FIDELITY CHINA SPECIAL SITUATIONS PLC

Half-Yearly results for the six months ended 30 September 2021 (unaudited)

Financial Highlights:

- The net asset value ("NAV") of the Company decreased by -16.9% for the six months ended 30 September 2021. The Benchmark Index decreased by -14.4%.
- The discount widened from 1.1% at the start of the reporting period to 9.2%, due to a share price total return of -23.7%.
- Recent regulatory events should be viewed as part of an overarching aim to foster sustainable growth, boost social equality and ensure a balanced economic model.
- History teaches us that these are usually the periods that offer the most attractive opportunities. Corporate earnings for the market are forecast to grow over 15% for the next twelve months, with the Company's portfolio comfortably above this level.

Contacts

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PORTFOLIO MANAGER'S HALF-YEARLY REVIEW

THE PERIOD UNDER REVIEW – SOME COMMENTARY ON KEY EVENTS

Well-publicised concerns over increasing regulation were a major factor in the Chinese markets' decline during the reporting period. However, the current regulatory 'cycle' really began in the fourth quarter of 2020 when Ant Financial unexpectedly cancelled its initial public offering (IPO). This was followed by a series of anti-trust related measures in the internet sector, including Alibaba paying a hefty fine of US$2.8 billion. The next area of focus was on data and national security, culminating in a cybersecurity investigation into Didi (which is still ongoing) and the suspension of new downloads of its app. Outside the internet space, we saw policies focused on areas associated with 'common prosperity', which affected the property, healthcare and education industries – also dubbed China's 'Three Mountains'. The after-school tutoring sector was most severely impacted with many businesses unable to survive the restrictions imposed on certain core exam subjects and services.

Against this backdrop, the Company's NAV declined 16.9% in UK sterling terms, while the MSCI China Index (the Benchmark Index) was down by 14.4% in the six-month reporting period to 30 September 2021. The Company's share price fell by 23.7% over the same period, reflecting a widening of the discount to NAV.

In trying to understand and analyse the government's actions, I believe it is important to recognise some key points. First, the 'hand' of the government, coupled with regulatory direction and implementation, is core to the investment landscape in any market. This is particularly true in China. Therefore, one needs to be aware of trends and the general direction of policy. We have clearly had periods of tightening in the past, for example, government-imposed restrictions around online gaming in 2018. In terms of future policy direction, it is important to be cognisant of the long-term goals laid out in policy documents like the Five-Year Plan when assessing how the regulatory landscape could change and impact an industry's growth profile.

Second, many of these crackdowns are addressing problems that confront countries globally. Big tech and related challenges around anti-trust and data security are examples, as are the challenges around income inequality. While in many cases we can trace the path of regulation, unlike in most other countries, Beijing's implementation can be swift, which often roils markets.

The property sector has been under the spotlight of both policymakers and investors for some time. Reining in property speculation is a crucial aspect of President Xi's vision of a more equal society – think back to 2017 when he commented that houses are 'for living in, not for speculation'. In this current period of scrutiny, it is worth remembering the second half of 2020 when there was a significant recovery in property sales in response to easy monetary policy being rolled out to stave off an economic slowdown amidst the COVID-19 pandemic. After the strong rebound, new measures were announced to control property developers. Of note, the 'three red lines policy' was imposed to limit developers' leverage, with regulation targeting banks to control their overall exposure to the property sector; and at the start of 2021, a centralised land supply policy was implemented with the aim of controlling and lowering land costs.

At the time of writing, the market remains nervous about the property segment as no concrete plans have been announced by the authorities to assist with the potential defaults of struggling developers – with Evergrande the leading example of the sector's woes (the portfolio does not have any exposure to this company). While it is likely that we will see some developers default, I feel that the systemic risk remains low. Although comparisons to the situation in the US around the financial crisis of 2008 can be drawn, they are very different given the nature of the companies involved and the general control Beijing has over the economy. In terms of Evergrande itself, it remains an evolving situation. My base case is a government led restructuring, with a focus on project completion and asset disposals to meet social obligations.

Broadly speaking, while I do not expect President Xi's drive towards a healthier, less speculative property sector to be reversed anytime soon, one should not be surprised to see some policy fine tuning in the near-term as both property and land sales continue to slow down. All things considered; it is reasonable to expect some level of policy normalisation in the form of faster mortgage release in the not too distant future. More importantly, on the back of a period of tightening, there is significant scope to loosen policy.

The slowdown in the property sector combined with weaker than expected credit growth and the negative impact from the power shortage situation, have had a detrimental effect on the wider economy with annualised gross domestic product growth of only 4.9% in the third quarter of 2021. It should be noted that economists and market commentators are broadly anticipating growth of around 8% overall for the year as China's economy recovers from the effects of the pandemic. Consequently, I believe there is good potential for greater monetary and fiscal stimulus measures towards the end of this year.

PERFORMANCE AND PORTFOLIO REVIEW

Regulatory concerns weighed on technology-related shares over the period, particularly in sectors such as communication services in the Company's portfolio. Significant exposure in this sector was a key factor in the Company's underperformance over the review period. In particular, the holding in the Chinese short-video application company Kuaishou Technology detracted from performance in light of negative regulatory news flow along with increased competitive pressures which have resulted in higher-than-expected promotional costs. Regulatory changes are also expected to impact its advertising network business as data sharing with external parties becomes more difficult. However, its short-video platform is still among the most popular social media companies in China, ranking third in terms of total time spent online following Tencent's Weixin and ByteDance's Douyin (both owned in the portfolio). It is also one of the few internet companies that has robust growth in users. Also, in the same sector, an exposure to Autohome, the largest auto internet platform in China, detracted from returns. The slowdown in car sales, with chip shortages being a major factor, have impacted promotional spend in the sector. However, I remain positive given its value proposition to OEMs (original equipment manufacturers) and dealers remains intact and would benefit from a recovery in car sales as supply chain pressures alleviate.

21Vianet Group is one of the largest carrier-neutral internet data centre ("IDC") operators in China. However, its share price performance suffered with concerns over growing competition in the IDC market and news of a large shareholder announcing the sale of its stake. The latter is a short-term overhang, and I remain positive on the mid-term outlook for the stock. IDC demand is a structural growth story in China driven by factors such as increasing usage of internet via mobile devices on the consumer side and increasing demand for cloud and IT services on the enterprise side. Competitive intensity is rising on the wholesale side of the business – mostly serving the large internet companies – but this is now factored into forecasts and well understood in the market. The company's management has been executing and delivering on its ambitious growth plans and earnings have either been in-line with or exceeded expectations.

