regulations, companies which were incorporated in the PRC and companies which were incorporated outside the PRC but are deemed to have a place of effective management in the PRC (collectively, “Resident Enterprises”) are subject to Chinese CIT at the general rate of 25% on a worldwide basis; and companies incorporated outside the PRC and not deemed to have a place of effective management in the PRC (“Non-resident Enterprises”) would be subject to Chinese CIT only with respect to their income attributable to their respective business establishment (the “BE”) through which they carried on business activities in the PRC or the passive income such as capital gains, dividends, interest and royalties they receive from companies or individuals in the PRC, and such passive income is not effectively connected with the BE in question.

A “place of effective management” refers to the place where the material and overall management and control over the business, personnel, accounts and assets of the enterprise are exercised. Although it is intended that the Company’s investment in China will be managed in a way so that the Company will not be deemed to have a place of effective management in China, there is no assurance that this objective will be achieved. It is possible that the PRC tax authorities may take an aggressive position that the Company is deemed to have such a place of effective management, and as a result the Company would be taxed in China as a Resident Enterprise.

CIT — permanent establishment exposure

Under the CIT Law, if the Company carried on business activities through a BE within China, the Company would be subject to Chinese CIT with respect to income attributable to the BE. BE is a concept similar to the concept of permanent establishment (the “PE”) under China’s bilateral tax treaties with other countries, including the UK, but the threshold for constituting a BE is much lower than that for PE. Since the Company does not intend to directly carry on any investment activities in China (other than investing in Chinese companies from overseas or through a QFII), the Company would most likely not be deemed to have a PE in China merely because it invests in China from overseas or through a QFII. However, there is no assurance that the PRC tax authorities will not take the position that the Company
CIT — withholding tax on the Company's investment income

In the absence of a BE or PE, the Company would only be subject to a 10% PRC withholding tax on dividends and capital gains realised from its investment in, and disposition of, the shares of Chinese companies.

After the implementation of the CIT Law on 1 January 2008, the PRC State Administration of Taxation issued a tax circular (Guo Shui Han (2009) No. 47) specifying tax treatment of dividends received by QFIs. Under the tax circular, QFIs are subject to the PRC income withholding tax at the rate of 10% on dividends from investing in PRC listed securities. However, as of the Latest Practicable Date, China has not yet issued any tax rules specifying tax treatment of capital gains derived by QFIs from investing in PRC listed securities. In the absence of such specific tax rules, the tax treatment of capital gains realised by QFIs from the disposition of China A Shares is governed by the general provisions of the CIT Law.

Under the general provisions of the CIT Law, QFIs are subject to PRC income withholding tax at the rate of 10% on capital gains from investing in PRC listed securities, since they are not generally considered to be a PRC resident enterprise by reason of having a place of effective management in the PRC, or otherwise as having a PE in the PRC. However, QFIs may be exempted from, or granted a reduction in, such withholding tax under the tax treaty between China and the home country of the financial institution which set up the QFI.

PRC Business Tax (“BT”)

Under PRC Business Tax Regulations, no BT is payable in respect of dividend income or profit distributions received by foreign and PRC domestic investors, including the Company. In addition, Cai Shui (2002) No. 191, specifically exempts the transfer of unlisted equity interest of a Chinese company from BT. However, BT would be likely applied at the rate of 5% of any gross amount of PRC-sourced interest income, if any, derived by the Company.

United Kingdom

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies and continues to satisfy the conditions necessary for it to be approved by HM Revenue & Customers (“HMRC”) as an investment trust for tax purposes. However, neither the Investment Manager nor the Directors can guarantee that this approval will be obtained and maintained. One of the conditions that must be met is that the Company is not a close company. The Directors consider that the Company should not be a close company immediately following the issue of the Shares pursuant to the Offer for Subscription and Placing. In respect of each accounting period for which the Company continues to be approved by HMRC as an investment trust, the Company will be exempt from UK taxation on its capital gains. The Company will be liable to UK corporation tax on its income in the normal way but dividend income will in most cases be exempt from UK corporation tax.

B. UK Shareholders

Taxation of capital gains

Individual Shareholders who are resident or ordinarily resident in the UK for tax purposes will generally be subject to capital gains tax at the flat rate of 18% in respect of any gain arising on a disposal or deemed disposal of their Shares. No indexation allowance will be available to individual Shareholders. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £10,100 for the tax year 2009-2010.

Shareholders who are individuals and who are temporarily resident outside the UK for tax purposes may, under anti-avoidance legislation, also be liable to UK tax on any capital gain realised whilst temporarily non-resident (subject to any available exemption or relief).

Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to corporation tax on chargeable gains arising on a disposal of their Shares. The indexation allowance
may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

Taxation of dividends

There is no UK withholding tax on dividends.

A Shareholder who is an individual resident (for tax purposes) in the UK and who receives a dividend from the Company will be entitled to a tax credit equal to one-ninth of the dividend received. The dividend received plus the related tax credit (the “gross dividend”) will be part of the Shareholder’s total income for UK income tax purposes and will be regarded as the top slice of that income. However, in calculating the Shareholder’s liability to income tax in respect of the gross dividend, the tax credit (which equates to 10% of the gross dividend) is set off against the tax chargeable on the gross dividend.

In the case of a Shareholder who is liable to income tax at the basic rate, the Shareholder will be subject to tax on the gross dividend at the rate of 10%. The tax credit will, in consequence, satisfy in full the Shareholder’s liability to income tax on the gross dividend.

In the case of a Shareholder who is liable to income tax at the higher rate, the Shareholder will be subject to tax on the gross dividend at the rate of 32.5%, to the extent that the gross dividend falls above the threshold for the higher rate of income tax when it is treated (as mentioned above) as the top slice of the Shareholder’s income. The tax credit will, in consequence, satisfy only part of the Shareholder’s liability to income tax on the gross dividend, and the Shareholder will have to account for income tax equal to 22.5% of the gross dividend (which equates to 25% of the dividend received). For example, if the Shareholder received a dividend of £80 from the Company, the dividend received would carry a tax credit of £8.89 and therefore represent a gross dividend of £88.89. The Shareholder would then be required to account for income tax of £28.89 on the gross dividend, being £28.89 (i.e. 32.5% of £88.89) less £8.89 (i.e. the amount of the tax credit).

Shareholders should note that the Finance Act 2009 includes legislation which provides for a new rate of income tax (the “additional rate”) to apply, with effect from 6 April 2010, to taxable income above £150,000 and for dividends otherwise liable to tax at the additional rate to be taxable at the rate of 42.5%. Consequently, in the case of a Shareholder who receives a dividend from the Company after these provisions of the Finance Act 2009 have come into force and who is liable to income tax at the additional rate, the Shareholder will be subject to tax on the gross dividend at the new rate of 42.5%, to the extent that the gross dividend falls above the threshold for the additional rate of income tax when it is treated (as mentioned above) as the top slice of the Shareholder’s income. After setting off the tax credit comprised in the gross dividend, the Shareholder will, accordingly, have to account for income tax equal to 32.5% of the gross dividend (which equates to approximately 36.1% of the dividend received). For example, if the Shareholder received a dividend of £80 from the Company, the dividend would carry a tax credit of £8.89 and the Shareholder would be required to account for income tax of £28.89 on the dividend, being £37.78 (i.e. 42.5% of £88.89) less £8.89 (i.e. the amount of the tax credit).

Subject to special rules for small companies, UK resident Shareholders within the charge to UK corporation tax will be subject to UK corporation tax on dividends paid by the Company, unless the dividends fall within an exempt class and certain conditions are met. It is expected that the dividends paid by the Company will generally be exempt from UK corporation tax.

A Shareholder who is not liable to tax on dividends received from the Company will not be entitled to claim payment of the tax credit in respect of those dividends.

The right of a Shareholder who is not resident (for tax purposes) in the UK to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit will depend on the existence and terms of any double taxation convention between the UK and the country in which the holder is resident. Shareholders who are not solely resident in the UK should consult their own tax adviser concerning their tax liabilities on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax (“SDRT”) will generally arise on the issue of the Shares.

Transfers on the sale of Shares will generally be subject to UK ad valorem stamp duty at the rate of 0.5% of the consideration given for the transfer (rounded up to the nearest multiple of £5.00). Transactions not
exceeding £1,000 in value will be exempt from UK ad valorem stamp duty. The purchaser normally pays the stamp duty.

An agreement to transfer Shares will normally give rise to a charge to SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge will be cancelled. SDRT will be, in general, payable by the purchaser of the Shares.

Subject to the paragraph below, where Shares are issued or transferred (i) to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services (a “clearance service”) or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts (a “depositary receipt system”), stamp duty or SDRT will generally be payable at the rate of 1.5% of the consideration paid (rounded up to the nearest multiple of £5.00 in the case of stamp duty). The stamp duty or SDRT will generally be paid by the clearance service or the depositary receipt system, as the case may be, but will, in practice, generally be reimbursed by the relevant participant in the clearance service or the depositary receipt system. A clearance service can elect under section 97A of the Finance Act 1986, provided certain conditions are satisfied, for the normal rate of stamp duty or SDRT to apply to issues or transfers of shares into, and transactions within, such clearance service instead of the higher rate of 1.5% generally applying to an issue or transfer of shares into the clearance service and the ability to transfer shares while in the clearance service without there being stamp duty or SDRT.

Following a recent decision of the European Court of Justice, HMRC has announced that it will not seek to apply the 1.5% SDRT charge where new shares are first issued into an EU clearance service or an EU depositary receipt system. In the light of that announcement it would seem that, in the view of HMRC, the 1.5% SDRT charge will continue to apply to (i) the transfer of existing Shares to clearance services or depositary receipt systems, in each case whether or not in the EU and (ii) the issue of new Shares to non-EU clearance services or non-EU depositary receipt systems. However, a charge to SDRT at 1.5% on the issue of new Shares to a non-EU clearance service or a non-EU depositary receipt system is arguably not consistent with the aforementioned decision of the European Court of Justice.

Paperless transfers of Shares within the CREST system will be liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

**ISAs**

Shares issued pursuant to the Offer for Subscription will be qualifying investments for a stocks and shares ISA, subject to applicable annual subscription limits (£7,200 for the 2009-2010 tax year (except for those aged 50 or over, for whom it is £10,200 from 6 October 2009) and £10,200 generally for the 2010-2011 tax year). Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Shares through an ISA is restricted to certain UK resident individuals aged 18 or over. A disposal of Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in the relevant tax year. Individuals wishing to invest in Shares through an ISA should contact their professional advisers regarding their eligibility.

**Self-Invested Personal Pensions (SIPPs)**

The Shares may constitute permitted investments for SIPPs. Potential investors wishing to include Shares in SIPPs should seek independent confirmation of their eligibility from their professional tax or financial advisers after taking into account the rules of their schemes.
1. Responsibility

The Company, whose registered office appears at paragraph 2.1.6 of this Part V, and the Directors, whose names and functions appear on pages 32 and 33 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. The Company

2.1 Incorporation

2.1.1 The Company was incorporated in England and Wales with registered number 07133583 on 22 January 2010 as a private limited company under the 2006 Act. The Company was re-registered as a public limited company under the 2006 Act on 24 February 2010.

2.1.2 The Company has no subsidiaries.

2.1.3 As an investment trust, the Company will not be regulated as a collective investment scheme by the Financial Services Authority. However, as a company listed on the Official List, it is subject to the Listing Rules and the Disclosure and Transparency Rules.

2.1.4 Application has been made to the UK Listing Authority for the entire issued ordinary share capital of the Company to be admitted to the Official List and application will be made to the London Stock Exchange for Admission to trading of those Shares on its main market for listed securities. It is expected that such Admissions will become effective and that dealings in the Shares will commence on 19 April 2010.

2.1.5 The principal legislation under which the Company operates is the 2006 Act and regulations promulgated thereunder. The Company is domiciled in England and Wales.

2.1.6 The registered office of the Company is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP, with telephone number 01732 361144.

2.1.7 The Company has given notice to the Registrar of Companies pursuant to section 833 of the 2006 Act of its intention to carry on business as an investment company.

2.1.8 FIL Limited currently holds 100 Shares of nominal value 1p and 50,000 fixed rate cumulative redeemable preference shares of nominal value of 100p each in the Company (“Redeemable Shares”). At Admission, the Company will redeem the Redeemable Shares in the Company held by FIL Limited.

2.2 Principal activities of the Company

The principal object of the Company is to carry on business as an investment trust company.

