



FidelityTM
INTERNATIONAL

FIDELITY CHINA SPECIAL SITUATIONS PLC

Half-Yearly Report for the
6 months ended 30 September 2020

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

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



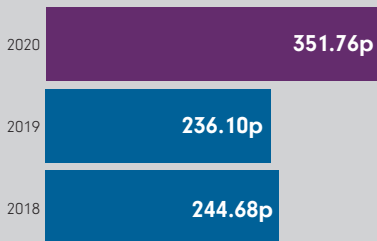
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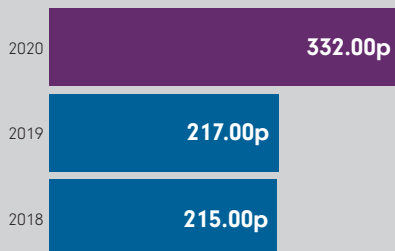
Portfolio Manager's Half-Yearly Review

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Net Asset Value per Ordinary Share as at 30 September



Share Price as at 30 September



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At a Glance

Six months ended 30 September 2020

**Net Asset Value per
Ordinary Share total return^{1,2}**

+51.1%

(30 September 2019: -5.9%)

Share Price total return^{1,2}

+56.2%

(30 September 2019: -6.0%)

**MSCI China Index total return
(in sterling terms)^{1,3}**

+24.4%

(30 September 2019: -3.3%)

¹ Includes reinvested income.

² Alternative Performance Measures (see Glossary to the Half-Yearly Report on page 34).

³ The Company's Benchmark Index.

As at 30 September 2020

Equity Shareholders' Funds

£1,813.2m

Market Capitalisation

£1,711.3m

Capital Structure

Ordinary Shares of 1 penny held outside Treasury

515,463,483

Summary of the key aspects of the Investment Policy

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

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

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

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

Financial Highlights

	30 September 2020	31 March 2020
Assets		
Gross Asset Exposure	£2,284.5m	£1,594.2m
Net Assets	£1,813.2m	£1,273.0m
Gross Gearing ^{1,2}	26.0%	25.2%
Net Gearing ^{1,2}	21.8%	23.2%
Net Asset Value ("NAV") per Ordinary Share ²	351.76p	236.27p
Number of Ordinary Shares held outside Treasury	515,463,483	538,809,043
Share Price and Discount data		
Share Price at period/year end	332.00p	216.00p
Share Price: period/year high	332.00p	253.00p
Share Price: period/year low	212.00p	185.00p
Discount at period/year end ²	5.6%	8.6%
Discount: period/year high	13.2%	17.7%
Discount: period/year low	5.3%	5.9%
Earnings for the six months ended 30 September – see pages 18 and 19		
	2020	2019
Revenue Earnings per Ordinary Share ^{2,3}	4.55p	4.24p
Capital Earnings/(Loss) per Ordinary Share ^{2,3}	114.20p	(19.36p)
Total Earnings/(Loss) per Ordinary Share ^{2,3}	118.75p	(15.12p)
Ongoing Charges for the six months ended 30 September ^{2,4}	0.98%	0.98%
Ongoing Charges including Variable Management Fee for the six months ended 30 September ^{2,4}	0.98%	0.78%

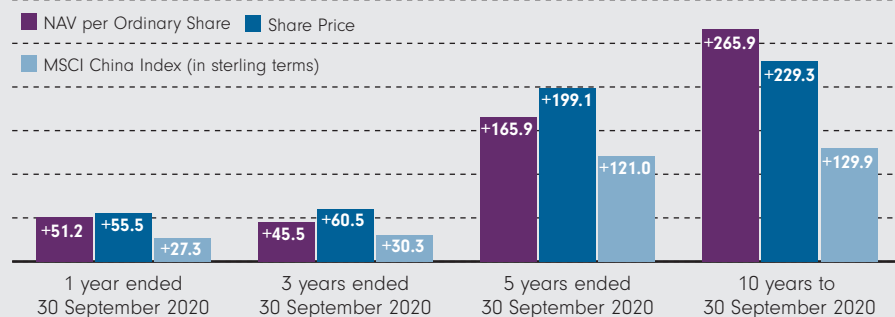
1 Defined in the Glossary to the Half-Yearly Report on page 36.