The portfolio's materials exposure also proved unrewarding over the period. A holding in Asia Cuanon Technology, a leading paint producer, underperformed as rising input costs negatively impacted margins. On the positive side, this company is pushing through price hikes and industry dynamics remain unchanged. I believe that the long-term story around industry consolidation is in place, and the company will continue to gain market share in this highly fragmented industry.

In terms of positive contributors, an overweight position in the healthcare space, coupled with an underweight real estate exposure, benefited the Company's performance.

Within healthcare, an overweight position in WuXi AppTec Group supported returns. Policy-wise, as one of the 'Three Mountains', investors appeared overly cautious regarding potential regulatory changes in the healthcare sector. While I believe that we need to be concerned over pricing pressures in the generic drug sector, the continued emphasis from the government on developing the innovative drug sector remains very much intact. WuXi is a key facilitator in this area, especially as more Chinese companies increase their global market share and also license their products to global players. Furthermore, I believe the prospects for China establishing itself as a global hub for innovation in drug development will gain traction. WuXi AppTec's management is very focused on its key strengths in talent attraction and retention. Long-term revenue/ earnings visibility remains compelling, with over 30% compound annual growth rate ("CAGR") likely over the next three years.

Similarly, Bio-pharmaceutical company Hutchison China MediTech also added value over the six-month reporting period as it made progress on what continues to be an exciting development pipeline. The company is also building out its commercial platform in China with strong sales growth recently announced in its interim results. The announcement of an in-licensing deal with Epizyme also looks to be a positive step towards the company leveraging its growing domestic sales operation.

Meanwhile, in the consumer discretionary sector, an overweight exposure to Xtep International proved rewarding. Chinese sportswear brands benefit from the secular tailwind of growing disposable income and rising awareness and interest in sports and healthy lifestyles. With the sector growing at low-to-mid teens CAGR and policymakers' focus on increased sporting and exercising activities, top local brands (as well as top foreign labels) are outgrowing the industry. Whilst the long-term structural growth story regarding Chinese sports brands remains attractive, given where valuations reached during summer, I took profit and sold out of the holding.

Within industrials, the Company's exposure to CIMC Enric, a manufacturer of gas equipment and liquid tanks with leading technology was positive. It has a product mix and strategy well aligned with China's environmental goals. Clean energy equipment is leveraged to the increase in gas consumption, as its proportion in China's primary energy mix grows, particularly with a higher proportion of LNG (liquified natural gas). Hydrogen-related equipment has long-term option value. The company's joint venture with Hexagon of Norway in advanced hydrogen engines as well as its first-mover advantage in hydrogen energy products (including hydrogen cylinder, container, compressors, which incidentally also share some commonalities from its existing gas business) allow CIMC Enric to tap into the tremendous long-term demand in the green hydrogen market, although the current earnings contribution remains limited.

THE CONTINUED FOCUS ON ESG AND SUSTAINABILITY

The evaluation of environmental, social and governance ("ESG") factors is a core part of Fidelity's investment process and I continue to see progress regarding the level of engagement and transparency with Chinese companies. In particular, much has improved in areas such as board diversity and the environment. Sustainability factors are key topics of conversation with corporates and many management teams are looking at ways to generate a more sustainable outcome for their companies.

ESG market scores, such as Morningstar's Sustainability Atlas, report that China continues to lag most other major markets. Despite this, we are encouraged by the fast rates of improvement we are seeing with China's regulatory commission engaging with companies to improve the disclosure of ESG metrics to align themselves more with the standards in Hong Kong – Hong Kong ranks fourth in Morningstar's Sustainability Atlas and is the most sustainable non-European market (the US ranks 13th out of 48 countries, while the UK is 15th).

Not only is this a good outcome globally, but I also believe better ESG practices are a key source of performance for the portfolio over the longer-term. In the past, I have referred to Fidelity's proprietary ESG ratings system whereby its internal analysts assign ESG ratings to investee companies. For me, these ratings are far more 'up to date' than those of mainstream ratings agencies and also better reflect the result of our direct engagement with the companies that we invest in. Furthermore, I am pleased to highlight that the scores of the companies in the portfolio are well ahead of the Benchmark Index and continue to improve.

An ESG example in the portfolio is Beijing Oriental Yuhong Waterproof Technology, a leading player in the waterproofing industry, which is a key element in building construction. This company is extremely well managed, and scores well across our key ESG metrics. It has a strong environmental discipline, delivers high quality products, has good labour management, and maintains strong interest alignment with a significant proportion of staff being shareholders. By some measures, buildings are responsible for over 40% of global emissions, and thus, building technology can be a major factor in controlling and reducing emissions. It is also a major supplier of insulation – a key area for potential reduction.

CURRENT POSITIONING

As discussed in the Annual Report for the year ended 31 March 2021, one of the bigger shifts in the portfolio has been a reduction in holdings in the consumer discretionary sector, mostly because of valuation levels, and an increase in holdings in materials and industrials. The thesis around industry consolidation in areas like building materials remains very much in place. However, I have trimmed some positions given rising concerns over the residential property slowdown and potential knock-on effects to the industry from the troubled developers in the market.

In the financial space, I remain positive on the outlook for life insurance on rising penetration over the mid-term. Near-term fundamentals generally remain tepid, but I believe this is more than factored into what remain very attractive valuations. Whilst I remain underweight the banking sector, I have built a position in the Postal Savings Bank of China, which I believe is undervalued given its strong, growing position in retail banking and wealth management helping to drive superior returns relative to the sector. We are encouraged by the clear focus of the new management team, including a strong emphasis on growing its green financing.

After the significant recent correction in technology related names, I feel that the risk/ reward payoff is now tipping much more in our favour in these companies. While there is still risk of new regulation, as we think about what could come next, there is a good chance that we are near or close to a "peak" in terms of negative news flow. As discussed earlier, the government has ambitious long-term goals in areas of economic development and innovation. Clearly these will be difficult to achieve without a vibrant private sector. At the same time, valuations for many companies have moved to historical lows and look even more compelling when we compare them to global peers.