3. Share capital

3.1 On incorporation, the share capital of the Company was £1 represented by 1 ordinary share of nominal value of £1, which was taken by the subscriber to the Company.

3.2 On 19 February 2010, the Company approved a re-organisation of its share capital. The ordinary share of nominal value £1 was sub-divided into 100 ordinary shares of nominal value 1p each.

3.3 To enable the Company to re-register as a public limited company under section 90 of the 2006 Act, on 19 February 2010, 50,000 Redeemable Shares were allotted to the Investment Manager for 100p in cash for each such Redeemable Share. Such Redeemable Shares will, on Admission, be redeemed in full out of the proceeds of the Offer for Subscription and Placing.
3.4 Set out below is the issued share capital of the Company as at the Latest Practicable Date:

<table>
<thead>
<tr>
<th>Shares</th>
<th>No. of Shares</th>
<th>£ nominal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>100</td>
<td>0.01</td>
</tr>
<tr>
<td>Redeemable Shares</td>
<td>50,000</td>
<td>1</td>
</tr>
</tbody>
</table>

The Shares and the Redeemable Shares are fully paid.

3.5 Set out below is the issued share capital of the Company as it will be following the Offer for Subscription and Placing (assuming that all of the Shares available under the Offer for Subscription and Placing are allotted and following the redemption of the Redeemable Shares):

<table>
<thead>
<tr>
<th>Shares</th>
<th>No. of Shares</th>
<th>£ nominal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>650,000,000</td>
<td>6,500,000</td>
</tr>
</tbody>
</table>

All Shares will be fully paid.

3.5 By ordinary and special resolutions passed on 19 February 2010:

(A) the Directors were generally and unconditionally authorised in accordance with section 551 of the 2006 Act to exercise all the powers of the Company to allot Shares up to an aggregate amount of £650,000,000 in connection with the Offer for Subscription and Placing, such authority to expire on 30 April 2010, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;

(B) the Directors were generally empowered (pursuant to section 571(1) of the 2006 Act) to allot Shares for cash pursuant to the authority referred to in paragraph 3.5(A) above as if section 561 of the 2006 Act did not apply to any such allotment, such power to expire on 30 April 2010, save that the Company may before such expiry make an offer or agreement which would or might require Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power had not expired;

(C) the Directors were generally and unconditionally authorised in accordance with section 551 of the 2006 Act to exercise all the powers of the Company to allot Shares up to an aggregate nominal amount of £650,000 or, if less, 10% of the aggregate nominal amount of the issued ordinary share capital of the Company immediately following the completion of the Offer for Subscription and Placing, such authority to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;

(D) the Directors were empowered (pursuant to section 571(1) of the 2006 Act) to allot Shares for cash pursuant to the authority referred to in paragraph 3.5(C) above as if section 561 of the 2006 Act did not apply to any such allotment or sale, such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such power, and the Directors may allot equity securities in pursuance of such an offer or an agreement as if such power had not expired;

(E) conditionally upon the issue of Shares by the Company pursuant to the Offer for Subscription and Placing and the payment up in full thereof, it was resolved that all of the amount standing to the credit of the share premium account of the Company immediately following the Offer for Subscription and Placing be cancelled;

(F) the Company was authorised in accordance with section 701 of the 2006 Act to make market purchases (within the meaning of section 693(4) of the 2006 Act) of Shares, provided that the maximum number of Shares authorised to be purchased is 14.99% of the issued Shares
following the conclusion of the Offer for Subscription and Placing. The minimum price which may be paid for a Share is 1p. The maximum price which may be paid for an ordinary share must not be more than the higher of (i) 5% above the average of the mid-market values of the Shares for the five Business Days before the purchase is made or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Shares. Such authority will expire on the earlier of the conclusion of the first annual general meeting of the Company and the date 18 months after the date on which the resolution was passed; and

(G) conditionally upon the issue of Shares by the Company pursuant to the Offer for Subscription and Placing, the Company was authorised to implement two tender offers of up to 15% of the Shares then in issue for each tender offer, provided that the second tender shall not take place more than 12 months after the first.

3.6 In accordance with the authority referred to in paragraph 3.5(A) above, it is expected that the Shares in respect of the Offer for Subscription and Placing will be allotted pursuant to a resolution of the Board to be passed on 7 April 2010, conditional upon Admission of the Shares taking place.

3.7 Following the Offer for Subscription and Placing, the issued share capital of the Company will be fully paid as to its nominal value.

3.8 The provisions of section 561 of the 2006 Act (which, to the extent not disapplied pursuant to section 571 of the 2006 Act, confer on Shareholders rights of pre-emption in respect of the allotment or sale of equity securities for cash) shall apply to any unissued share capital of the Company, except to the extent disapplied by the resolution referred to in paragraphs 3.5(B) and 3.5(D) above.

3.9 Save as disclosed in the section headed “Allocations of Shares” in Part III (The Offer for Subscription and Placing) or in this paragraph 3 or paragraph 9.2 below, since the date of its incorporation, (i) there has been no alteration in the share capital of the Company, (ii) no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued for cash or any other consideration and (iii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital and no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.

3.10 The Shares, expected to be issued on 19 April 2010, will be in registered form. Temporary documents of title will not be issued. The ISIN of the Shares is GB00B62Z3C74.

3.11 Applicants who have signed and returned Application Forms in respect of the Offer for Subscription may not withdraw their applications for Shares.

4. Articles of Association

A summary of the main provisions of the Articles is set out below. Capitalised terms used in this paragraph 4 which are not defined in Part VII (Definitions) of this document have the meanings they are given in the Articles. In addition to the provisions summarised below, the Articles also contain details of the rights attaching to the Redeemable Shares and include provision for the redemption of the Redeemable Shares at an amount equal to their nominal value plus arrears and accruals (if any) of any dividend which is expected to take place at Admission. The objects of the Company are unlimited.

4.1 Limited liability

The liability of members of the Company is limited to the amount, if any, unpaid on the Shares held by them.

4.2 Change of name

The Company may change its name by resolution of the Board.

4.3 Share capital

The Shares have such rights, preferences and restrictions attached to them as are set out in the Articles. Subject to any rights attached to existing Shares, any Share may be issued with or have attached to it such rights and restrictions as the Company decides by ordinary resolution or, if no such resolution has been
passed or so far as the resolution does not make specific provision, as the Board may decide. Such rights and restrictions will apply to the relevant Shares as if the same were set out in the Articles.

The Articles do not confer any additional rights for the holders of Shares to share in any surplus in the event of liquidation of the Company, other than rights provided by legislation.

The Company shall have a first and paramount lien on Shares not fully paid for all amounts payable to the Company and the Board may waive any lien that has arisen or declare any Share to be wholly or partially exempt. Subject to the terms of issue, the Board may from time to time make calls upon the members in respect of any moneys unpaid on their Shares and the Articles provide for forfeiture for non-compliance.

The rights conferred upon the holders of any Shares shall not, unless otherwise expressly provided in the rights attaching to those Shares, be deemed to be varied by the creation or issue of further Shares ranking pari passu with them.

4.4 Allotment of Shares

(i) Subject to the provisions of the 2006 Act, the Articles and to any relevant authority of the Company in a general meeting required by the 2006 Act, the Board, may offer, allot, grant options over or otherwise deal with or dispose of Shares to such persons, at such times and for such consideration and upon such terms as the Board may decide.

(ii) Subject to the provisions of the 2006 Act and to any rights attached to existing Shares, any Share may be issued which is to be redeemed, or is liable to be redeemed at the option of the Company or the holder. The Board may determine the terms, conditions and manner of redemption of any redeemable Share so issued. Such terms and conditions shall apply to the relevant Shares as if the same were set out in the Articles.

4.5 Voting rights

(i) Subject to any special terms as to voting upon which any Shares may be issued or may at the relevant time be held and to any other provisions of the Articles, each Shareholder shall be entitled to vote at a general meeting whether on a show of hands or on a poll as provided in the 2006 Act. For this purpose, where a proxy is given discretion as to how to vote on a show of hands, this shall be treated as an instruction by the relevant member to vote in the way that the proxy elects to exercise that discretion.

(ii) No member shall, unless the Board otherwise decides, be entitled in respect of any Share held by him to attend or vote (either personally or by proxy) at any general meeting of the Company or upon a poll or to exercise any other right conferred by membership in relation to general meetings unless all calls or other sums presently payable by him in respect of that Share have been paid.

4.6 Dividends

The Company may, subject to the provisions of the 2006 Act and the Articles, by ordinary resolution from time to time declare dividends to be paid to members not exceeding the amount recommended by the Board. Subject to the provisions of the 2006 Act, except in the case of the Redeemable Shares, in so far as, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends on any class of Shares (and may by ordinary resolution direct that it shall be satisfied wholly or partly by the distribution of assets). The Company may cease to send payment for any dividend payable if in respect of two consecutive dividends payable the dividend has not been cashed or payment has been returned (or where the same occurs after one dividend is payable and reasonable enquiries have failed to establish any new postal address), unless the holder or person entitled by transmission requests recommencement. Any dividend, which remains unclaimed after a period of 12 years from the date such dividend was declared or became payable shall, if the Board resolves, be forfeited and revert to the Company.

The Board may, if authorised by an ordinary resolution (and subject to the relevant provisions of the Articles), offer any holders of Shares (excluding any member holding Shares as treasury shares) the right to elect to receive fully paid Shares instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.
4.7 Sub-division and fractions

Any resolution authorising the Company to sub-divide its Shares or any of them may determine that, as between the Shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared with the others. Whenever as a result of a consolidation, consolidation and sub-division or sub-division of Shares any holders would become entitled to fractions of a Share, the Board may deal with the fractions as it thinks fit including by aggregating and selling them or by dealing with them in some other way. The person to whom any Shares are transferred or delivered shall not be bound to see to the application of the purchase money nor shall his title to the Shares be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

4.8 Transfer of Shares

(i) Each member may transfer all or any of his Shares by instrument of transfer, in the case of certificated Shares, in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and, in the case of partly paid Shares, by or on behalf of the transferee, and, in relation to uncertificated Shares, by means of a relevant system in such manner provided for, and subject as provided in the Uncertificated Securities Regulations.

(ii) The Board may refuse to register any transfer of any Share which is not a fully paid Share. The Board may also refuse to register any transfer of a certificated Share unless:

(a) it is in respect of only one class of Share;

(b) in the case of transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four;

(c) it is duly stamped (if so required) or duly certified or otherwise shown to the Board to be exempt from stamp duty; and

(d) it is delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied, except in the case of a transfer by a recognised person where a certificate has not been issued, by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.

(iii) The Board may also refuse to register a transfer of uncertificated Shares in such other circumstances as may be permitted or required by the Uncertificated Securities Regulations and the relevant system and where, in the case of transfer to joint holders, the number of joint holders to whom the uncertificated Shares are to be transferred exceeds four.

(iv) No fee shall be charged by the Company for registering any transfer, document or instruction relating to or affecting the title to any Share or for making any other entry in the register.

4.9 Compulsory transfer of Shares

(i) If it comes to the notice of the Directors that any Shares:

(a) are or may be owned or held directly or beneficially by any person whose ownership or holding of those Shares might in the sole and conclusive determination of the Directors cause the assets of the Company to be considered “plan assets” within the meaning of ERISA; or

(b) are or may be owned or held directly or beneficially by any person to whom a transfer of Shares or whose ownership or holding of any Shares might in the opinion of the Directors require registration of the Company as an investment company under the United States Investment Company Act of 1940,

the Directors may serve a notice (a “Transfer Notice”) upon the person appearing in the register as the holder (the “Vendor”) of the Shares (the “Relevant Shares”) requiring the Vendor within 21 days to transfer the Relevant Shares to another person who, in the sole and conclusive determination of the Directors, would not fall within (a) or (b) above and whose
ownership or holding of such shares would not result in the aggregate number of US Persons who are beneficial owners or holders of Shares or other securities of the Company being 75 or more (an “Eligible Transferee”). On and after the date of such Transfer Notice, and until registration of a transfer of the Relevant Shares to which it relates, the rights and privileges attaching to the Relevant Shares will be suspended and not capable of exercise.

(ii) If within 21 days after the giving of a Transfer Notice, the Transfer Notice has not been complied with to the satisfaction of the Directors, the Company may sell the Relevant Shares on behalf of the holder thereof by instructing a member of the London Stock Exchange to sell them in accordance with the best practice then obtaining to any Eligible Transferee(s).