2 Alternative Performance Measures.

3 Based on the weighted average number of ordinary shares held outside Treasury during the period.

4 Ongoing charges (excluding finance costs and taxation) expressed as a percentage of the average Net Asset Values for the period (prepared in accordance with methodology recommended by the Association of Investment Companies).

Standardised Performance Total Return¹ (%)



¹ Includes reinvested income.

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Portfolio Manager's Half-Yearly Review

What was the performance over the six month interim period?

Over the reporting period from 1 April 2020 to 30 September 2020, the Company's share price rose by 56.2%, while the MSCI China Index (the Company's Benchmark Index) rose by 24.4%. The Company's NAV rose by 51.1% (all performance data on a total return basis).

What were the key performance drivers over the review period?

Among the greatest portfolio beneficiaries in the period under review were consumer-related stocks. The Company's sizeable position in China MeiDong Auto Holdings was well rewarded in an environment which played to luxury brands (in China MeiDong's case, BMW, Lexus and Porsche), after-sales services and generally improving car sales' margins. In addition, exposure to Yadea Group Holdings, the largest two-wheeler e-bike manufacturer in China with around 25% market share, also delivered strong results. Upcoming new regulation in the e-bike market is driving replacement activity and COVID-19 has led to a shift away from public transport. Industry leader Yadea Group is positioned well to benefit from industry consolidation with its innovative and expanding product line-up.

In the materials sector, SKSHU Paint Company, one of China's largest paint manufacturers, was also amongst the top portfolio contributors. Products include exterior architectural coating, interior household paint products and waterproofing materials. The paint business is an attractive industry, with solid margins, robust returns on capital and strong cash flow. Our participation in KE Holdings' initial public offering ("IPO") added value, with the company benefiting from expectations of market share gains through its franchise model and its integrated online and offline resource network. This leading Chinese property brokerage platform has strong pricing power as a result

of its quality standards, a healthy future return profile and strong cash flow generation.

Conversely, not owning Meituan Dianping and JD.com negatively impacted relative returns, with both companies, which are well represented in the Index, continuing to perform well over the review period. Neither name appears in the portfolio quite simply because I think there are better opportunities from a risk and reward perspective elsewhere. Among the financial holdings, China Pacific Insurance Group detracted from returns as concerns over its recovery period and the turnover impact of COVID-19 continued to impact performance negatively.

How is the portfolio positioned and what is your outlook?

My focus continues to be on the underlying value of companies assessed by their growth prospects, underlying competitive strengths and the quality of management teams. This has led to a bias towards smaller companies. I continue to believe that as long as these companies can execute and deliver on their strategies and grow earnings over the mid-term, this should be reflected in their share prices. I am pleased to see this is currently being reflected in the strong performance of the Company's NAV. That said, it must be noted that this bias was detrimental to performance earlier in the year and over the previous year. The portfolio continues to focus on 'New' China and the sectors we believe have attractively priced growth prospects over the mid-term, such as the consumption-related, technology and healthcare sectors.

There remains considerable opportunity in the supply of consumer goods to Chinese households, especially when viewed relative to homes in other countries and the predilection for upgrading and premiumisation among Chinese consumers which remains a growing

trend. Commentary on our top five holdings is on page 13.

A fertile space for new ideas has been the materials sector in China, which is among the top performing sectors over the review period. I am less interested in the pure commodity related players, but rather on companies with growing pricing power. China's paint industry remains highly fragmented, and COVID-19 has helped to accelerate further industry consolidation which benefits industry leaders. Among these, I am focused on the winners in this area such as paint manufacturers SKHSU Paint Company and Asia Cuanon Technology and tile manufacturer Monalisa Group. Asia Cuanon Technology is another leading paint supplier that is seeing an improving business mix and margin expansion. Monalisa Group has strong relationships with diversified high-quality developers and the consolidation across that sector has helped to increase the company's market share.