As is often the case with broad-based corrections, some stocks with lesser regulatory risk have also been sold off, presenting opportunities. Interestingly, this includes some smaller companies that could actually benefit since most of the new regulation focuses on larger companies. As I have added to some long positions, and closed some of the short positions, net gearing for the portfolio has increased and, at the time of writing, was around 23%.

Also contributing to the higher leverage is the addition of three new unlisted holdings. Tuhu Car is the number one brand for independent auto aftermarket product and services in China. It greatly improves efficiency through an Online-to-Offline model by combining its outstanding online platform to offline branded franchisees. Cutia Therapeutics is an emerging leader in the dermatology and medical aesthetics space in China, an area of great growth potential. Beijing Beisen is a first-class HRM (human resource management) software company. It is the clear leader and should continue to take market share from its competitors due to its superior cloud and integrated solutions for talent management. Despite the market correction, I still feel positive about the outlook for the unlisted portion of the portfolio and the progress being made in the respective businesses. I am pleased with and appreciative of shareholders approval of the proposal at the AGM in July 2021 to raise the limit on unlisted stocks to 15% of Net Assets plus Borrowings, given the flexibility that this provides to capitalise on potential new opportunities. As at 30 September 2021, the level of investment in unlisted securities was 11.3%. The unlisted investments in the portfolio contributed 1.7% to the Company's NAV return during the six month reporting period.

Looking forward, it is important to be focused on the risks in China and to follow regulatory developments closely. In addition, developments in the property sector will be keenly monitored as this has been a significant driver of both economic growth and of local government finances, and a major component of the health of the consumer balance sheet. Clearly, we are at a turning point for the sector – lower levels of activity are a given, but any significant correction in prices could clearly impact the consumers' mindset. Higher taxes, including property taxes, are other possibilities that will need to be considered. Having said this, and as mentioned earlier in my report, when coming out of a period of tightening there is significant scope for Beijing to adjust its policies.

It has been a volatile period, but we have seen times like this before, and most likely will see them again. While the combination of the risks I have outlined above is negatively impacting sentiment towards China currently, history teaches us that these are usually the periods that offer the most attractive opportunities. Corporate earnings for the market are forecast to grow over 15% for the next twelve months, with the Company's portfolio comfortably above this level. Meanwhile, the market overall is trading on a price earnings multiple that is attractive relative to history and relative to other stock markets globally. On the ground in the region, Fidelity continues to place key emphasis on growing and developing its research team to help identify and analyse the best investment opportunities – both in the listed and unlisted areas of the market. Furthermore, as we engage with companies, we note that even those in the regulatory cross hairs generally remain positive and resilient as they navigate the changing environment.

Details of the Company's Top 5 Holdings can be found below and include my theses for investing in these positions.

I have always disclosed in the Annual Report that I am a shareholder in the Company and in line with recommendations around disclosing one's "skin in the game", I can confirm that I currently own 96,742 shares.

DALE NICHOLLS
Portfolio Manager
29 November 2021

SPOTLIGHT ON THE TOP 5 HOLDINGS AS AT 30 SEPTEMBER 2021

The top five holdings comprise 28.9% of the Company's Net Assets.

Industry Information Technology

Tencent Holdings

% of Net Assets **10.7%**

The Portfolio Manager remains positive on the Company's holding in Tencent given its strong position in running the dominant social network in China and the attendant benefits of powerful network effects. As China's internet user growth slows down, Tencent has carefully nurtured and enriched its user experience, and its enviable user base distinguishes it from global peers. Tencent recently consolidated its leading position in internet gaming by mediating a merger between Chinese game broadcasting platforms Huya and DouYu, thereby securing a controlling stake in the new company after the completion of the merger. The recent sell-off has brought valuations to attractive levels.

Industry Consumer Discretionary

Alibaba Group Holding

% of Net Assets **8.5%**

Alibaba holds a leading position in the e-commerce market. The company has built a comprehensive ecosystem that has superior breadth and depth and is the foundation of the highly sticky merchants and consumers base, which ultimately supports its pricing power. Furthermore, the company built an environment of continuous innovation which has enabled it to expand and increase its addressable market. The pandemic has accelerated the trend towards digitalisation, which is a long-term driver of Alibaba's growth in the e-commerce business. Its cloud business is also likely to continue its strong growth trajectory, as more corporates use its infrastructure to become digital ready. We also saw anti-trust regulation in the technology space, which resulted in a fine for Alibaba. The extent of the fine was largely as expected and Alibaba fully intends to comply and look at ways to further strengthen the customer value creation and experience and introduce new measures to lower entry barriers and costs of operations on its platform. Valuations are now very attractive, particularly compared with global peers.

Industry Information Technology

WuXi AppTec Group

% of Net Assets **4.7%**

The company is a long-term beneficiary from increasing pharmaceutical and biotech contract research and manufacturing ("CDMO/CMO") demand globally. China's CDMO/CMO business has significant investment potential, driven by a structural shift from generic to innovative drugs in the country's pharmaceutical market. WuXi has established a talent pool with strong technical skills which has helped to drive a loyal client base. Looking ahead, there is exciting potential upside from new technology developments, such as its cell/gene therapy business.

Industry Financials

Noah Holdings

% of Net Assets **2.6%**

The company is a leading independent wealth management service provider in China offering comprehensive one-stop advisory services. It offers a long runway for growth and is well positioned in China's booming wealth management and private banking industry. The business is transitioning from selling high credit risk/implicit guarantee products to standard/equity-oriented products. Broadening interest in mutual fund markets supports the transition, as will any shift in household assets away from the property market.

Industry Information Technology

21Vianet Group

% of Net Assets **2.4%**

The company is one of the largest carrier-neutral internet data centre ("IDC") operators in China. IDC demand is a structural growth story in China driven by factors such as the increasing usage of internet via mobile devices on the consumer side and the increasing demand for cloud and IT services on the enterprise side. While building upon its traditional retail market, 21Vianet has kickstarted its wholesale business from 2019, and this dual engine strategy should put it in a strong position in the coming years. The stock was derated recently on competitive and regulatory concerns which appear to be overstated.