(iii) A person who becomes aware that his holding, directly or beneficially, of Shares will, or is likely to, fall within either sub-paragraph (i)(a) or (b) above or, being a US Person and a beneficial owner or holder of shares, becomes aware that the aggregate number of US Persons who are beneficial owners or holders of Shares or other securities of the Company is more than 75, must immediately either transfer the Shares to an Eligible Transferee(s) or give a request in writing to the Directors for the issue of a Transfer Notice.

(iv) The Directors may at any time call upon any holder of Shares by notice in writing to provide such information and evidence as they require upon any matter connected with or in relation to such holder of Shares. If such information and evidence is not so provided within a reasonable period (not being less than 21 days after service of the notice) as may be specified by the Directors, the Directors may, in their absolute discretion, treat any Share held by such a holder as being held in such a way as to entitle them to serve a Transfer Notice in respect thereof.

4.10 Variation of rights and alteration of capital

Subject to the provisions of the 2006 Act, all or any of the rights attached to any Share or class of Shares (whether or not the Company is being wound up) may be varied with the consent in writing of the holders of not less than 75% in nominal value of the issued Shares of that class (excluding any Shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those Shares. All provisions of the Articles relating to general meetings shall apply, but so that the quorum thereat shall be two persons entitled to vote and holding or representing by proxy at least one third in nominal value of the issued Shares of the class in question. Any holder of Shares entitled to vote at such a meeting may demand a poll.

4.11 Suspension of rights where non-disclosure of interest

Where the holder of any Shares, or any other person appearing to be interested in those Shares, fails to comply within 14 days of receipt of any statutory notice in respect of those Shares or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, the Company may give the holder of those Shares a further notice (a “restriction notice”) to the effect that from the service of the restriction notice those Shares will be subject to some or all of the relevant restrictions. To enforce this provision, the Board may give notice to the relevant member requiring the member to change the relevant Shares held in uncertificated form to certificated form. If after the service of a restriction notice the Board is satisfied that all information required has been supplied, the Company shall, within seven days, cancel the restriction notice. The Company shall cancel a restriction notice within seven days after receipt of a notice in writing that the relevant Shares have been transferred pursuant to an arm’s length sale. Where any restriction notice is cancelled or ceases to have effect in relation to any Shares, any moneys relating to those Shares which were withheld by reason of that notice shall be paid without interest to the person who would but for the restriction notice have been entitled to them or as he may direct. This article is in addition to, and will not in any way prejudice or affect, the statutory rights of the Company arising from any failure by any person to give any information required by a statutory notice within the time specified in it.

4.12 Directors

(i) Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be less than two, but there shall be no maximum number of Directors. The Company may elect Directors by ordinary resolution.
The Directors shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine, provided that the amount paid to each Director by way of fees shall not exceed £50,000 in any financial year, or such greater sum as may be determined from time to time by ordinary resolution of the Company. The Directors shall also be entitled to be repaid all reasonable travelling, hotel and other incidental expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings. If, by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine.

The Board or any committee authorised by the Board may exercise all the powers of the Company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any Director or former Director or for the relations or dependants of, or persons connected to, any Director or former Director provided that no benefits (except such as may be provided for by any other article) may be granted to or in respect of a Director or former Director who has not been employed by, or held an executive office or place of profit under, the Company or any body corporate which is or has been its subsidiary undertaking or any predecessor in business of the Company or any such body corporate without the approval of an ordinary resolution of the Company. No Director or former Director shall be accountable to the Company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company.

At every AGM, any Director who:

(a) has been appointed by the Board since the last AGM; or

(b) held office at the time of the two preceding AGMs and who did not retire at either of them; or

(c) has held office with the Company, other than employment of executive office, for a continuous period of nine years or more at the date of the meeting,

shall retire from the office and may offer himself for re-appointment by the members.

In addition to any power of removal conferred by the 2006 Act, the Company may by special resolution remove any Director before the expiration of his period of office and may (subject to the Articles) by ordinary resolution appoint another person who is willing to act to be a Director in his place.

No shareholding qualification for Directors shall be required.

The Board may, subject to the quorum and voting requirements set out in the Articles, authorise any matter which would otherwise involve a Director breaching his duty under the 2006 Act to avoid conflicts of interest (“Conflict”).

A Director seeking authorisation in respect of a Conflict shall declare to the Board the nature and extent of his interest in a Conflict as soon as is reasonably practicable. The Director shall provide the Board with such details of the relevant matter as are necessary for the Board to decide how to address the Conflict, together with such additional information as may be requested by the Board.

Any Director (including the relevant Director) may propose that the relevant Director be authorised in relation to any matter which is the subject of a Conflict. Such proposal and any authority given by the Board shall be effected in the same way that any other matter may be proposed to and resolved upon by the Board under the provisions of the Articles save that:

(a) the relevant Director and any other Director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority; and

(b) the relevant Director and any other Director with a similar interest may, if the other members of the Board so decide, be excluded from any Board meeting while the Conflict is under consideration.
Where the Board gives authority in relation to a Conflict:

(a) the Board may (whether at the time of giving the authority or subsequently) (i) require that the relevant Director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at meetings of the Board or otherwise) related to the Conflict and (ii) impose upon the relevant Director such other terms for the purpose of dealing with the Conflict as it may determine;

(b) the relevant Director will be obliged to conduct himself in accordance with any terms imposed by the Board in relation to the Conflict;

(c) the Board may provide that, where the relevant Director obtains (otherwise than through his position as a Director of the Company) information that is confidential to a third party, the Director will not be obliged to disclose that information to the Company, or to use or apply the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence;

(d) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and

(e) the Board may revoke or vary such authority at any time but this will not affect anything done by the relevant Director prior to such revocation in accordance with the terms of such authority.

If a Director is in any way directly or indirectly interested in a proposed contract with the Company or a contract that has been entered into by the Company, the Director must declare the nature and extent of that interest to the Directors in accordance with the 2006 Act.

Provided he has declared his interest in accordance with paragraph (xi) above, a Director may:

(a) be party to, or otherwise interested in, any contract with the Company or in which the Company has a direct or indirect interest;

(b) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director, for such period and upon such terms, including as to remuneration, as the Board may decide;

(c) act by himself or through a firm with which he is associated in a professional capacity for the Company or for any other company in which the Company may be interested (otherwise than as auditor);

(d) be or become a director or other officer of, or employed by or otherwise interested in any holding company or subsidiary company of the Company or any other company in which the Company may be interested; and

(e) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a Conflict at the time of his appointment as a director of that other company.

A Director shall not, by reason of his office or of the fiduciary relationship thereby established, be liable to account to the Company for any remuneration, profit or other benefit realised by reason of his having any type of interest authorised or permitted under the Articles and no contract shall be liable to be avoided on the grounds of a Director having any type of interest authorised or permitted under the Articles.

A Director shall not vote on or be counted in the quorum in relation to any resolution of the Board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, or as the holder of any office or place of profit with the Company or with any other company in which the Company is interested. A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board in respect of any contract or arrangement or proposal in which he has an interest and, if he shall do so, his vote shall not be counted, but this prohibition shall not apply to any resolution where that interest cannot reasonably be regarded as likely to give rise to a Conflict or where that interest arises only from one or more of certain permitted matters as set out in the Articles.
4.13 Borrowing powers

Subject as provided in the Articles, the Board may exercise all the powers of the Company to borrow money to guarantee, to indemnify, to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled capital of the Company, and, subject to the provisions of the 2006 Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so that (so far as it is able), without the previous sanction of an ordinary resolution of the Company, no new borrowings are incurred if, as a result, the aggregate principal amount outstanding of all net borrowings by the group (excluding certain borrowings owing by one member of the group to another member of the group) exceeds (or would as a result of such borrowing exceed) an amount equal to twice the adjusted capital and reserves.

The provisions summarised above may be varied with the sanction of special resolution of the Company.

4.14 General meetings

Quorum

Save as provided in the Articles no business shall be transacted unless two persons entitled to attend and to vote on the business to be transacted, each being a member or a proxy for a member are present. If, within five minutes (or such longer period not exceeding one hour as the chairman of the meeting thinks fit) from the time appointed for the holding of the meeting, a quorum is not present, or if a quorum ceases to be present during a meeting, the meeting shall stand adjourned to such other day (being not less than 10 clear days later) and at such other time or place as the chairman of the meeting may decide, unless the meeting was called on the requisition of members, in which case it shall be dissolved.

Method of voting

At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is demanded. A poll may be demanded by:

(i) the chairman of the meeting; or
(ii) at least five persons present and entitled to vote on the resolution; or
(iii) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all the members having the right to vote on the resolution; or
(iv) any member or members present in person or by proxy and holding Shares conferring a right to vote on the resolution on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

The chairman of the meeting can also demand a poll before a resolution is put to the vote on a show of hands.

Postponement

If the Board, in its absolute discretion, considers that it is impractical or undesirable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone or move the general meeting to another date, time and/or place. The Board shall take reasonable steps to ensure that notice of the date, time and place of the rearranged meeting is given to any member trying to attend the meeting at the original time and place. Notice of the date, time and place of the rearranged meeting shall, if practicable, also be placed in at least two national newspapers in the United Kingdom. Notice of the business to be transacted at such rearranged meeting shall not be required.
4.15 Capitalisation of reserves

The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount standing to the credit of any reserve or fund (including retained earnings) at the relevant time, whether or not the same is available for distribution and accordingly that the amount to be capitalised be set free for distribution among the members or any class of members who would be entitled to it if it were distributed by way of dividend and in the same proportions, on the footing that it is applied either in or towards paying up the amount unpaid at the relevant time on any Shares held by those members respectively or in paying up in full unissued Shares debentures or other obligations of the Company to be allotted and distributed credited as fully paid up among those members, or partly in one way and partly in the other, but so that, for the purposes of this article (i) a share premium account and a capital redemption reserve, and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued Shares of the Company, and (ii) where the amount capitalised is applied in paying up in full unissued Shares, the Company will also be entitled to participate in the relevant distribution in relation to any Shares of the relevant class held by it as treasury shares and the proportionate entitlement of the relevant class of member to the distribution will be calculated accordingly. The Board may authorise any person to enter into an agreement with the Company on behalf of the persons entitled to participate in the distribution, and the agreement shall be binding on those persons.

4.16 Distribution of realised capital profits

The Board shall establish a reserve to be called the “capital reserve” and shall either carry to the credit of such reserve, or apply in providing for depreciation or contingencies, all surpluses arising on the realisation of investments. Subject to the 2006 Act, the Board may determine whether any amount received by the Company is to be dealt with in the income account or capital reserve or partly one way and partly the other. Any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the 2006 Act, any expenses, loss or liability (or provision therefore) which the Board considers to relate to a capital reserve item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. Any reserve arising on the cancellation of share capital or share premium shall be credited to the capital reserve of the Company. All sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable, except and provided that, notwithstanding any other provision of the Articles, no part of the capital reserve or any other money in the nature of accretion to capital reserves shall be available for distribution as dividend.

4.17 Accounting standards

The financial statements of the company shall be prepared and audited based on the International Financial Reporting Standards.

4.18 Summary financial statements

The Company may send or supply summary financial statements to members instead of copies of its full accounts and reports.

4.19 Uncertificated Shares

(i) Pursuant and subject to the Uncertificated Securities Regulations, the Board may permit title to Shares of any class to be evidenced otherwise than by a certificate and title to Shares of such a class to be transferred by means of a relevant system and may make arrangements for a class of Shares (if all Shares of that class are in all respects identical) to become a participating class. Title to Shares of a particular class may only be evidenced otherwise than by a certificate where that class of Shares is at the relevant time a participating class. The Board may also, subject to compliance with the Uncertificated Securities Regulations, determine at any time that title to any class of Shares may from a date specified by the Board no longer be evidenced otherwise than by a certificate or that title to such a class shall cease to be transferred by means of any particular relevant system.
(ii) In relation to a class of Shares which is a participating class and for so long as it remains a participating class, no provision of these Articles shall apply or have effect to the extent that it is inconsistent in any respect with:

(a) the holding of Shares of that class in uncertificated form;
(b) the transfer of title to Shares of that class by means of a relevant system; and
(c) any provision of the Uncertificated Securities Regulations,

and, without prejudice to the generality of this Article, no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with the maintenance, keeping or entering up by the operator, so long as that is permitted or required by the Uncertificated Securities Regulations, of an operator register of securities in respect of that class of Shares in uncertificated form.

(iii) Shares of a class which is at the relevant time a participating class may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the Uncertificated Securities Regulations.