In the financials sector, I am especially interested in the insurance sub-sector given the still low penetration in 'protection' type life insurance areas. I believe the insurance sector could also, over time, see renewed demand coming out of COVID-19 as people focus more on protection in areas like health insurance. I have been raising exposure to Ping An Insurance, which among its key strengths, has superior agent productivity, leading technology and capable management. Furthermore, the company has continued to build a strong interconnected platform across the group that brings strong synergies in customer acquisition, cross-selling and data access, notably across the healthcare sector.

Given the strong run in markets since March 2020 (notably in technology, healthcare and staples sectors), it has been more challenging

to find compelling opportunities. However, there are pockets of value on offer, especially among small cap companies. For example, many Hong Kong small cap stocks are trading at single-digit Price-to-Earnings (PE) ratios, with well established market positions and healthy cashflows. The Company has exposure to Crystal International Group, for instance, one of the largest garment manufacturers in the world. This company is expanding into the sportswear category by signing up clients such as Nike and Adidas.

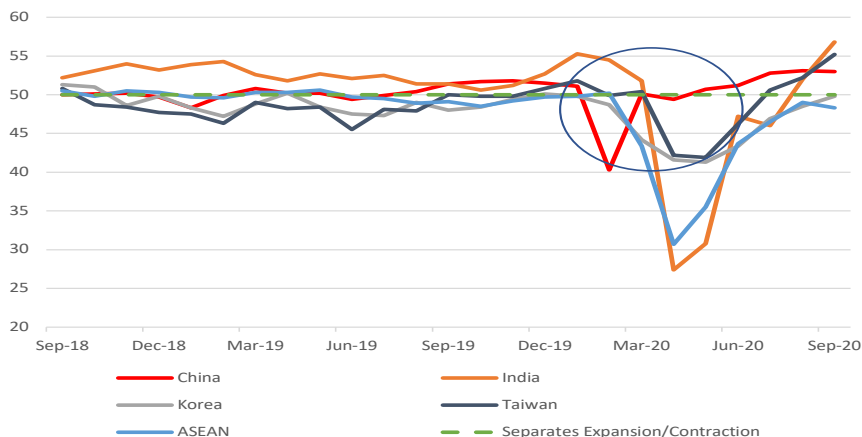
Finally, as the Chinese market has rallied over the last six months, I have reduced slightly the portfolio's net gearing. It was around 23% at the end of March 2020 and now stands at around 22%. As markets have gone up, valuations are less compelling, so I have reduced market exposure and have also selectively added to short positions. That said, I maintain a reasonably high level of gearing, still reflecting the significant value and opportunities I see in the market.

Can you provide an update on the unlisted positions?

The Company continues to be active in the unlisted domain. At the end of the period under review, the following unlisted names were held: ByteDance, DJI International, Pony.ai, SenseTime and Xiaoju Kuaizhi (Didi). In the reporting period, the valuation of ByteDance was increased by 27.4% in May and that of SenseTime by 93.2% in August. As at 30 September 2020, unlisted investments represented 4.7% of Gross Assets. Subsequent to the period end, the valuations of SenseTime and Pony.ai (both in November) were increased. On 24 November, the Company also invested in Full Truck Alliance, another unlisted company, at a cost of £12,078,000 (representing 0.6% of Gross Assets). We continue to evaluate opportunities, while maintaining a disciplined approach towards valuation.

Portfolio Manager's Half-Yearly Review continued

China's General Manufacturing PMI recovering well ahead of other Asian countries



Source: Refinitive Datastream, September 2020

What are your thoughts on the Chinese economy?

While there are variances between regions and sectors, overall, the economy continues to recover. Successful control of the COVID-19 virus has clearly been a factor supporting the China recovery. Small localised outbreaks within the China region were handled swiftly and have not dented the improving overall economic momentum.

This is reflected in China's Purchasing Manager's Index ("PMI") which has recovered much sooner than other Asian countries (see chart above).