TWENTY LARGEST HOLDINGS AS AT 30 SEPTEMBER 2021

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

	Asset Exposure £'000	%[1]	Fair Value £'000
Long Exposures – shares unless otherwise stated			
Tencent Holdings (shares and long CFDs)			
Internet, mobile and telecommunications service provider	191,546	10.7	102,984
Alibaba Group Holding (shares and long CFDs)			
e-commerce group	153,022	8.5	84,339
WuXi AppTec Group (long CFDs)			
Pharmaceutical, biopharmaceutical and medical device outsourcing provider	84,967	4.7	3,381
Noah Holdings			
Asset managers	47,410	2.6	47,410
21Vianet Group			
Internet and data center service provider	42,114	2.4	42,114
Hutchison China MediTech			
Pharmaceutical and healthcare group	41,079	2.3	41,079
China Pacific Insurance Group (long CFDs)			
Insurance company	35,969	2.0	439
Beijing Oriental Yuhong Waterproof Technology (shares and equity linked notes)			
Waterproof system provider	35,030	2.0	35,030
SKSHU Paint Company			
Paint manufacturing company	34,620	1.9	34,620
Pony.ai (unlisted)			
Developer of artificial intelligence and autonomous driving technology solutions	32,596	1.8	32,596
Zhejiang Dahua Technology			
Provider of video surveillance products and services	28,711	1.6	28,711
China Life Insurance (shares and long CFDs)			
Insurance company	28,220	1.6	2,086
HollySys Automation Technologies			
Provider of automation control system solutions	27,994	1.6	27,994
DJI International Company (unlisted)			
Manufacturer of drones	27,971	1.6	27,971
Full Truck Alliance (ADS and unlisted)			
Provider of specialised freight trucking services	27,785	1.6	27,785
Trip.com Group (long CFD)			
Travel services provider	27,690	1.5	1,157
China Lesso Group Holdings (long CFD)			
Manufacturer of building materials and interior decoration products	27,278	1.5	(6,666)
Chime Biologics Convertible Bond (unlisted)			
Contract Development and Manufacturing Organization (CDMO)	26,284	1.5	26,284
Venturous Holdings (unlisted)			
Investment company	25,986	1.4	25,986
Crystal International Group			
Clothing manufacturer	25,851	1.4	25,851
	---------------	---------------	---------------
Twenty largest long exposures	**972,123**	**54.2**	**611,151**
Other long exposures	1,433,369	80.0	1,152,631
	---------------	---------------	---------------
Total long exposures before hedges (155 holdings)	**2,405,492**	**134.2**	**1,763,782**
	=========	=========	=========

Less: hedging exposure			
Hang Seng Index (future)	(104,350)	(5.8)	(620)
Hang Seng China Enterprises Index (future)	(65,488)	(3.7)	(1,086)
	---------------	---------------	---------------
Total hedging exposures	**(169,838)**	**(9.5)**	**(1,706)**
	=========	=========	=========
Total long exposures after the netting of hedges	**2,235,654**	**124.7**	**1,762,076**
	=========	=========	=========
Add: short exposures			
Short CFDs (6 holdings)	50,751	2.8	2,648
Put options (3 holdings)	615	–	94
	---------------	---------------	
Gross Asset Exposure[2]	**2,287,020**	**127.5**	
	=========	=========	
Portfolio Fair Value[3]			**1,764,818**
Net current assets (excluding derivative instruments) less non-current liabilities			28,409

Net Assets			**1,793,227**
			=========

1 Asset Exposure is expressed as a percentage of Net Assets.
2 Gross Asset Exposure comprises market exposure to investments of £1,775,879,000 plus market exposure to derivative instruments of £511,141,000.
3 Portfolio Fair Value comprises Investments of £1,775,879,000 plus derivative assets of £15,652,000 less derivative liabilities of £26,713,000 (per the Balance Sheet below).

INTERIM MANAGEMENT REPORT AND DIRECTORS' RESPONSIBILITY STATEMENT

UNLISTED COMPANIES

The Company is permitted to invest up to 15% of its Net Assets plus borrowings in unlisted companies. The unlisted space in China continues to expand quite markedly and offers excellent opportunities for patient and long-term investors.

Since the year end, the Company has invested in three unlisted companies which are Beijing Beisen, Tuhu Car and Cutia Therapeutics. As at 30 September 2021, the Company had 11.3% of Net Assets plus borrowings in twelve unlisted investments (31 March 2021: 7.4% of Net Assets plus borrowings in nine unlisted investments).

GEARING

The Company has a three-year unsecured fixed rate facility agreement with Scotiabank Europe PLC for US$100,000,000. The interest rate is fixed at 2.606% per annum until the facility terminates on 14 February 2023.

To achieve further gearing, the Company uses contracts for difference ("CFDs") on a number of holdings in its portfolio.

At 30 September 2021, the Company's Gross Gearing, defined as the Gross Asset Exposure in excess of Net Assets, was 27.5% (31 March 2021: 26.2%). The level of Gross Gearing is determined by the Manager within the limit set by the Board of 30%. Net Gearing, which nets off short positions, was 21.9% (31 March 2021: 18.4%).

DISCOUNT MANAGEMENT

The Board believes that investors are best served when the Company's share price trades close to its net asset value. The Board recognises that the share price is affected by the interaction of supply and demand in the market based on investor sentiment towards China and the performance of the NAV per share. The Board has a discount control policy in place whereby it seeks to maintain the discount in single digits in normal market conditions. Subject to market conditions, it will authorise the repurchase of shares with the objective of stabilising the share price discount within a single digit range.

The Company's discount widened from 1.1% at the start of the reporting period to 9.2% at the end of the reporting period. In September 2021, the Board authorised the repurchase of 440,000 ordinary shares into Treasury in an effort to control the discount. Prior to that, the Company had not carried out any share repurchases since September 2020. These share repurchases have benefited remaining shareholders as the NAV per share has been increased by purchasing shares at a discount. Since the end of the reporting period and as at the date of this report, the Company has repurchased a further 576,229 ordinary shares into Treasury. No shares have been repurchased for cancellation.

ONGOING CHARGE

The Ongoing Charge (the costs of running the Company) for the six months ended 30 September 2021 was 0.92% (31 March 2021: 0.97%). The variable element of the management fee was a charge of 0.20% (31 March 2021: 0.12%). Therefore, the Ongoing Charge including the variable element for the reporting period was 1.12% (31 March 2021: 1.09%).