(iv) If, under the Articles or the 2006 Act, the Company is entitled to sell, transfer or otherwise dispose of, forfeit, re-allot, accept the surrender of or otherwise enforce a lien over an uncertificated Share, then, subject to the Articles and the 2006 Act, such entitlement shall include the right of the Board to:

(a) require the holder of that uncertificated Share by notice in writing to change that Share from uncertificated to certificated form within such period as may be specified in the notice and keep it as a certificated share for as long as the Board requires;
(b) appoint any person to take such other steps, by instruction given by means of a relevant system or otherwise, in the name of the holder of such Share as may be required to effect the transfer of such Share and such steps shall be as effective as if they had been taken by the registered holder of that Share; and
(c) take such other action that the Board considers appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of that share or otherwise to enforce a lien in respect of that Share.

(v) Unless the Board otherwise determines, Shares which a member holds in uncertificated form shall be treated as separate holdings from any Shares which that member holds in certificated form. However Shares held in uncertificated form shall not be treated as forming a class which is separate from certificated Shares with the same rights.

(vi) Unless the Board otherwise determines or the Uncertificated Securities Regulations otherwise require, any Shares issued or created out of or in respect of any uncertificated Shares shall be uncertificated Shares and any Shares issued or created out of or in respect of any certificated Shares shall be certificated Shares.

(vii) The Company shall be entitled to assume that the entries on any record of securities maintained by it in accordance with the Uncertificated Securities Regulations and regularly reconciled with the relevant operator register of securities are a complete and accurate reproduction of the particulars entered in the operator register of securities and shall accordingly not be liable in respect of any act or thing done or omitted to be done by or on behalf of the Company in reliance on such assumption; in particular, any provision of the Articles which requires or envisages that action will be taken in reliance on information contained in the register shall be construed to permit that action to be taken in reliance on information contained in any relevant record of securities (as so maintained and reconciled).

4.20 Untraced Shareholders

The Company is entitled to sell at the best price reasonably obtainable any certificated Share on behalf of a Shareholder or any Share to which a person is entitled by transmission if: (i) for a period of 12 years the Shares have been issued and in the course of which at least three dividends have become payable in respect of the Share in question, (ii) no cheque or warrant in respect of a dividend has been cashed and no communication has been received by the Company from the
Shareholder or the person entitled by transmission; (iii) the Company has at the expiration of that 12 year period by advertisement in a newspaper with national circulation in the United Kingdom and in a newspaper circulating in the area in which the address referred to in (i) above is located given notice of its intention to sell such Share; and (iv) the Company has not during a further period of three months after the date of advertisement and prior to the exercise of the power of sale received any communication from the Shareholder or person entitled by transmission.

The Company must account to the Shareholder or other person entitled to the Share for the net proceeds of sale and shall be deemed to be his debtor and not a trustee for him in respect of the same. Any money not accounted for to the Shareholder or other person entitled to such Share shall be carried to a separate account and shall be a permanent debt of the Company. Money in that account may either be employed in the business of the Company or invested in such investments as the Directors may from time to time think fit.

4.21 Auditors
The Company’s auditors shall be independent of the Company, the Investment Manager and the Custodian.

4.22 Indemnity
To the extent permitted by the 2006 Act, the Company may indemnify any Director or former Director of the Company or of any associated company against any liability and may purchase and maintain company insurance against any liability.

4.23 Trusts not recognised
Except as ordered by a court or as required by law, no person shall be recognised by the Company as holding any Share upon any trust and the Company shall not be bound by or required in any way to recognise (even when having notice of it) any interest in any Share or (except only as by the Articles or by law otherwise provided) any other right in respect of any Share other than an absolute right to the whole of the Share in the holder.

5. Mandatory bids, squeeze-out and sell-out rules relating to the Shares

5.1 Mandatory bid
The City Code applies to the Company. Under Rule 9 of the City Code, if:

(i) a person acquires an interest in Shares which, when taken together with Shares already held by him or persons acting in concert with him, carry 30% or more of the voting rights in the Company; or

(ii) a person who, together with persons acting in concert with him, is interested in not less than 30% and not more than 50% of the voting rights in the Company acquires additional interests in Shares which increase the percentage of Shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, his concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for any interests in the Shares by the acquirer or his concert parties during the previous 12 months.

5.2 Compulsory acquisition
Under sections 974 – 991 of the 2006 Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90% of the Shares (in value and by voting rights) to which such offer relates, it may then compulsorily acquire the outstanding Shares not assented to the offer. It would do so by sending a notice to outstanding holders of Shares telling them that it will compulsorily acquire their Shares and then, six weeks later, it would execute a transfer of the outstanding Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of Shares. The consideration offered to the holders whose Shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.
In addition, pursuant to section 983 of the 2006 Act, if an offeror acquires or agrees to acquire not less than 90% of the Shares (in value and by voting rights) to which the offer relates, any holder of Shares to which the offer relates and who has not accepted the offer may require the offeror to acquire his Shares on the same terms as the takeover offer.

The offeror would be required to give any holder of Shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of Shares notifying them of their sell-out rights. If a holder of Shares exercises his/her rights, the offeror is bound to acquire those Shares on the terms of the takeover offer or on such other terms as may be agreed.

6. Borrowing

Subject to the 2006 Act, the Articles and to any directions given to the Company in general meeting, the Directors shall manage the Company's business and can use all the Company's powers. In particular, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property (present and future) and uncalled capital or any part or parts thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights, powers of control or rights of influence exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all moneys borrowed by the Company and any such subsidiary undertakings and for the time being owing to persons outside the Company and any such subsidiary undertakings shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to twice the adjusted capital and reserves (as defined in the Articles).

7. Interests of Directors, major shareholders and related party transactions

7.1 Directors’ interests

The expected holdings of Shares of the Directors following Admission is set out below:

<table>
<thead>
<tr>
<th>Director</th>
<th>Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Owen(i)</td>
<td>40,000</td>
</tr>
<tr>
<td>Nicholas Bull</td>
<td>50,000</td>
</tr>
<tr>
<td>David Causer</td>
<td>50,000</td>
</tr>
<tr>
<td>Peter Pleydell-Bouverie(ii)</td>
<td>45,000</td>
</tr>
</tbody>
</table>

(i) The holding will consist of 20,000 Shares in the name of John Owen and 10,000 Shares in the name of his spouse. Both holdings are held in two separate ISA accounts. An additional 10,000 Shares will be held by John Owen's self administered pension fund.

(ii) The holding will consist of 30,000 Shares in the name of Peter Pleydell-Bouverie and 15,000 Shares in the name of his spouse.

7.2 Save as disclosed in paragraph 7.1 above, immediately following Admission no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.

7.3 Directors’ contracts with the Company

7.3.1 None of the Directors provides his services to the Company pursuant to a service contract with the Company. Their appointments are subject to the terms of their letters of appointment.

7.3.2 Each Director is engaged by the Company as a non-executive Director. John Owen, Nicholas Bull, David Causer, Peter Pleydell-Bouverie and Douglas Naismith were appointed on 4 February 2010.

7.3.3 The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or the Directors collectively.

7.3.4 No remuneration or other benefits in kind have been paid by the Company to any Director since the date of incorporation of the Company, nor are any remuneration or benefits in kind payable
by the Company to any Director under any arrangement in force at the Latest Practicable Date other than the Directors’ fees pursuant to the Directors’ letters of appointment.

The aggregate of the remuneration and benefits in kind payable to the Directors for the year ending 31 March 2011 are estimated to be approximately £200,000.

7.4 Other interests

Over the five years preceding the date of this document, the Directors have held the following directorships (apart from their directorships of the Company or subsidiaries of the Company) and/or partnerships:

**John Owen**

- CLS Fabrications Limited ............................................. Current
- Auto Port North America Inc. ............................................ Current
- Iceman Capital Advisors Limited ................................. Current
- Scimitar Advisers Limited .......................... Current
- Queensgate Bank Limited ........................................... Current
- Queensgate Trust Company Limited ....................... Current
- The Loriners Investment Company Limited ................ Current
- Isle of Wight Chamber of Commerce, Tourism and Industry .... Current
- The Grandparents Association (Trading) Limited .......... Resigned on 9 September 2009

**Nicholas Bull**

- The Conran Foundation ............................................. Current
- The Great River Race ................................................ Current
- Smith’s Corporate Advisory Limited ........................Current

**David Causer**

- Schroder Income Growth Fund plc ................................. Current
- The Maria Montessori Training Organisation ............. Current
- Leap Confronting Conflict ........................................ Current
- Britcross Limited .................................................... Resigned 31 December 2007
- The St. John and Red Cross Defence Medical Welfare Service ........................................ Resigned 31 July 2007

**Douglas Naismith**

- FIL Life Insurance Limited ........................................... Current
- FIL Pensions Management ........................................ Current
- FIL Investment Advisors (UK) Limited ................ Current
- Member of the Supervisory Board of FIL Investissements SAS ................................................ Current

**Peter Pleydell-Bouverie**

- Director of Ebble Developments Limited ................... Current
- Director of Longford Farms Limited ................................ Current
- Folkestone High Holborn Number 1 Limited ................ Current
- Folkestone High Holborn Number 2 Limited ................ Current
- Wessex Chalk Stream and River Trust ........................ Current

7.5 Save for Douglas Naismith’s employment with a FIL company, the Directors have no potential conflicts of interest between any duties to the Company and their private interests and other duties.

7.6 In the five year period prior to the date of this document, none of the Directors:

7.6.1 had any convictions in relation to fraudulent offences;

7.6.2 was associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior investment manager of such partnership or company; or
7.6.3 received any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) nor has any Director been disqualified by a court from acting as a member of the administration, management of supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

7.7 Major shareholders

7.7.1 As far as the Company is aware, save for nominee companies which will hold Shares on behalf of persons investing through a Fidelity ISA or the Fidelity Investment Trust Share Plan, no person intends to subscribe for more than 3% of the issued share capital or will otherwise hold immediately after Admission an investment disclosable under the Disclosure and Transparency Rules.

7.7.2 FIL Limited intends to subscribe for Shares under the Offer for Subscription but the subscription will not result in the issue to FIL Limited of more than 5% of the share capital issued under the Offer for Subscription.

7.7.3 All Shareholders have the same voting rights in respect of the share capital of the Company.

7.7.4 The Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

7.7.5 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

7.8 Related party transactions

Save for the Management Agreement and the Secretarial Agreement (described in paragraph 9 of this Part V), the Company is not a party to, nor had any interest in, any related party transaction.

7.9 Other material interests

The Company is receiving legal advice from Slaughter and May and financial advice from Cenkos Securities, in addition to certain administrative services from third parties in connection with the Offer for Subscription and Placing. The legal and financial advisers act for many other clients, including others in the investment funds sector and, on occasion, the professional advisers may face conflicts of interest as a result of acting both for the Company and such other clients. In the event of a conflict of interest, the legal and financial advisers will take reasonable steps to ensure it is resolved fairly.

Save as disclosed in this paragraph 7 and pages 32 and 33 of this document, none of the Directors has any conflict of interest between any duties to the Company and his private interests and any other duties. The Investment Manager, the Secretary, their respective directors, officers, employees, agents and affiliates and any person or company with whom they are affiliated or by whom they are employed (each an “Interested Party”) may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest.

8. Share options and share scheme arrangements

No share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

9. Material contracts

Save as described below, the Company has not (i) entered into any material contracts (other than contracts in the ordinary course of business) within the two years immediately preceding the publication of the document or (ii) entered into any contracts that contain provisions under which the Company has any obligation or entitlement that is material to the Company as at the date of this document.
9.1 **Management Agreement**

A Management Agreement dated 25 February 2010 has been agreed between the Company and the Investment Manager, under which the Investment Manager has agreed to provide investment management services for an annual fee equal to 1.5% of the NAV (excluding investments in other funds managed by the Investment Manager or associated companies, with the exception of Fidelity Institutional Cash Fund plc and any other money market fund of which the Investment Manager, or any of its associates, is the manager) payable quarterly in arrear and calculated as of the last Business Day of March, June, September and December in each year.

In addition, the Investment Manager is entitled to an annual Performance Fee of 15% of any change in NAV attributable to performance which is more than 2% above the returns on the MSCI China Index subject to a maximum Performance Fee payable in any year equal to 1.5% of the arithmetic mean of the value of assets with valuation calculated at the end of each month during the year. Any outperformance above this cap will be carried forward. If the Company underperforms 2% above the returns on the MSCI China Index in any year, the underperformance must be made good before any further Performance Fee becomes payable in future years. Both the NAV and the MSCI China Index will be calculated on a total return basis, while the NAV will be based on the weighted average number of Shares in issue.