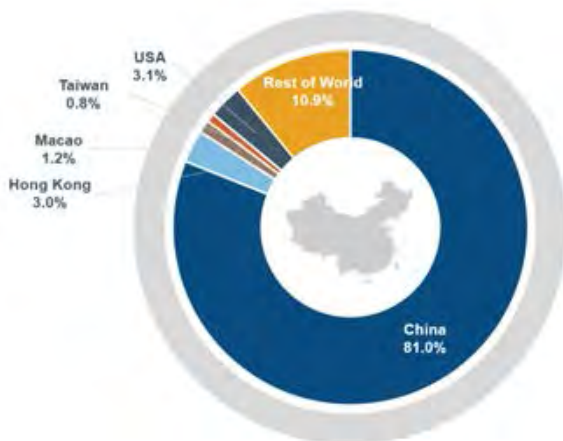
The third quarter GDP growth figure of 4.9% was supported by stronger services and external demand. Key laggards in the service sector – travel and leisure – are now gaining momentum after restrictions were loosened in mid-July 2020. Government stimulus has clearly been a factor supporting the recovery, but on the whole has been more restrained and targeted than measures seen in most Western economies. Among supportive measures, the

People's Bank of China ("PBoC") announced cuts in its re-lending and re-discount facilities to reduce funding costs for smaller firms and rural sectors. Separately, both the end of July 2020 Politburo economic meeting and the PBoC's second quarter Monetary Policy Implementation Report confirmed that the monetary policy has turned towards a more neutral stance since May 2020, although the rollover of fiscal stimulus will continue. China remains on track to be the only major economy to grow in 2020.

How do you view US-China relations and what is the impact on the Company?

Throughout the year, we have continued to see tensions rise between the US and China. I continue to believe that these tensions will be with us for decades to come. On the positive side, I believe this has become more of a consensus view and thus more "established" in markets. I would highlight that the Company remains focused on opportunities supported by ongoing structural shifts in China within the domestic economy and only has around 3% of

Fidelity China Special Situations PLC - Revenue exposure



Source: Fidelity International, October 2020

revenue from underlying holdings exposed to the US (see chart above). Chinese growth prospects remain attractive relative to its global peers in the West, and the policy impetus continues to favour domestic consumption drivers.

What is your outlook for Capital Market Reform in China?

We continue to see an acceleration in capital market reforms in China; from the loosening of short-selling restrictions, the lowering of foreign investment restrictions and the implementation of a registration-based IPO mechanism. The registration-based IPO mechanism was launched last July on STAR Board and is now being employed on ChiNext.

In these markets, listing requirements are more flexible, such as alternative criteria on market cap, profitability, and allowing variable interest entity (VIE) structured companies to list. These were restricted under previous rules, so given this flexibility we could expect more

technology/new economy companies listed on the A-share market. We have already seen more IPOs of A-share and Red chip companies this year, and it is probable that we will see more to come given the US issues and the more flexible listing requirements. For example, the Hong Kong Stock Exchange raised a total of HK\$ 87.3 billion in the first half of 2020 from 59 new listings, marking a total increase of 22 percent in total funds raised compared with the same period last year*, and ensuring it maintained the top position in equity raising globally. Recent changes such as the removal of the QFII quota, the widening of the investment scope and the integration of the QFII and RMB QFII schemes will likely further boost inflows. The delay in Ant Group's IPO could be viewed as a setback, but we believe the momentum is clearly in the direction of deregulation and the opening up of markets.

*Source: <https://home.kpmg/cn/en/home/news-media/press-releases/2020/06/hk-ipo-activity-remains-resilient-in-h1-2020.html>

Portfolio Manager's Half-Yearly Review continued

What's your view on sustainable investing and how does Fidelity's system work?

Sustainable investing remains a core part of our investment process. We believe that high standards of corporate responsibility not only make good business sense, but have the potential to protect and enhance investment returns. Consequently, we integrate Environmental, Social and Governance ("ESG") issues into our research and investment decision-making process and believe that these have the potential to affect the long-term value of investments. We favour engagement over exclusion as positive influences on corporate behaviour can add real value for companies, investors and society. The priority themes that have formed part of the Company's recent ESG engagements include supply chain sustainability and corporate sustainability reporting.