MANAGEMENT FEES

With effect from 1 April 2021, the Board agreed a reduced management fee with the Manager, FIL Investment Services (UK) Limited. The revised fee structure is on a tiered basis of 0.90% on the first £1.5 billion of net assets, reducing to 0.70% on net assets over £1.5 billion. The variable element of +/- 0.20% from the previous fee structure remains unchanged. At the same time, the fixed annual fee of £100,000 for services other than portfolio management has been removed. The revised fee will provide savings on the overall percentage costs for shareholders assuming net assets remained constant.

BOARD OF DIRECTORS

Having served on the Board as a non-executive Director since 1 November 2011 and as a Senior Independent Director since 22 July 2016, Elisabeth Scott stepped down from the Board at the conclusion of the Annual General Meeting ("AGM") on 20 July 2021. She was succeeded as a non-executive Director by Alastair Bruce who was appointed to the Board on 1 July 2021 and as Senior Independent Director by Linda Yueh from 20 July 2021.

As part of the Board's succession plan, Nicholas Bull will retire as Chairman at the AGM in July 2022. Following a formal process, it was decided by the Board that Mike Balfour will succeed him as Chairman at the conclusion of the AGM. Mr Bruce will succeed Mr Balfour as Chairman of the Audit and Risk Committee at the conclusion of the same AGM.

PRINCIPAL AND EMERGING RISKS

The Board, with the assistance of the Manager (FIL Investments Services (UK) Limited), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks and uncertainties faced by the Company.

The Board considers that the principal risks and uncertainties faced by the Company fall into the following categories: market, economic and geopolitical; investment performance; pandemic; gearing; discount control; key person; environmental, social and governance ("ESG"); and cybercrime risks. Other risks facing the Company include tax and regulatory and operational (third party service providers) risks. Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 March 2021 which can be found on the Company's pages of the Manager's website at **www.fidelity.co.uk/china**.

These principal risks and uncertainties have not materially changed during the six months to 30 September 2021 and are equally applicable to the remaining six months of the Company's financial year.

Risks from emerging new variants of COVID-19 continue, including the availability of suitable vaccines to tackle the new variants. Investors should be prepared for market fluctuations and remember that holding shares in the Company should be considered to be a long-term investment. These risks are somewhat mitigated by the investment trust structure of the Company which means that no forced sales need to take place to deal with any redemptions. Therefore, investments in the Company's portfolio can be held over a longer time horizon.

The Manager carries on reviewing its business continuity plans and its operational resilience strategies on an ongoing basis. It continues to take all reasonable steps in meeting its regulatory obligations and to assess operational risks, the ability to continue operating and the steps it needs to take to serve and support its clients, including the Board. The Manager has appropriate business continuity plans in place and the provision of services continued to be supplied without interruption during the pandemic and continues to do so.

Investment team key activities, including those of portfolio managers, analysts and trading/ support functions, have continued to perform well despite the operational challenges posed when working from home or when split team arrangements were in place.

The Company's other third party service providers have also implemented similar measures to ensure that business disruption is kept to a minimum.

TRANSACTIONS WITH THE MANAGER AND RELATED PARTIES
The Manager has delegated the Company's investment management to FIL Investment Management (Hong Kong) Limited and has delegated the role of company secretary to FIL Investments International. Transactions with the Manager and related party transactions with the Directors are disclosed in Note 15 to the Financial Statements below.

GOING CONCERN STATEMENT
The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio and its expenditure and cash flow projections. They have considered the liquidity of the Company's portfolio of investments (being mainly securities which are readily realisable), the projected income and expenditure and the loan facility agreement. The Directors are satisfied that the Company is financially sound and has sufficient resources to meet all of its liabilities and ongoing expenses and can continue in operational existence for a period of at least twelve months from the date of this Half-Yearly Report. Accordingly, they continue to adopt the going concern basis in preparing these Financial Statements.

This conclusion also takes into account the Board's assessment of the ongoing risks from COVID-19 and evolving variants as set out above.

By order of the Board.
FIL INVESTMENTS INTERNATIONAL
29 November 2021

DIRECTORS' RESPONSIBILITY STATEMENT
The Disclosure and Transparency Rules ("DTR") of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

a) the condensed set of Financial Statements contained within this Half-Yearly Report has been prepared in accordance with the International Accounting Standards 34: Interim Financial Reporting; and

b) the Portfolio Manager's Half-Yearly Review and the Interim Management Report above, include a fair review of the information required by DTR 4.2.7R and 4.2.8R.

The Half-Yearly Report has not been audited or reviewed by the Company's Independent Auditor.

The Half-Yearly Report was approved by the Board on 29 November 2021 and the above responsibility statement was signed on its behalf by Nicholas Bull, Chairman.

INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

		Six months ended 30 September 2021 unaudited			Year ended 31 March 2021 audited			Six months ended 30 September 2020 unaudited		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue										
Investment income	4	26,069	–	26,069	21,012	–	21,012	17,614	–	17,614
Derivative income	4	10,815	–	10,815	11,689	–	11,689	10,967	–	10,967
Other income	4	15	–	15	80	–	80	70	–	70
Total income		36,899	–	36,899	32,781	–	32,781	28,651	–	28,651
(Losses)/gains on investments at fair value through profit or loss		–	(323,838)	(323,838)	–	725,388	725,388	–	441,177	441,177
(Losses)/gains on derivative instruments		–	(59,921)	(59,921)	–	266,752	266,752	–	166,289	166,289
Foreign exchange gains/(losses) on other net assets		–	1,316	1,316	–	(12,401)	(12,401)	–	(4,397)	(4,397)
Foreign exchange (losses)/gains on bank loans		–	(1,771)	(1,771)	–	7,825	7,825	–	2,879	2,879
Total income and (losses)/gains		36,899	(384,214)	(347,315)	32,781	987,564	1,020,345	28,651	605,948	634,599
Expenses										
Investment management fees	5	(2,179)	(8,600)	(10,779)	(4,119)	(14,472)	(18,591)	(1,776)	(5,337)	(7,113)
Other expenses		(732)	(12)	(744)	(1,260)	(108)	(1,368)	(594)	–	(594)
Profit/(loss) before finance costs and taxation		33,988	(392,826)	(358,838)	27,402	972,984	1,000,386	26,281	600,611	626,892
Finance costs	6	(1,067)	(3,202)	(4,269)	(2,253)	(6,758)	(9,011)	(1,334)	(4,001)	(5,335)
Profit/(loss) before taxation		32,921	(396,028)	(363,107)	25,149	966,226	991,375	24,947	596,610	621,557
Taxation	7	(1,579)	448	(1,131)	(760)	–	(760)	(1,164)	459	(705)
Profit/(loss) after taxation for the period		31,342	(395,580)	(364,238)	24,389	966,226	990,615	23,783	597,069	620,852
Earnings/(loss) per ordinary share	8	6.08p	(76.74p)	(70.66p)	4.70p	186.11p	190.81p	4.55p	114.20p	118.75p