The Management Agreement will continue unless and until terminated by either party giving to the other not less than twelve months’ notice in writing expiring no earlier than the third anniversary of the Management Agreement. The Management Agreement may, however, be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles regarding the Company's continuation. The Management Agreement may also be terminated forthwith as a result of a material breach of the Management Agreement or on the insolvency of the Investment Manager.

In addition, the Company may terminate the Management Agreement by two months’ notice in writing if the Investment Manager ceases to be a subsidiary or affiliate of FIL Limited.

9.2 **Placing Agreement**

A placing and offer agreement dated 25 February 2010 between the Company, the Secretary and Cenkos Securities (the “Placing Agreement”), whereby Cenkos Securities has agreed to act as placing agent and as sponsor to the Company and to make application, on behalf of the Company, to the UK Listing Authority for the admission of Shares to the Official List pursuant to the Offer for Subscription and Placing. The Placing Agreement is subject to a number of conditions including the UK Listing Authority admitting the Shares to be issued pursuant to the Offer for Subscription and Placing to the Official List on or before 19 April 2010 (or such later date as Cenkos Securities and the Company may agree not being later than 30 April 2010).

Cenkos Securities is entitled to a commission for its services equal to 1% of the gross proceeds of the Offer for Subscription and Placing that are not attributable to FIL. Under the Placing Agreement, which can be terminated by Cenkos Securities in certain limited circumstances prior to admission of the Shares to the Official List, certain warranties and indemnities were given to Cenkos Securities by the Company and the Secretary against any liability Cenkos Securities incurred in performing its obligations under the Placing Agreement provided that such liability was not due (among other things) to the wilful default, negligence or fraud of Cenkos Securities. These warranties and indemnities are of a customary nature for contracts of this type.

9.3 **Registrars’ Agreement**

A registrars’ agreement (the “Registrars’ Agreement”) dated 25 February 2010 has been agreed the Company and Capita Registrars pursuant to which Capita Registrars agreed to act as registrar to the Company. The Registrars’ Agreement may be terminated by either party on not less than three months’ written notice expiring no earlier than the third anniversary of the date of the Registrars’ Agreement.

Under the Registrars’ Agreement, Capita Registrars is entitled to receive a fee based on the number of Shareholders on the register during the fee year subject to a minimum annual fee of £3,250 together with other agreed transaction charges. The initial estimated fee for maintenance of registers will be £73,000 per annum. The Company will reimburse Capita Registrars for all out of pocket costs and expenses reasonably and properly incurred in connection with the performance of the services.
9.4 Receiving Agent

A receiving agreement dated 25 February 2010 between the Company and Capita Registrars pursuant to which the Capita Registrars agreed to act as receiving agent in connection with the Offer for Subscription for Shares.

9.5 Custody Agreement

Pursuant to the terms of the Custody Agreement entered into between the Company and JPMorgan Chase Bank N.A. (London branch) dated 25 February 2010, the Custodian is entrusted with the safe custody of the assets of the Company. In particular, it carries out all usual duties relating to cash and securities and, in addition, may delegate such duties to sub-custodians. The Custodian will use reasonable care in the selection and appointment of sub-custodians.

The following sub-custodians hold stock on behalf of the Company:

<table>
<thead>
<tr>
<th>Country</th>
<th>Name of sub-custodian</th>
<th>Regulatory status of sub-custodian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Regulated</td>
</tr>
<tr>
<td>China — Shanghai</td>
<td>HSBC Bank (China) Company Limited</td>
<td>Regulated</td>
</tr>
<tr>
<td>China — Shenzhen</td>
<td>HSBC Bank (China) Company Limited</td>
<td>Regulated</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>The Hongkong and Shanghai Banking Corporation</td>
<td>Regulated</td>
</tr>
<tr>
<td>Japan</td>
<td>Mizuho Corporate Bank, Limited</td>
<td>Regulated</td>
</tr>
<tr>
<td></td>
<td>The Bank of Tokyo-Mitsubishi UFJ, Limited</td>
<td>Regulated</td>
</tr>
<tr>
<td>Singapore</td>
<td>DBS Bank Ltd.</td>
<td>Regulated</td>
</tr>
<tr>
<td>South Korea</td>
<td>Standard Chartered First Bank Korea Limited</td>
<td>Regulated</td>
</tr>
<tr>
<td>Taiwan</td>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Regulated</td>
</tr>
<tr>
<td>Thailand</td>
<td>Standard Chartered Bank (Thai) Public Company Limited</td>
<td>Regulated</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Regulated</td>
</tr>
<tr>
<td>United States</td>
<td>JPMorgan Chase Bank, N.A.</td>
<td>Regulated</td>
</tr>
</tbody>
</table>

The Custody Agreement may be terminated by either party upon giving sixty days’ notice in writing to the other party. The Custody Agreement is subject to earlier termination by either party in the event of the other party’s liquidation or unremedied material breach of contract, and by the Company in the event of the Custodian ceasing to be authorised by FSA or ceasing to maintain other appropriate authorisations or permissions.

The Company will pay and the Custodian will receive a fee for its services under the Custody Agreement, together with the Custodian’s reasonable out-of-pocket or incidental expenses. The amount, as may be agreed upon in writing, may only be increased if agreed between the parties in writing.

The Custody Agreement contains provisions for the indemnification by the Company of the Custodian, the sub-custodians and their respective nominees, directors, officers, agents and employees (together, the “Custody Indemnified Party”) against any costs, claims, losses, liabilities, damages, expenses, fines, penalties, taxes and other matters that may be imposed on, incurred by or asserted against the Custody Indemnified Party by reason of the Custody Indemnified Party acting pursuant to the Custody Agreement or by their status as a holder of record of the Company’s securities, except to the extent that they result from the fraud, negligence or wilful default of the Custodian or from the action of the Custody Indemnified Party for which the Custodian is liable to under the Custody Agreement.

9.6 Secretarial Agreement

A Secretarial Agreement dated 25 February 2010 has been agreed between the Company and the Secretary, under which FIL Investments International has agreed to provide services of a company secretarial, accounting and administrative nature (excluding registration services) to the Company. The Secretary receives an annual fee based on the services provided of up to £600,000 (plus an amount equal to any applicable VAT). The Secretarial Agreement will continue in force until terminated by either party on not less than twelve months’ notice in writing, expiring no earlier than the third anniversary of the Secretarial Agreement.
10. Working capital

The Company believes that it has sufficient working capital for its present requirements (that is, for the 12 months following publication of this Prospectus).

11. Significant change

The Directors confirm that the Company has not traded and that no financial statements of the Company have been made up since its incorporation on 22 January 2010. There has been no significant change in the trading or financial position of the Company since its incorporation.

12. Capitalisation and indebtedness statement

The Company was incorporated on 22 January 2010, has not produced any financial statements since incorporation and has not traded since incorporation. As a result there have been no material changes to the Company’s capitalisation and indebtedness from the date of incorporation to the date of this document. As at the date of this document, the Company has not incurred any indebtedness.

<table>
<thead>
<tr>
<th>Capitalisation</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total current debt</td>
<td>—</td>
</tr>
<tr>
<td>- Guaranteed</td>
<td>—</td>
</tr>
<tr>
<td>- Secured</td>
<td>—</td>
</tr>
<tr>
<td>- Unguaranteed/unsecured</td>
<td>—</td>
</tr>
<tr>
<td>Total non-current debt</td>
<td>—</td>
</tr>
<tr>
<td>- Guaranteed</td>
<td>—</td>
</tr>
<tr>
<td>- Secured</td>
<td>—</td>
</tr>
<tr>
<td>- Unguaranteed/unsecured</td>
<td>—</td>
</tr>
<tr>
<td>Shareholders equity</td>
<td>—</td>
</tr>
<tr>
<td>Share capital</td>
<td>50,001</td>
</tr>
<tr>
<td>Legal reserve</td>
<td>—</td>
</tr>
<tr>
<td>Other reserve</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>50,001</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indebtedness</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>50,001</td>
</tr>
<tr>
<td>Cash equivalent</td>
<td>—</td>
</tr>
<tr>
<td>Trading securities</td>
<td>—</td>
</tr>
<tr>
<td>Liquidity</td>
<td>—</td>
</tr>
<tr>
<td>Current financial receivable</td>
<td>—</td>
</tr>
<tr>
<td>Current bank debt</td>
<td>—</td>
</tr>
<tr>
<td>Current portion of non-current debt</td>
<td>—</td>
</tr>
<tr>
<td>Other current financial debt</td>
<td>—</td>
</tr>
<tr>
<td>Current financial debt</td>
<td>—</td>
</tr>
<tr>
<td>Net current financial indebtedness</td>
<td>—</td>
</tr>
<tr>
<td>Non-current bank loans</td>
<td>—</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>—</td>
</tr>
<tr>
<td>Other non-current loans</td>
<td>—</td>
</tr>
<tr>
<td>Non-current financial indebtedness</td>
<td>—</td>
</tr>
<tr>
<td>Net financial indebtedness</td>
<td>50,001</td>
</tr>
</tbody>
</table>

13. Corporate governance

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which will enable the Company to comply with the Combined Code and the AIC Code. Save as disclosed below, the Company complies with the best practice provisions of the Combined Code and the AIC Code.

The Combined Code includes provisions relating to:

- the role of the chief executive;
- executive directors’ remuneration; and
- the need for an internal audit function.
For the reasons set out in the AIC Corporate Governance Guide and in the preamble to the Combined Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company.

The Board, currently chaired by John Owen, consists of five non-executive Directors, four of whom are regarded by the Board as independent of the Investment Manager, including the Chairman. Douglas Naismith is regarded as non-independent due to his employment with a FIL company.

All appointments to the Board and replacements of Directors take place in accordance with the 2006 Act and the Company’s Articles. The Nomination and Remuneration Committee is responsible for identifying possible candidates for consideration by the Board. External consultants may also be used to identify potential candidates.

The Audit Committee

The Audit Committee consists of all of the independent Directors, and David Causer chairs this Committee as the Board believes it appropriate for him to do so given his accountancy qualifications and experience as a chairman of an audit committee. The Committee considers that collectively the members of the Committee have sufficient recent and relevant financial experience to discharge its responsibilities fully.

The Committee’s authority and duties are clearly defined in its written terms of reference which are available on the Company’s pages of the website: www.fidelity.co.uk/china. These include responsibility for reviewing the half-yearly financial statements and annual reports and financial statements, reviewing the scope and results of the audit and the effectiveness and cost of the audit process, and reviewing the Company’s internal financial controls. They also include responsibility for reviewing and monitoring the external Auditor’s independence and objectivity, with particular regard to the provision of non-audit services taking into consideration relevant UK professional and regulatory requirements.

The Audit Committee of the Board meets at least three times a year and with the Auditor at least once a year to review these and other appropriate matters. The members of the Audit Committee are David Causer (Chairman), John Owen, Nicholas Bull and Peter Pleydell-Bouverie.

The Audit Committee intends to discharge its responsibilities in a number of ways, including as set out below:

- Reviewing the Company’s draft annual and half-yearly financial statements prior to Board approval and reviewing the external Auditor’s report on the annual financial statements.
- Reviewing the appropriateness of the Company’s accounting policies.
- Reviewing and approving the audit fee.
- Reviewing the external Auditor’s terms of engagement.
- Reviewing the external Auditor’s plan for the audit of the Company’s financial statements.
- Reviewing the external Auditor’s quality control procedures.
- Reviewing and monitoring the effectiveness of the external audit process and the external Auditor’s independence and objectivity.
- Reviewing the overall services provided by the Company’s external Auditor and alternative audit services available.
- Considering the scope of work undertaken by the Investment Manager’s internal audit department.
- Reviewing the Investment Manager’s report on internal controls and reporting to the Board.
- Considering whether the Company needs an internal audit function given that the Company delegates its day to day operations to third parties.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of all of the independent non-executive Directors. John Owen, Chairman of the Company, also chairs this Committee. The Committee is charged with nominating new Directors for consideration by the Board of Directors, and subsequent approval by Shareholders. It believes that the best way of ensuring that the Board as a whole and each independent
Director individually carry out their duties in an independent manner, irrespective of the interests of the Investment Manager, is to ensure that the search for, the interview of and recommendation to the Board of a candidate is entirely controlled by this Committee. The Nomination and Remuneration Committee also considers the re-election of Directors who are retiring by rotation.

The Committee also concerns itself with the remuneration of the Directors, considering as it does the remit of the job and the responsibility and time involved. It also makes itself aware of the directors’ fees of other investment trust companies and other comparable entities. The level of remuneration of the non-executive Directors is set by the Nomination and Remuneration Committee.