Sportswear maker Li Ning is a good example of a company with whom we have consistently engaged on these issues. In 2018, our Sustainable Investing team initiated a thematic engagement on human rights and responsible sourcing in the supply chain within the apparel retail sector. Insufficient management of ESG factors in the supply chain opens companies up to reputational, operational and regulatory risk and the apparel industry is dominated by multi-tier supplier relationships with a lack of traceability and rapid market driven changes.

When we first engaged with Li Ning in late 2018, the company confirmed that it had assessment scorecards for each of its suppliers and that human rights had a 10% weighting of this assessment. The management team runs on-site assessments on each of their suppliers and if they are in serious breach of any human rights issues, then they will sever ties with that supplier. In relation to responsible sourcing, the team has an environmental management system for material suppliers, including

requirements on waste, water, hazardous materials and greenhouse gas emissions. At the time of the meeting, we requested that the company considers reporting on its management of human rights in its supply chain as well as its responsible sourcing policies.

In our discussions with the company in the second quarter of 2020, management confirmed that their supplier monitoring had been updated on the back of our 2018 requests, and now includes a more detailed model which focuses (among other topics) on equal employment, forced labour, freedom of association, child labour and young workers.

The Li Ning team has also initiated audits on its tier 2 and 3 suppliers and has increased its disclosure in its 2019 Sustainability Report. With regard to the environmental footprint of its suppliers, the company increased its focus on EHS (Environmental, Health and Safety) compliance with national and local laws and NGO (non-government organization) requirements, which includes environmental management, and management of water resources, wastewater, air emission, solid waste, chemical and energy. In addition, in its 2019 Sustainability Report the team disclosed the total number of plants that had on-site audits in the year and the approval rate of potential suppliers. It confirmed that it will gradually report on the results of their audits and a summary of actions taken in the next three to five years according to its internal sustainability strategy.

Li Ning has done a commendable job integrating ESG factors and the company is set to progress further on this front.

A perennial and universal governance topic is capital allocation. In China, its pertinence is particularly acute for some State Owned

Enterprises (“SOEs”) whose senior management often face a set of incentives that does not prioritise capital markets and investors. As a result, it is not uncommon to find companies with excess cash that would be better used by returning it to shareholders than being spent on projects with low returns. Encouragingly, with the SOE reform continuing apace and clear policy direction from the government for SOEs to adopt equity-based incentive plans, we are seeing a change of attitude among SOE senior management as evidenced through our engagement experience.

One example is that of China Merchants Energy Shipping, a Chinese state-owned tanker shipping company. In February, our shipping analyst and ESG specialist met with board members including the Chairman. We put forward our case for increasing the company’s dividend pay-out ratio, pointing to the improving business outlook and the much higher pay-out level of its global peers. The directors responded positively, and two months later raised its fiscal 2019 pay-out by 12 percentage points, which represented an increase of over a third from its previous level. Although the elevated pay-out still falls short of the global average, we see it as an encouraging step towards more effective capital allocation, especially considering how quickly the company responded to our suggestion.

Fidelity employs a proprietary sustainability rating process leveraging its internal research and interactions with corporates. Analysts assign an overall A to E rating (C being understood as the sector average) for each rated name on a sector relative basis. Based on Fidelity’s own ESG proprietary ratings, the Company (as at the end of October 2020) had over three-quarters of the portfolio invested in companies rated A, B and C. While the majority of the remainder are not yet rated, I would note

that this unrated portion has consistently fallen as Fidelity continues to expand the depth of its ESG research coverage. I continue to believe our work in this area can be a source of alpha generation for the Company going forward, especially for the few D-rated companies in the portfolio which have good potential for improving these scores. Other cases would include those where we reach different conclusions to the market consensus, which is not uncommon with ESG data in many of the well-known indices often out of date.