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

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

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

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

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
Six months ended 30 September 2021 (unaudited)								
Total equity at 31 March 2021		5,710	211,569	917	248,491	1,676,791	39,499	2,182,977
Repurchase of ordinary shares	13	–	–	–	(1,388)	–	–	(1,388)
(Loss)/profit after taxation for the period		–	–	–	–	(395,580)	31,342	(364,238)
Dividend paid to shareholders	9	–	–	–	–	–	(24,124)	(24,124)
Total equity at 30 September 2021		5,710	211,569	917	247,103	1,281,211	46,717	1,793,227
Year ended 31 March 2021 (audited)								
Total equity at 31 March 2020		5,713	211,569	914	307,049	710,565	37,237	1,273,047
Repurchase of ordinary shares	13	–	–	–	(58,558)	–	–	(58,558)
Cancellation of ordinary shares from Treasury	13	(3)	–	3	–	–	–	–
Profit after taxation for the year		–	–	–	–	966,226	24,389	990,615
Dividend paid to shareholders	9	–	–	–	–	–	(22,127)	(22,127)
Total equity at 31 March 2021		5,710	211,569	917	248,491	1,676,791	39,499	2,182,977
Six months ended 30 September 2020 (unaudited)								
Total equity at 31 March 2020		5,713	211,569	914	307,049	710,565	37,237	1,273,047
Repurchase of ordinary shares	13	–	–	–	(58,558)	–	–	(58,558)
Profit after taxation for the period		–	–	–	–	597,069	23,783	620,852
Dividend paid to shareholders	9	–	–	–	–	–	(22,160)	(22,160)
Total equity at 30 September 2020		5,713	211,569	914	248,491	1,307,634	38,860	1,813,181

BALANCE SHEET AS AT 30 SEPTEMBER 2021
Company number 7133583

	Notes	30.09.21 unaudited £'000	31.03.21 audited £'000	30.09.20 unaudited £'000
Non-current assets				
Investments at fair value through profit or loss	10	1,775,879	2,167,275	1,721,038
Current assets				
Derivative instruments	10	15,652	33,296	177,028
Amounts held at futures clearing houses and brokers		27,431	19,872	37,736
Other receivables	11	32,428	22,749	5,787
Cash at bank		53,778	66,404	6,320
		129,289	142,321	226,871
Current liabilities				
Derivative instruments	10	(26,713)	(22,208)	(50,724)
Other payables	12	(10,983)	(31,937)	(6,584)
		(37,696)	(54,145)	(57,308)
Net current assets		91,593	88,176	169,563
Total assets less current liabilities		1,867,472	2,255,451	1,890,601
Non-current liabilities				
Bank loan		(74,245)	(72,474)	(77,420)
Net assets		1,793,227	2,182,977	1,813,181
Equity attributable to equity shareholders				
Share capital	13	5,710	5,710	5,713
Share premium account		211,569	211,569	211,569
Capital redemption reserve		917	917	914
Other reserve		247,103	248,491	248,491
Capital reserve		1,281,211	1,676,791	1,307,634
Revenue reserve		46,717	39,499	38,860
Total equity		1,793,227	2,182,977	1,813,181
Net asset value per ordinary share	14	348.18p	423.50p	351.76p

CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Six months ended 30 September 2021 unaudited £'000	Year ended 31 March 2021 audited £'000	Six months ended 30 September 2020 unaudited £'000
Operating activities			
Cash inflow from investment income	22,289	20,241	14,444
Cash inflow from derivative income	9,511	11,794	11,079
Cash inflow from other income	15	80	70
Cash outflow from Directors' fees	(91)	(201)	(120)
Cash outflow from other payments	(11,729)	(18,580)	(6,855)
Cash outflow from the purchase of investments	(443,154)	(1,159,050)	(529,431)
Cash outflow from the purchase of derivatives	(701)	(23,789)	–
Cash outflow from the settlement of derivatives	(282,358)	(258,808)	(27,290)
Cash inflow from the sale of investments	509,023	998,888	532,218
Cash inflow from the settlement of derivatives	219,747	539,536	62,383
Cash (outflow)/inflow from amounts held at futures clearing houses and brokers	(7,559)	19,623	1,759
	---------------	---------------	---------------
Net cash inflow from operating activities before servicing of finance	14,984	129,734	58,257
	=========	=========	=========
Financing activities			
Cash outflow from collateral, overdraft and loan interest paid	(979)	(2,140)	(1,122)
Cash outflow from CFD interest paid	(1,320)	(5,924)	(3,758)
Cash outflow from short CFD dividends paid	(1,716)	(703)	(465)
Cash outflow from the repurchase of ordinary shares	(787)	(58,558)	(58,558)
Cash outflow from dividends paid to shareholders	(24,124)	(22,127)	(22,160)
	---------------	---------------	---------------
Cash outflow from financing activities	(28,926)	(89,452)	(86,063)
	---------------	---------------	---------------
(Decrease)/increase in cash at bank	(13,942)	40,282	(27,806)
Cash at bank at the start of the period	66,404	38,523	38,523
Effect of foreign exchange movements	1,316	(12,401)	(4,397)
	---------------	---------------	---------------
Cash at bank at the end of the period	53,778	66,404	6,320
	=========	=========	=========

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACTIVITY

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

2 PUBLICATION OF NON-STATUTORY ACCOUNTS

The Financial Statements in this Half-Yearly Report have not been audited or reviewed by the Company's Independent Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act"). The financial information for the year ended 31 March 2021 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

3 ACCOUNTING POLICIES

(i) Basis of Preparation

On 31 December 2020, International Financial Reporting Standards as adopted by the European Union at that date were brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. There was no impact or changes to the accounting policies from the transition.