This Committee meets on an annual basis and as and when required, making recommendations to the Board where appropriate. The members of the Nomination and Remuneration Committee are John Owen (Chairman), Nicholas Bull, David Causer and Peter Pleydell-Bouverie.

The Committee’s terms of reference are available for inspection at the Company’s registered office and are included on the Company’s pages of the website: www.fidelity.co.uk/china.

The Management Engagement Committee

The Management Engagement Committee consists of all of the independent non-executive Directors, and John Owen, Chairman of the Company, also chairs the Committee. The Committee is charged with reviewing and monitoring the performance of the Investment Manager and the Secretary in respect of their contracts and the fees they are paid. This Committee meets at least once a year and reports to the Board of Directors, making recommendations where appropriate.

The level of remuneration of the Investment Manager and the Secretary is determined by the Management Engagement Committee; it relates to the investment management function carried out by the Investment Manager, on which a percentage of the funds under management is paid (where a performance fee is paid) and to the administrative function carried out by the Secretary. The Board is mindful that the amounts paid to the Investment Manager and to the Secretary should be sufficient to ensure that both the Investment Manager and the administrators within the Secretary who is engaged to look after the Company’s affairs are highly skilled and that those individuals should be duly focused on the Company’s business.

The criteria which are taken into consideration in reviewing the performance of the Investment Manager and the Secretary include those set out below:

- Quality of team — the skills and particular experience of the teams involved in managing all aspects of the Company’s business.
- Commitment of the Investment Manager to the investment trust business generally and to the Company in particular.
- Managing the Company — in running and controlling the administration, the accounting and the company secretarial function of the Company.
- Investment management — portfolio management skills, experience and track record and other investment related considerations.
- Shareholders — shareholder consciousness and relations, discount management and commitment to the Company’s goals.
- Management Agreement and Secretarial Agreement — consideration of fees, notice period and duties.
- Marketing — commitment to and execution of activities designed to secure sustainable demand from potential long-term investors.

The Committee’s terms of reference are available on the Company’s pages of the website: www.fidelity.co.uk/china. Details of the Management Agreement and the Secretarial Agreement appear at paragraph 9.1 and 9.6 respectively of this Part V.

14. Litigation

There have been no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which the Company is aware) in the previous 12 months which may have, or
have had in the recent past, significant effects on the Company's financial position or profitability. The Company has no subsidiaries.

15. Third party information and consents
15.1 Cenkos Securities has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
15.2 In relation to information in this document provided by third parties, the Company confirms that that information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

16. General
16.1 The Company will not conduct any significant trading activity.
16.2 The Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
16.3 The Company does not have, nor has it had since its incorporation, any employees.

17. Auditor
The Auditor to the Company is Grant Thornton UK LLP.

18. Documents on display
The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP for so long as this document remains valid:
18.1 this Prospectus;
18.2 the Articles of Association of the Company; and
18.3 the Directors' letters of appointment referred to in paragraph 7.3 above.

19. Indebtedness
As at the Latest Practicable Date, the Company had no outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness or hire purchase commitments or finance lease commitments or any guarantees or other material contingent liabilities.

20. Capital resources
The Company's capital resources will derive from the Offer for Subscription and Placing and may be supplemented by future borrowing in accordance with the Company's Investment Policy.

21. Sources
The statements under each heading of Part II (China and the Investment Opportunity) of this document have been taken from the sources referenced under each relevant heading below.

Why invest in China?
- IMF World Economic Outlook, October 2009
- Gearing up for a Global gravity shift, PricewaterhouseCoopers, 2007
- Credit Suisse Global Investment Returns Yearbook 2010
- RIMES
The economic case for investing in China

- IMF World Economic Outlook, October 2009
- CIA World Factbook
- National Bureau of Statistics of China
- Datastream
- Fogel, Foreign Policy, January/February 2010
- The World in 2050: Beyond the BRICs, Hawksworth and Cookson, PricewaterhouseCoopers LLP, March 2008
- FACTBOX — China, the U.S. Treasury's top foreign creditor, Reuters, February 2010
- US Department of Commerce Bureau of Economic Analysis

Rapidly growing GDP

- IMF World Economic Outlook, October 2009
- Main statistical data in 2009, National Bureau of Statistics of China
- Enter the S-curve, Asian Bank Reflections Vol. 4, Nomura, December 2009
- Datastream

Social and economic developments and challenges

- World Population Prospects, United Nations, Department of Economic and Social Affairs — Population Division, Population Estimates and Projections Section, 2008 revision
- CIA World Factbook

Moving up the value chain

- Gearing up for a Global gravity shift, PricewaterhouseCoopers, 2007

Investment opportunities

Infrastructure spending

- UN World Urbanisation Prospects, 2007 Revision

Consumption

- China car sales surge in June, Waldmeir, Financial Times, 9 July 2009
- National Transportation Statistics, Research and Innovative Technology Administration and the US Bureau of Transportation Statistics
- China passes U.S. as world’s top car market, Jiayi Ho, The Wall Street Journal, 12 January 2010
Exports
- Merchandise Trade by Product, World Trade Organisation

Stock market growth
- RIMES

China's presence in the global economy and global stock market
- IMF World Economic Outlook, October 2009
- RIMES

The information referred to above has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the referenced third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.
PART VI: TERMS AND CONDITIONS OF THE OFFER FOR SUBSCRIPTION

1. Introduction

1.1 These terms and conditions apply to persons agreeing to subscribe for Shares under the Offer for Subscription.

1.2 Each person to whom these conditions apply, as described above (an “investor”), who confirms its agreement to the Receiving Agent to subscribe for Shares under the Offer for Subscription hereby agrees with each of the Company, the Receiving Agent and Cenkos Securities to be bound by these terms and conditions as being the terms and conditions upon which Shares will be issued under the Offer for Subscription. An investor shall, without limitation, become so bound if Cenkos Securities:

(i) confirms on behalf of the Company, its allocation of Shares under the Offer for Subscription to such investor; and

(ii) notifies the name of the investor to the Registrar.

2. Agreement to acquire Shares under the Offer for Subscription

Conditional on:

(i) Admission occurring by 8.00 a.m. on 19 April 2010 (or such later time and/or date as the Company and Cenkos Securities may agree (not being later than 8.00 a.m. on 30 April 2010));

(ii) the Placing Agreement entered into by the Company, the Investment Manager and Cenkos Securities not being terminated in accordance with its terms prior to Admission; and

(iii) the confirmation mentioned under paragraph 1.2 above, an investor agrees to subscribe its allocation of Shares under the Offer for Subscription at the Offer Price. The minimum aggregate amount which a potential investor will be entitled to subscribe is £2,500 and applications in excess of the minimum subscription amount should be in multiples of £1. There is no maximum amount of Shares for which potential investors may subscribe. The Directors may, in their absolute discretion after taking into account the demand for Shares under the Offer for Subscription and the economic and market conditions, waive the minimum initial application requirement in respect of any particular application under the Offer for Subscription. Multiple subscriptions under the Offer for Subscription by individual investors will not be accepted. The number of Shares issued to, or for the account of, such investor under the Offer for Subscription shall be determined in accordance with the arrangements described above. To the fullest extent permitted by law, each investor acknowledges and agrees that it will not be entitled to exercise any remedy of rescission or to terminate or otherwise withdraw from its agreement to acquire Shares at the Offer Price at any time. This does not affect any other rights such investor may have.

3. Payment

3.1 Each investor will be required to pay the Offer Price for the Shares issued under the Offer for Subscription to that investor in such manner as shall be directed by the Receiving Agent.

3.2 Payment for Shares issued under the Offer for Subscription will be made through the Receiving Agent, in accordance with settlement instructions to be notified to the Receiving Agent by the Company. To the extent that any application is rejected in whole or in part, monies received will be returned without interest at the risk of the applicant.

3.3 In the event of any failure by an investor to pay as so directed by the Company, the relevant investor shall be deemed hereby to have appointed the Company or any nominee of the Company to sell (in one or more transactions) any or all of the Shares in respect of which payment shall not have been made as so directed and to have agreed to indemnify on demand and on an after tax basis (i) the Company in respect of any stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales and (ii) the Company for any loss arising as a result of such failure.

3.4 The Company has agreed that each of FIL Nominee (Shareholdings) Limited (in respect of Fidelity ISA applications) and Puddle Dock Nominees Limited (in respect of applications under the Fidelity Investment Trust Share Plan) may make payment in respect of their respective applications under the Offer for Subscription after the allocation of Shares has been determined.
4. **Representations and warranties**

By receiving this Prospectus, each investor and any person confirming his agreement to subscribe for Shares under the Offer for Subscription on behalf of an investor or authorising Cenkos Securities to notify an investor's name to the Registrar, is deemed to represent, warrant, acknowledge and agree to and with each of the Company and the Receiving Agent that:

(i) the investor's participation in the Offer for Subscription shall be on the terms and subject to the conditions in this Prospectus and the Articles of the Company as in force at the date of Admission;

(ii) the investor has read this Prospectus in its entirety and acknowledges that its participation in the Offer for Subscription shall be governed by the terms and conditions set out in this Part VI;

(iii) the only information upon which the investor has relied in committing itself to subscribe for Shares pursuant to the Offer for Subscription is that contained in this Prospectus or any supplementary prospectus (as the case may be), and such investor has relied on its own investigation with respect to the Shares and the Company in connection with its decision to participate in the Offer for Subscription and it is not relying on any representations or warranties or agreements by any of Cenkos Securities, the Company, the Receiving Agent, the Investment Manager, FIL or any director, employee or agent of such persons or any other person;

(iv) the investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the UK Finance Act 1986 (depositary receipts and clearance services);

(v) such investor understands that no offering document or prospectus has been prepared or approved in connection with the Offer for Subscription in any jurisdiction outside the UK;

(vi) each person or body (including any local authority in the management of its pension funds or otherwise) on whose behalf the investor accepts this participation in whole or in part has capacity and authority to enter into and perform its obligations as a purchaser of or subscriber of Shares pursuant to such commitment and will honour such obligations;

(vii) the investor is entitled to purchase or subscribe for Shares under the laws of all relevant jurisdictions which apply to such investor, neither the investor's participation in the Offer for Subscription nor any action that may be taken by the investor in relation to any Shares comprised in its participation will result in the contravention of any such laws and the investor has fully observed such laws and obtained all guarantees and other consents which may be required thereunder and complied with all necessary formalities;

(viii) in agreeing to subscribe for Shares under the Offer for Subscription, the investor is relying on the information in this Prospectus or any supplementary prospectus (as the case may be) or any regulatory announcement issued by the Company, and not on any other information, representation or statement concerning the Company or the Offer for Subscription. Such investor agrees that none of the Company, the Receiving Agent, the Registrar, Cenkos Securities or any of their respective officers, directors or agents will have any liability for any information, representation or statement not contained in this Prospectus or any supplementary prospectus or any other information or representation concerning the Company;

(ix) if the laws of any place outside the United Kingdom are applicable to the investor's agreement to subscribe for Shares and/or acceptance thereof, such investor is entitled to acquire Shares under such laws and has complied with all such laws and obtained all guarantees and other consents which may be required thereunder and none of the Company, the Receiving Agent, the Registrar or Cenkos Securities will infringe any laws outside the United Kingdom as a result of such investor's agreement to subscribe for Shares and/or acceptance thereof or any actions arising from such investor's rights and obligations under the investor's agreement to subscribe for Shares and/or acceptance thereof or under the Articles;

(x) if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor's agreement to subscribe for Shares under the Offer for Subscription and will not be under the age of majority on the date any such offer is accepted;

(xi) if the investor is in the UK, such investor has complied with its obligations in connection with money laundering under the Proceeds of Crime Act 2002, the Anti-Terrorism, Crime and Security Act 2001
as amended) and the Money Laundering Regulations 2007 (the “Money Laundering Regulations”) and, if it is making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Money Laundering Regulations;

(xii) the investor is acquiring Shares for a total consideration of not less than £2,500 under the Offer for Subscription and applications in excess of the minimum subscription amount should be in multiples of £1;

(xiii) the investor, unless an authorised person, has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) relating to the Shares in circumstances in which section 21(1) of the FSMA does not require approval of the communication by an authorised person;