Outlook

I remain positive about the value on offer in the Chinese stock market and my team and I try to ensure that we are best positioned to capitalise on these opportunities. In my view the recent closing of the discount between the share price and the NAV of the Company reflects a recognition of the positive earnings performance of the companies held in the portfolio, despite the virus and global economic and geopolitical challenges, as well as growing market confidence that they can continue to deliver on their potential. I continue to remain a shareholder in the Company in a personal capacity.

Dale Nicholls

Portfolio Manager
7 December 2020

Interim Management Report and Directors' Responsibility Statement

Unlisted Companies

The Company is permitted to invest up to 10% of its Gross Assets in unlisted companies. As at 30 September 2020, the Company's unlisted investments represented 4.7% of Gross Assets (31 March 2020: 6.0%). The number and value in US dollars of the unlisted investments remains unchanged from that at year end other than the valuation of ByteDance which was increased in May 2020 and that of SenseTime which was increased in August 2020. However, due to the increase in the valuation of the Company's portfolio overall, the unlisted investments' Gross Assets percentage is lower than that at the year end. Since the reporting period end, the valuations of SenseTime and Pony.ai were increased. In addition, on 24 November 2020 the Company invested in Full Truck Alliance, an unlisted company, at a cost of £12,078,000 (representing Gross Assets of 0.6%). Details are in Note 16 (Post Balance Sheet Event) on page 33.

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 2020, the Company's gross gearing, defined as the Gross Asset Exposure in excess of Net Assets, was 26.0% (31 March 2020: 25.2%). The level of gross gearing is determined by the Manager within the limit set by the Company's Prospectus of 30%. Net gearing which nets off short positions was 21.8% (31 March 2020: 23.2%).

Discount Management

The Board recognises that the Company's share price is affected by the interaction of supply and demand in the market based on

investor sentiment towards China and the performance of the NAV per share. The Board has a discount control policy in place whereby it seeks to maintain the discount in single digits in normal market conditions and will, subject to market conditions, repurchase shares with the objective of stabilising the share price discount within a single digit range.

The Company's discount narrowed significantly from 8.6% at the start of the reporting period to 5.6% at the end of the reporting period. During this period, the Board authorised the repurchase of 23,345,560 ordinary shares into Treasury, representing 4% of the issued share capital of the Company. 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 not issued or repurchased any further ordinary shares for cancellation or into Treasury.

Ongoing Charges and Management Fees

The Ongoing Charge (the costs of running the Company) for the six months ended 30 September 2020 was 0.98% (31 March 2020: 0.99%). The Ongoing Charge including the variable element was 0.98% (31 March 2020: 0.79%).

The Board has agreed a new fee arrangement with FIL Investment Services (UK) Limited, the Company's Alternative Investment Fund Manager (the "Manager"), from 1 April 2021. The revised fee structure will be 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 from the current fee structure of +/- 0.20% will remain unchanged. In addition, the fixed annual fee of £100,000 for services other than portfolio management will be removed. Based on assets as at 30 September 2020, the revised fee would have reduced the Ongoing Charge by 0.05%.

Board Of Directors

Having served on the Board as a Director since the Company's launch on 19 April 2010, Peter Pleydell-Bouverie stepped down from the Board at the conclusion of the Annual General Meeting ("AGM") on 23 July 2020. This was in line with the Board's succession plan. As Mr Pleydell-Bouverie's replacement, Vanessa Donegan was appointed to the Board as a non-executive Director and also as Chairman of the Investment Committee on 1 September 2020. Mrs Donegan has 37 years of Asian fund management experience, including managing dedicated China portfolios. She was Head of the Asia Pacific desk at Columbia Threadneedle Investments Ltd. (formerly Threadneedle Investments Ltd.) for twenty-one years and has extensive experience of marketing to retail and institutional clients across the globe. She is an independent non-executive director of Herald Investment Management Ltd., the JP Morgan Indian Investment Trust plc, the Invesco Asia Trust plc and the SSGA Luxembourg SICAV.

Principal Risks and Uncertainties

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

The Board considers that the principal risks and uncertainties faced by the Company continue to fall into the following categories: market, economic and geopolitical, investment performance, key person, discount control, gearing, cybercrime and pandemic 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 2020 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 in the six months to 30 September 2020 and are equally applicable at the date hereof.