These Half-Yearly Financial Statements have been prepared in accordance with UK-adopted International Accounting Standard 34: Interim Financial Reporting and use the same accounting policies as set out in the Company's Annual Report and Financial Statements for the year ended 31 March 2021. Those Financial Statements were prepared in accordance with International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006, IFRC interpretations and, as far as it is consistent with IAS, the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC") in October 2019.

The AIC updated the SORP in April 2021. The Directors have sought to prepare these financial statements in accordance with this SORP where the recommendations are consistent with IAS.

(ii) Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements. This conclusion also takes into account the Board's assessment of the continuing risks arising from COVID-19 and evolving variants.

4 INCOME

	Six months ended 30.09.21 unaudited £'000	Year ended 31.03.21 audited £'000	Six months ended 30.09.20 unaudited £'000
Investment income			
Overseas dividends	25,063	20,257	16,964
Overseas scrip dividends	1,006	755	650
	26,069	21,012	17,614
Derivative income			
Dividends received on long CFDs	10,764	11,444	10,776
Interest received on CFDs	51	245	191
	10,815	11,689	10,967
Other income			
Interest received on collateral and deposits	15	80	70
Total income	36,899	32,781	28,651

Special dividends of £nil (year ended 31 March 2021: £29,083,000 and six months ended 30 September 2020: £nil) have been recognised in capital.

5 INVESTMENT MANAGEMENT FEES

	Revenue £'000	Capital £'000	Total £'000
Six months ended 30 September 2021 (unaudited)			
Investment management fee – base	2,179	6,537	8,716
Investment management fee – variable*	–	2,063	2,063

	---------------	---------------	---------------
	2,179	8,600	10,779
	=========	=========	=========
Year ended 31 March 2021 (audited)			
Investment management fee – base	4,119	12,356	16,475
Investment management fee – variable*	–	2,116	2,116
	---------------	---------------	---------------
	4,119	14,472	18,591
	=========	=========	=========
Six months ended 30 September 2020 (unaudited)			
Investment management fee – base	1,776	5,328	7,104
Investment management fee – variable*	–	9	9
	---------------	---------------	---------------
	1,776	5,337	7,113
	=========	=========	=========

* For the calculation of the variable management fee element, the Company's NAV return was compared to the Benchmark Index return on a daily basis. The period used to assess the performance was from 1 July 2018 until a three year history was established. From 1 July 2021 the performance period is now on a rolling three year basis.

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

From 1 April 2021, the base investment management fee is charged at an annual rate of 0.90% on the first £1.5 billion of net assets, reducing to 0.70% of net assets over £1.5 billion. Prior to this date, the investment management fee was charged at an annual rate of 0.90% of net assets. In addition, there is a +/-0.20% variation fee based on the Company's NAV per share performance relative to the Company's Benchmark Index. Fees are payable monthly in arrears and are calculated on a daily basis.

6 FINANCE COSTS

	Revenue £'000	Capital £'000	Total £'000
Six months ended 30 September 2021 (unaudited)			
Interest on bank loan, collateral and overdrafts	246	739	985
Interest paid on CFDs	392	1,176	1,568
Dividends paid on short CFDs	429	1,287	1,716
	---------------	---------------	---------------
	1,067	3,202	4,269
	=========	=========	=========
Year ended 31 March 2021 (audited)			
Interest on bank loan, collateral and overdrafts	529	1,585	2,114
Interest paid on CFDs	1,548	4,646	6,194
Dividends paid on short CFDs	176	527	703
	---------------	---------------	---------------
	2,253	6,758	9,011
	=========	=========	=========
Six months ended 30 September 2020 (unaudited)			
Interest on bank loan, collateral and overdrafts	278	834	1,112
Interest paid on CFDs	940	2,818	3,758
Dividends paid on short CFDs	116	349	465
	---------------	---------------	---------------
	1,334	4,001	5,335
	=========	=========	=========

7 TAXATION

	Revenue £'000	Capital £'000	Total £'000
Six months ended 30 September 2021 (unaudited)			
UK corporation tax	448	(448)	–
Overseas taxation charge	1,131	–	1,131
	---------------	---------------	---------------

Taxation charge for the period	1,579	(448)	1,131
	=========	=========	=========
Year ended 31 March 2021 (audited)			
UK corporation tax	–	–	–
Overseas taxation charge	760	–	760
	---------------	---------------	---------------
Taxation charge for the year	760	–	760
	=========	=========	=========
Six months ended 30 September 2020 (unaudited)			
UK corporation tax	459	(459)	–
Overseas taxation charge	705	–	705
	---------------	---------------	---------------
Taxation charge for the period	1,164	(459)	705
	=========	=========	=========

8 EARNINGS/(LOSS) PER ORDINARY SHARE

	Six months ended 30.09.21 unaudited	Year ended 31.03.21 audited	Six months ended 30.09.20 unaudited
Revenue earnings per ordinary share	6.08p	4.70p	4.55p
Capital (loss)/earnings per ordinary share	(76.74p)	186.11p	114.20p
	---------------	---------------	---------------
Total (loss)/earnings per ordinary share	(70.66p)	190.81p	118.75p
	=========	=========	=========

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

	£'000	£'000	£'000
Revenue profit after taxation for the period	31,342	24,389	23,783
Capital (loss)/profit after taxation for the period	(395,580)	966,226	597,069
	---------------	---------------	---------------
Total (loss)/profit after the taxation for the period	(364,238)	990,615	620,852
	=========	=========	=========
	Number	Number	Number
Weighted average number of ordinary shares held outside Treasury	515,457,308	519,159,905	522,836,127
	==========	==========	==========

9 DIVIDEND PAID TO SHAREHOLDERS

	Six months ended 30.09.21 unaudited £'000	Year ended 31.03.21 audited £'000	Six months ended 30.09.20 unaudited £'000
Dividend of 4.68 pence per ordinary share paid for the year ended 31 March 2021	24,124	–	–
Dividend of 4.25 pence per ordinary share paid for the year ended 31 March 2020	–	22,127	22,160
	---------------	---------------	---------------
	24,124	22,127	22,160
	=========	=========	=========

No dividend has been declared for the six months ended 30 September 2021 (six months ended 30 September 2020: £nil).