(xiv) subject to certain exceptions in respect of which the prior consent of Cenkos Securities has been given in writing, the investor is not a national, resident or citizen of any country other than the United Kingdom or a corporation, partnership or other entity organised under the laws of any country other than the United Kingdom and that the investor will not offer, sell, renounce, transfer or deliver directly or indirectly any of the Shares in any country other than the United Kingdom or to any national, resident or citizen of any country of the United Kingdom and the investor acknowledges that the Shares have not been and will not be registered under the US Securities Act or any state securities laws in the United States, or under the applicable securities laws of any country other than the United Kingdom and that, subject to certain exceptions, the same are not being offered for sale and may not be, directly or indirectly, offered, sold, transferred or delivered in any country other than the United Kingdom;

(xv) the investor is not located in the United States, is not a US Person as such term is defined in Regulation S of the US Securities Act and is not acquiring Shares for the account or benefit of a US Person;

(xvi) in the case of a person who confirms to Cenkos Securities on behalf of an investor, including an investor which is an entity other than a natural person, an agreement to subscribe for Shares and/or who authorises Cenkos Securities to notify the investor’s name to the Registrar as mentioned above, that person represents and warrants that it has authority to do so on behalf of the investor as provided under paragraph 1.4 above;

(xvii) neither Cenkos Securities nor any person acting on its behalf has or shall have any liability for any information, representation or statement contained in the Prospectus, provided that nothing in this paragraph excludes the liability of any person for fraudulent misrepresentation made by that person; and

(xviii) neither Cenkos Securities nor any person acting on its behalf is making any recommendations to the investor or advising the investor with regard to the suitability of any transaction the investor may enter into in connection with the Offer for Subscription or otherwise and further acknowledges that for the purposes of the Offer for Subscription, the investor is not and will not be a client of Cenkos Securities and that Cenkos Securities does not have any duties or responsibilities to the investor for providing the protections afforded to its clients or for providing advice in relation to the Offer for Subscription,

and the investor acknowledges that each of the Company, Cenkos Securities, the Registrar, any transfer agent, any distributors or dealers or their affiliates and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements and agrees that if any of the acknowledgements, representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and, if it is acquiring any Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

5. Supply and disclosure of information

If any of Cenkos Securities, the Receiving Agent, the Registrar or the Company or any of their respective agents request any information about an investor’s agreement to subscribe for Shares under the Offer for
Subscription, such investor undertakes promptly to disclose it to them and that such information will be complete and accurate in all respects.

6. **Miscellaneous**

6.1 The rights and remedies of Cenkos Securities and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

6.2 On application, each investor may be asked to disclose, in writing or orally, to Cenkos Securities:
- if he is an individual, his nationality; or
- if it is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.

6.3 All documents will be sent at the investor’s risk. They may be sent by post to an investor at an address notified to the Registrar.

6.4 Each investor agrees to be bound by the Articles once the Shares under the Offer for Subscription for which such investor has agreed to subscribe, have been allotted to such investor.

6.5 The contract to subscribe for Shares under the Offer for Subscription and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Cenkos Securities, the Company and the Registrar, each investor irrevocably submits to the non-exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an investor in any other jurisdiction.

6.6 In the case of a joint agreement to subscribe for Shares under the Offer for Subscription, references to an “investor” in these terms and conditions are to each of such investors and such investors’ liability is joint and several.

6.7 Each of the Cenkos Securities and the Company expressly reserves the right to modify the Offer for Subscription (including, without limitation, its timetable and settlement) at any time before allocations are determined.

7. **Dealing arrangements**

7.1 Application has been made to the UK Listing Authority for the Shares to be admitted to the Official List and to the London Stock Exchange for the Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and that unconditional dealings in Shares will commence at 8.00 a.m. on 19 April 2010.

7.2 Shares will be issued in registered form and may be held in either certificated or uncertificated form and settled through CREST.

7.3 CREST is a paperless settlement procedure enabling securities to be evidenced and transferred electronically. The Articles allow the holding of the Shares under the CREST system.

7.4 The Directors intend to apply for the Shares to be admitted to CREST with effect from Admission. Accordingly, it is intended that settlement of transactions in the Shares following Admission may take place within the CREST system if the relevant Shareholders so wish. CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so upon request from the Registrar.

7.5 It is expected that the CREST accounts of the subscribers concerned will be credited on 19 April 2010 or as soon thereafter as is practicable.

7.6 It is expected that, where applicable, definitive share certificates in respect of Shares will be posted in the week commencing 19 April 2010.

7.7 No temporary documents of title will be issued. Pending the despatch by post of definitive share certificates where applicable, transfers will be certified against the register held by the Registrar.

7.8 Dealings in the Shares in advance of the crediting of the relevant CREST stock account or the despatch of the relevant share certificates shall be at the risk of the person concerned.
PART VII: DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them, except where the context otherwise requires:


Admission: the admission of the Shares (i) to the Official List and (ii) to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with the Listing Rules and the Admission and Disclosure Standards

Admission and Disclosure Standards: the admission and disclosure standards of the London Stock Exchange for securities admitted or seeking to be admitted to trading, as amended from time to time

AGM: annual general meeting of the Company

AIC: the Association of Investment Companies

AIC Code: the Association of Investment Companies Code of Corporate Governance, as amended from time to time

Application Form: the form of application for Shares in connection with the Offer for Subscription set out in back of this Prospectus

Articles: the Articles of Association of the Company, as amended from time to time

Auditor: Grant Thornton UK LLP or such other auditor as the Company may appoint from time to time

Board or Directors: the board of directors of the Company or any duly constituted committee thereof

Business Day: any day on which banks are open for business in London (excluding Saturdays, Sundays and public holidays)

Capita Registrars: a trading name of Capita Registrars Limited

Cenkos Securities: Cenkos Securities plc

CFD: contract for difference

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

China A Shares: shares issued by companies incorporated in the PRC and listed on either of the Chinese Stock Exchanges, traded in Renminbi and available for investment by domestic (Chinese) investors and holders of a QFII licence

China B Shares: shares issued by companies incorporated in the PRC and listed on either of the Chinese Stock Exchanges, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors

China H Shares: shares issued by companies incorporated in the PRC and listed on the Hong Kong Stock Exchange and traded in Hong Kong Dollars

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

CIT Law: Corporate Income Tax Law of the PRC

CIT Regulations: the Detailed Implementation Regulations for the implementation of the CIT Law
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>City Code</td>
<td>the UK City Code on Takeovers and Mergers</td>
</tr>
<tr>
<td>Combined Code</td>
<td>the Financial Reporting Council’s Combined Code on Corporate Governance</td>
</tr>
<tr>
<td>Company</td>
<td>Fidelity China Special Situations PLC</td>
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<tr>
<td>CREST</td>
<td>the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations</td>
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<tr>
<td>CSRC</td>
<td>China Securities Regulatory Commission, the main securities regulator of the PRC</td>
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<tr>
<td>Custodian</td>
<td>JPMorgan Chase Bank N.A. (London branch)</td>
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<tr>
<td>Custody Agreement</td>
<td>the agreement between the Custodian and the Company regarding the custody of the assets of the Company dated 25 February 2010</td>
</tr>
<tr>
<td>Disclosure and Transparency Rules</td>
<td>the disclosure rules made by the UK Listing Authority under Part VI of the FSMA, as amended from time to time</td>
</tr>
<tr>
<td>EEA</td>
<td>the European Economic Area</td>
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<td>EEA State</td>
<td>a member state of the EEA</td>
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<td>ELN</td>
<td>equity linked loan note</td>
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<tr>
<td>ERISA</td>
<td>the regulations adopted under the United States Employee Retirement Income Security Act 1974</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>Euroclear</td>
<td>Euroclear UK &amp; Ireland Limited</td>
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<tr>
<td>European Commission</td>
<td>the Commission of the European Union</td>
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<tr>
<td>FIE</td>
<td>foreign investment enterprise(s) incorporated in the PRC (including sino-foreign equity joint ventures, sino-foreign cooperative joint ventures and wholly foreign-owned enterprises established in the PRC)</td>
</tr>
<tr>
<td>FIL</td>
<td>FIL Limited and each of its subsidiaries</td>
</tr>
<tr>
<td>FIL Limited</td>
<td>FIL Limited (incorporated in Bermuda), the ultimate parent company of the FIL group of companies</td>
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<tr>
<td>Financial Services Authority or FSA</td>
<td>the single regulatory authority for the UK financial services industry</td>
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<tr>
<td>FSMA</td>
<td>the Financial Services and Markets Act 2000</td>
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<tr>
<td>GDP</td>
<td>gross domestic product</td>
</tr>
<tr>
<td>Gross Assets</td>
<td>the sum of the value of each of the assets that the Company owns as calculated in accordance with the Company's valuation policy</td>
</tr>
<tr>
<td>Gross Asset Exposure</td>
<td>the value of the total portfolio to which the investor (i.e. the Company) is exposed, whether through direct or indirect investment (including through derivatives, but excluding collateral held in respect thereof). The Gross Asset Exposure divided by the NAV is often referred to as the level of gearing.</td>
</tr>
<tr>
<td>High Court</td>
<td>the High Court of England and Wales</td>
</tr>
<tr>
<td>HMRC</td>
<td>HM Revenue &amp; Customs</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>the Hong Kong Special Administrative Region of the PRC</td>
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</tbody>
</table>
Hong Kong Dollars or HK$ the lawful currency of Hong Kong
Hong Kong Stock Exchange the Stock Exchange of Hong Kong Limited
IFRS International Financial Reporting Standards
Investment Manager or Manager FIL Investment Management (Hong Kong) Limited
Investment Policy the investment policy of the Company as set out in Part I (Information on the Company) of this document or as determined by the Directors from time to time and published in the Company's annual report and financial statements
Investment Regulations (i) the Measures; (ii) the “Notice on Relevant Issues in relation to the Implementation of the Measures for the Administration of Investment in Domestic Securities by Qualified Foreign Institutional Investors” as may be amended from time to time; and (iii) the “Regulations for Foreign Exchange Control of Investment in Domestic Securities by Qualified Foreign Institutional Investors” and such other regulations governing the establishment and operation of the qualified foreign institutional investors regime in the PRC
ISA an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998, as amended from time to time
Latest Practicable Date 25 February 2010, being the latest practicable date prior to the printing of the Prospectus for ascertaining certain information contained in the Prospectus
Listing Rules the listing rules made by the UK Listing Authority under Part VI of the FSMA, as amended from time to time
London Stock Exchange London Stock Exchange plc
Management Agreement the agreement between the Investment Manager and the Company regarding the management of the Company's investments dated 25 February 2010
Management Fee the annual management fee payable by the Company to the Investment Manager as described in paragraph 9.1 of Part V (General Information) of this document
Measures the Measures for the Administration of Investment in Domestic Securities by Qualified Foreign Institutional Investors promulgated by CSRC, People’s Bank of China and SAFE on 24 August 2006 and effective on 1 September, 2006, as may be amended from time to time
MSCI China Index a free float-adjusted market capitalisation weighted index of Chinese equities that includes China-affiliated corporations and China H Shares listed on the Hong Kong Stock Exchange, and China B Shares listed on any of the Chinese Stock Exchanges, measured on a total return basis
Net Asset Value or NAV net asset value as calculated in accordance with the Company's valuation policies and the Articles
Offer for Subscription the offer to the public in the UK to subscribe for Shares on the terms and conditions set out in this document
Offer Price 100p per Share
Official List the Official List maintained by the UK Listing Authority
Overseas Investors potential investors who are resident in territories outside the United Kingdom
People’s Bank of China: the PRC central bank

Performance Fee: the performance fee payable by the Company to the Investment Manager as described in paragraph 9.1 of Part V (General Information) of the Prospectus

Placees: the places under the Placing

Placing: the placing of Shares, commencing on the date of this Prospectus

Placing Agreement: the conditional agreement between, inter alia, the Company and the Sponsor relating to the Placing dated 25 February 2010

Prospectus: this document


Prospectus Rules: the rules and regulations made by the FSA under Part VI of the FSMA, as amended from time to time

QFII: qualified foreign institutional investor approved by CSRC pursuant to the Measures

Receiving Agent: Capita Registrars

Red Chips: companies incorporated outside the PRC and listed on the Hong Kong Stock Exchange and controlled by PRC entities, by way of direct or indirect shareholding and/or representation on the board of directors

Redeemable Shares: has the meaning given in paragraph 2.1.8 of Part V (General Information) of this document

Register: the register of members of the Company

Registrar: Capita Registrars

Regulatory Information Service: a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange

Renminbi: the lawful currency of China

SAFE: State Administration of Foreign Exchange of the PRC

SAFE Rules: the Regulations on Administration of Foreign Exchange regarding Onshore Securities Investment by QFII promulgated by SAFE

SDRT: Stamp Duty Reserve Tax

Secretarial Agreement: the agreement between the Secretary and the Company regarding the provision of company secretarial and administration services dated 25 February 2010

Secretary: FIL Investments International

Shares: ordinary shares of nominal value of 1 penny each in the capital of the Company, “Share” means any one of them

Shareholder: a holder of Shares

SIPP: self invested personal pension

SORP: AIC Statement of Recommended Practice

Sponsor: Cenkos Securities plc

SSAS: small self-administered pension scheme

Sterling, £, p: the lawful currency of the United Kingdom
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes Act</td>
<td>the Income and Corporation Taxes Act 1988</td>
</tr>
<tr>
<td>UK or United Kingdom</td>
<td>the United Kingdom of Great Britain and Northern Ireland</td>
</tr>
<tr>
<td>UK Listing Authority</td>
<td>the Financial Services Authority acting in its capacity as the competent authority for the purposes of admissions to the Official List</td>
</tr>
<tr>
<td>Uncertificated Securities Regulations</td>
<td>the Uncertificated Securities Regulations 2001</td>
</tr>
<tr>
<td>United States or US</td>
<td>the United States of America</td>
</tr>
<tr>
<td>US$ or US Dollars</td>
<td>the lawful currency of the United States of America</td>
</tr>
<tr>
<td>US Person</td>
<td>has the meaning given to it under Regulation S of the US Securities Act</td>
</tr>
<tr>
<td>US Securities Act</td>
<td>the US Securities Act of 1933, as amended</td>
</tr>
<tr>
<td>VAT</td>
<td>value added tax</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
</tr>
</tbody>
</table>
**PART VIII: GLOSSARY**

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>collateral</td>
<td>Assets provided as security for the unrealised profits or losses under CFDs.</td>
</tr>
<tr>
<td>contract for difference or CFD</td>
<td>A contract between an investor (i.e. the Company) and an investment bank at the end of which the parties exchange the difference between the opening and closing prices of a specified financial instrument. The investor may speculate that the asset price will rise, by buying (“long” position) or fall, by selling (“short” position). A contract for difference does not involve buying or selling the underlying asset, only agreeing to receive or pay the movement in its price. A contract for difference only requires a small deposit (“margin”) on trades meaning that an investor can make large losses or profits on money committed resulting from small movements in the price of the specified financial instrument.</td>
</tr>
<tr>
<td>derivatives</td>
<td>Financial instruments whose value is derived from the value of an underlying asset or other financial instruments such as stocks, bonds, currency exchange rates, real estate and commodities, or market benchmarks such as interest rates. The main categories of derivatives are futures, options and swaps.</td>
</tr>
<tr>
<td>equity linked notes or ELNs</td>
<td>Debt instruments whose return on investment is linked to the equity markets. The return on equity linked notes may be determined by a stock index, a basket of stocks, or a single stock.</td>
</tr>
<tr>
<td>forward or forward contract</td>
<td>An agreement to sell a currency, commodity or other asset at a specified future date and at a predetermined price. It is not standardised and is not traded on organised exchanges.</td>
</tr>
<tr>
<td>future or future contract</td>
<td>An agreement to buy or sell a stated amount of a security, currency or commodity at a specific future date and at a pre-agreed price. Futures contracts are often traded on the futures market.</td>
</tr>
<tr>
<td>hedging</td>
<td>A strategy aimed at minimising or eliminating risk, normally involving positions in two different markets, with one offsetting the other. Derivatives — futures and options — are widely used for hedging purposes because they can protect an investor against changes in the value of an underlying asset or currency.</td>
</tr>
<tr>
<td>index linked securities</td>
<td>Debt instruments whose return on investment is linked to commodity prices, interest rates, stock exchange, or other price indices.</td>
</tr>
<tr>
<td>investment funds or funds or collective</td>
<td>Investment vehicles in which assets are pooled and jointly managed by “fund managers” for investors. Investors participate by owning securities in the funds.</td>
</tr>
<tr>
<td>investment schemes or open ended funds</td>
<td></td>
</tr>
<tr>
<td>long or long side</td>
<td>The position of an investor who buys a security or derivative with a view to an expected price increase before selling.</td>
</tr>
<tr>
<td>marked to market</td>
<td>Assigning a value to a position held in a financial instrument based on the current fair market price for the instrument or similar instruments.</td>
</tr>
<tr>
<td>money market instruments</td>
<td>Short-term debt instruments that give the owner the unconditional right to receive a stated, fixed sum of money on a specified date. Money market instruments include treasury bills, bonds commercial and financial paper, banker’s acceptances, negotiable certificates of deposit and short-term notes issued under note issuance facilities.</td>
</tr>
</tbody>
</table>
options or options contract
A contract that entitles the holder to buy or sell an underlying asset at a given price and before a certain date.

short position or short exposure
The position of an investor that has sold a security or derivative that it did not own but is now committed to eventually purchase to satisfy its obligation to sell, being a strategy used to capitalise on an expected decline in the security's or derivative's price.

structured instruments or structured products
Synthetic investment instruments specially created to meet specific needs that cannot be met from the standardised financial instruments available in the markets. Structured products are typically used as an alternative to a direct investment or as part of an asset allocation process to reduce the risk exposure of a portfolio.

volatility
A measure of dispersion of a set of data from its average. It is the degree of uncertainty of returns on an asset. The higher the value, the more the overall data varies from its average. A fund with an annualised return of 10% and an annualised volatility of 5% indicates that over the relevant performance period, returns in any 12 month period have been between 5% and 15% about two-thirds of the time.
Before completing this Application Form you should read the Prospectus, including the terms and conditions set out in Part VI (Terms and Conditions of the Offer for Subscription).

Please make your cheque payable to Capita Registrars Limited re: FCSS Offer for Subscription (crossed A/C payee only) and return it together with this form by post or by hand to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than midnight on 5 April 2010.

PLEASE COMPLETE IN BLOCK CAPITALS ONLY and in BLACK INK

Box 1 — Application and Amount Payable

Applications must be for a minimum of 2,500 Shares and thereafter in multiples of 1 Share.

| Number of Shares: | at £1 per Share. I have attached a cheque for: | £ |

Box 2 — Applicant Details (Individuals)

| TITLE | Surname | First Names | Minor’s Initials | Home Address | Postcode | Daytime Telephone Number |

Box 3 — Joint Applicants

You may apply with up to 3 joint applicants

<table>
<thead>
<tr>
<th>TITLE</th>
<th>Surname</th>
<th>First Names</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

Box 4 — Corporate Registration Details

<table>
<thead>
<tr>
<th>Company Name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Address</td>
<td></td>
</tr>
<tr>
<td>Contact Name</td>
<td></td>
</tr>
<tr>
<td>Postcode</td>
<td>Telephone Number</td>
</tr>
</tbody>
</table>

Box 5 — CREST

If you would like your shares to be credited to your CREST account please provide details below. The CREST Account must be in same name(s) as the Applicant Details provided in Boxes 2, 3 or 4 above.

| Participant ID | Member Account |

For official use only:
Box 6 — Signature
By completing Box 6 below you are deemed to have read the Prospectus and agreed to the terms and conditions in Part VI (Terms and Conditions of the Offer for Subscription) and to have given the warranties and undertakings set out therein.

Execution by Individuals:

| First Applicant Signature                                      | Date |
|                                                               |      |
| Second Applicant Signature                                    | Date |
| Third Applicant Signature                                     | Date |
| Fourth Applicant Signature                                    | Date |

Execution by a Company:

| Executed by (Name of Company):                                |
|                                                            |
| Name of Director:                                            | Signature: | Date |
| Name of Director/Secretary:                                  | Signature: | Date |
| If you are affixing a company seal, please mark a cross here: | Affix Company Seal here: |

Box 7 — Authorised Financial Intermediaries Details
By completing and stamping Box 7 below you are deemed to have read the Prospectus and agreed to the terms and conditions in Part VI (Terms and Conditions of the Offer for Subscription) and to have given the warranty and undertaking set out therein and in Note 7 of the accompanying Notes on Completion of the Application Form.

| AUTHORISED FINANCIAL INTERMEDIARIES STAMP | Name of Firm |
|                                          | FSA Number   |
|                                          | Signature    |
|                                          | Name         |
|                                          | Position     |
|                                          | Date         |
|                                          | Telephone No |
|                                          | Email Address |

PLEASE AFFIX YOUR CHEQUE HERE
Notes on Completion of the Application Form

It is essential that you complete all parts of the Application Form in accordance with the following instructions.

Authorised Financial Intermediaries MUST read Point 7 of these notes.

1. Application and Amount Payable

Insert in Box 1 the number of Shares you wish to apply for in Fidelity China Special Situations PLC. You must also insert your total payment. Your cheque or banker's draft should be for an amount that represents £1.00 multiplied by the number of Shares for which you are applying.

Your application must be for a minimum of 2,500 Shares and thereafter in multiples of 1 Share.

Payment

Payments must be made by cheque or banker's draft in Sterling drawn on a branch in the United Kingdom of a bank or building society. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to “Capita Registrars Limited re: FCSS Offer for Subscription”. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect.

The account name should be the same as that shown on the application.

Money Laundering Regulations

Under the Money Laundering Regulations 2007, Capita Registrars Limited (Capita) may be required to check the identity of persons who subscribe for in excess of the sterling equivalent of £15,000 of Shares.

Capita may therefore undertake electronic searches for the purposes of verifying identity. To do so Capita may verify the details against the applicant's identity, but also may request further proof of identity. Capita reserve the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.

2. Applicant Details

Insert your title, full name, address and daytime telephone number in BLOCK CAPITALS and black ink in Box 2.

Applications can only be made by persons over the age of 18. However, a grandparent, parent or guardian of a person under 18 may apply for the benefit of a minor by giving the minor's initials in the space provided.

3. Joint Applicants

You may apply with up to three joint applicants. Joint applicants should insert their title and full name in Box 3.

4. Corporate Details

A corporate body wishing to apply for Shares should insert the company name, address and daytime telephone number in BLOCK CAPITALS and black ink in Box 4.

5. CREST

If you would like to receive your new Fidelity China Special Situations PLC Shares in uncertificated form into your CREST account please insert your Participant ID and Member Account number in Box 5. The CREST Account must be in same name(s) as the Applicant(s) Details provided in Box(es) 2, 3 or 4 above. If you are not a CREST Participant or CREST Sponsored Member you should leave Box 5 blank and you will automatically receive a share certificate for your new Fidelity China Special Situations PLC Shares.

6. Signature

By signing the Application Form you are deemed to have read the Prospectus and agreed to the terms and conditions in Part VI (Terms and Conditions of the Offer for Subscription) and to have given the warranties and undertakings set out therein.

Execution by Individuals:

Please sign and date Box 6. All applicants must sign.

The Application Form may only be signed by someone other than the Applicant(s) named in Box(es) 2, 3 or 4 if duly authorised to do so. In such cases the original Power of Attorney (or other relevant legal document) or duly certified copy thereof must be enclosed for inspection.
Execution by a Company:
A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.

PLEASE AFFIX YOUR CHEQUE OR BANKER’S DRAFT TO THE BOTTOM LEFT CORNER OF THE FORM

NOTES FOR AUTHORISED FINANCIAL INTERMEDIARIES ONLY

7. Authorised Financial Intermediaries Details
Authorised financial intermediaries must complete and stamp (giving their full name and address) Box 7 in BLOCK CAPITALS, giving a contact name, telephone number, email address and details of their authorisation under the Financial Services and Markets Act 2000.

Money Laundering Regulations
If you complete and stamp Box 7 of the Application Form you are warranting that the applicant is known to you and that you have completed all the verification procedures as required by the relevant rules and guidance of the FSA, the Joint Money Laundering Steering Group Guidance Notes and other anti-money laundering laws and regulations as may be considered appropriate.

You also confirm that this information can be relied upon by the Receiving Agent and will, subject to reasonable notice, be made available to the Company or the Receiving Agent for inspection upon request.

In the event of delay or failure to produce such information, the Company may refuse to accept an application for the Offer for Subscription.

If you have any queries regarding the procedure for application and payment please call the

Capita Registrars Helpline on 0871 664 0321

Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers’ costs may vary. Lines are open 9.00 am to 5.00 pm (London time) Monday to Friday (except UK public holidays). Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer for Subscription nor give any financial, legal or tax advice.

Return this form by post or by hand to

Capita Registrars, Corporate Actions,
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
to arrive no later than midnight on 5 April 2010