10 FAIR VALUE HIERARCHY

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

Classification	Input

Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to inputs other than quoted prices included in level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are as disclosed in the Company's Annual Report for the year ended 31 March 2021 (Accounting Policies Notes 2(l) and (m) on pages 70 and 71). The table below sets out the Company's fair value hierarchy:

30 September 2021 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss				
Investments	1,492,804	69,754	213,321	1,775,879
Derivative instrument assets	87	15,565	–	15,652
	1,492,891	85,319	213,321	1,791,531
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(1,706)	(25,007)	–	(26,713)
Financial liabilities at fair value				
Bank loan	–	(75,582)	–	(75,582)

31 March 2021 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss				
Investments	1,954,626	46,185	166,464	2,167,275
Derivative instrument assets	1,098	32,198	–	33,296
	1,955,724	78,383	166,464	2,200,571
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(4,205)	(18,003)	–	(22,208)
Financial liabilities at fair value				
Bank loan	–	(74,224)	–	(74,224)

30 September 2020 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss				
Investments	1,628,744	3,518	88,776	1,721,038
Derivative instrument assets	2,482	174,546	–	177,028
	1,631,226	178,064	88,776	1,898,066
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(1,115)	(49,609)	–	(50,724)
Financial liabilities at fair value				
Bank loan	–	(79,999)	–	(79,999)

11 OTHER RECEIVABLES

	30.09.21 unaudited £'000	31.03.21 audited £'000	30.09.20 unaudited £'000
Amounts receivable on settlement of derivatives	21,835	11,627	–
Securities sold for future settlement	7,331	10,805	2,991
Accrued income	2,932	188	2,740
Overseas taxation recoverable	203	–	–
Other receivables	127	129	56
	---------------	---------------	---------------
	32,428	22,749	5,787
	=========	=========	=========

12 OTHER PAYABLES

	30.09.21 unaudited £'000	31.03.21 audited £'000	30.09.20 unaudited £'000
Amounts payable on settlement of derivatives	4,770	20,111	–
Securities purchased for future settlement	2,697	8,866	4,397
Investment management, secretarial and administration fees	1,617	2,103	1,628
Accrued expenses	780	587	559
Amounts payable for repurchase of shares	601	–	–
Finance costs payable	518	270	–
	---------------	---------------	---------------
	10,983	31,937	6,584
	=========	=========	=========

13 SHARE CAPITAL

	30 September 2021 unaudited		31 March 2021 audited		30 September 2020 unaudited	
	Number of shares	£'000	Number of shares	£'000	Number of shares	£'000
Issued, allotted and fully paid						
Ordinary shares of 1 pence each held outside Treasury						
Beginning of the period	515,463,483	5,155	538,809,043	5,388	538,809,043	5,388
Ordinary shares repurchased into Treasury	(440,000)	(4)	(23,345,560)	(233)	(23,345,560)	(233)
	---------------	---------------	---------------	---------------	---------------	---------------
End of the period	515,023,483	5,151	515,463,483	5,155	515,463,483	5,155
	=========	=========	=========	=========	=========	=========
Ordinary shares of 1 pence each held in Treasury*						
Beginning of the period	55,590,997	555	32,545,437	325	32,545,437	325
Ordinary shares repurchased into Treasury	440,000	4	23,345,560	233	23,345,560	233
Ordinary shares cancelled from Treasury	–	–	(300,000)	(3)	–	–
	---------------	---------------	---------------	---------------	---------------	---------------
End of the period	56,030,997	559	55,590,997	555	55,890,997	558
	---------------	---------------	---------------	---------------	---------------	---------------
Total share capital		5,710		5,710		5,713
		=========		=========		=========

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

During the period, the Company repurchased 440,000 (year ended 31 March 2021 and six months ended 30 September 2020: 23,345,560) ordinary shares and held them in Treasury. The cost of repurchasing these shares of £1,388,000 (year ended 31 March 2021 and six months ended 30 September 2019: £58,558,000) was charged to the Other Reserve.

14 NET ASSET VALUE PER ORDINARY SHARE

The calculation of the net asset value per ordinary share is based on the following:

30.09.21	31.03.21	30.09.20

	unaudited	audited	unaudited
Net assets	£1,793,227,000	£2,182,977,000	£1,813,181,000
Ordinary shares held outside Treasury	515,023,483	515,463,483	515,463,483
Net asset value per ordinary share	348.18p	423.50p	351.76p
	=========	=========	=========

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

15 TRANSACTIONS WITH THE MANAGERS AND RELATED PARTIES

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

Details of the current fee arrangements are given in Note 5 above. During the period, management fees of £10,779,000 (year ended 31 March 2021: £18,591,000 and six months ended 30 September 2020: £7,113,000), and accounting, administration and secretarial fees of £nil (year ended 31 March 2021: £100,000 and six months ended 30 September 2020: £50,000) were payable to Fidelity. Fidelity also provides the Company with marketing services. The total amount payable for these services was £117,000 (year ended 31 March 2021: £195,000 and six months ended 30 September 2020: £109,000). Amounts payable at the Balance Sheet date are included in other payables and are disclosed in Note 12 above.

At the date of this report, the Board consisted of five non-executive Directors (as shown in the Half-Yearly Report) all of whom are considered to be independent by the Board. None of the Directors has a service contract with the Company.

The Chairman receives an annual fee of £45,000, the Audit and Risk Committee Chairman receives an annual fee of £38,000, the Senior Independent Director receives an annual fee of £36,000 and each other Director receives an annual fee of £30,000. The following members of the Board hold ordinary shares in the Company at the date of this report: Mike Balfour 65,000 shares, Alastair Bruce 7,300 shares, Nicholas Bull 110,804 shares, Vanessa Donegan 10,000 shares and Linda Yueh 2,318 shares.

The financial information contained in this Half-Yearly Results Announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the six months ended 30 September 2020 and 30 September 2020 has not been audited or reviewed by the Company’s Independent Auditor.

The information for the year ended 31 March 2021 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies, unless otherwise stated. The report of the Auditor on those financial statements contained no qualification or statement under sections 498(2) or (3) of the Companies Act 2006.

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

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

The Half-Yearly Report will also be available on the Company's website at www.fidelity.co.uk/china where up to date information on the Company, including daily NAV and share prices, factsheets and other information can also be found.