Coronavirus (COVID-19)

The risks arising from COVID-19 are being kept under constant review by the Board and the Manager. 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 will 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 has contingency plans in place to allow for the continuation of Fidelity's operations and to look after the safety of its employees. It is keeping its business continuity plans and its operational resilience strategies under constant review and will take all reasonable steps to continue meeting its regulatory obligations and to assess operational risks, the ability to continue operating and the steps it needs to take to serve and support its clients, including the Board. For example, to enhance its resilience, the Manager has mandated work from home arrangements and implemented split team working for those whose work is deemed necessary to be carried out in the office. The Manager has also imposed self-isolation arrangements on staff in line with Government recommendations and guidance. The Company's other third party service providers have also implemented similar measures to ensure business disruption can be kept to a minimum.

Interim Management Report and Directors' Responsibility Statement continued

National lockdown measures started to ease in China from May 2020. While 'in-person' company meetings were paused, the Portfolio Manager and analysts continued to undertake a full schedule of virtual conversations with investee companies, which proved to be highly effective. Their access to corporates and industry experts remains as strong as ever. More recently, face-to-face meetings with companies have resumed where possible.

Transactions with the Managers and Related Parties

The Manager has delegated the Company's investment management (other than investment management of unlisted securities) to FIL Investment Management (Hong Kong) Limited. It has delegated the investment management of the unlisted securities and the company secretariat function to FIL Investments International. Transactions with the Managers and related party transactions with the Directors are disclosed in Note 15 on page 33.

Going Concern

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus 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 continuing risks arising from COVID-19.

By order of the Board.

FIL Investments International

7 December 2020

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 Interim Management Report, including the Portfolio Manager's Half-Yearly Review on pages 4 to 9, includes 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 7 December 2020 and the above responsibility statement was signed on its behalf by Nicholas Bull, Chairman.

Top 5 Holdings

1) Alibaba Group Holding (Gross Asset Exposure: 15.6%; Industry: Information Technology; MSCI China Index: 20.7%)
Alibaba is a leader in the e-commerce market in China. The company benefits from high barriers to entry along with strong pricing power, supported by a loyal merchant and consumer base. The company has built a culture of continuous innovation and strong leadership, enabling it to expand into new businesses and to increase its addressable market. The pandemic has accelerated the trend towards digitalisation, which was already a long-term driver of Alibaba’s e-commerce business growth. Alibaba’s cloud business is increasing as more corporates use its infrastructure to become digital ready.

2) Tencent Holdings (Gross Asset Exposure: 12.6%; Industry: Consumer Discretionary; MSCI China Index: 14.2%)
Tencent runs the dominant social network in China, WeChat. The company has invested successfully to improve its user experience and as a consequence its user base continues to grow. Tencent has consolidated its leading position in internet gaming by mediating a merger between Chinese streaming platforms Huya and DouYu, leaders in the rapidly growing esports market. Tencent holds a controlling stake in the new company after completion of the merger.

3) China MeiDong Auto Holdings (Gross Asset Exposure: 5.2%; Industry: Consumer Discretionary; MSCI China Index: 0.0%)
China MeiDong Auto enjoys the highest sales of luxury car brands (including BMW, Lexus and Porsche) in China. These brands continue to see strong demand, and while supply is constrained, leading dealers like China MeiDong Auto find themselves in prime position. In addition, the company is seeing

growth in its growing high margin after-sales services which bode well for the company’s earnings growth.

4) 21Vianet (Gross Asset Exposure: 3.8%; Industry: Information Technology; MSCI China Index: 0.0%)
A key reason for holding 21Vianet in the portfolio is the strong demand for internet-data-centers (IDCs) in China. This trend is likely to remain in place driven by consumers’ increasing usage of the internet via mobile devices and growing demand for cloud and IT services from corporates. This accelerating trend towards digitalisation and cloud-based services will be a long-term driver of 21Vianet’s earnings growth.

5) Ping An Insurance (Gross Asset Exposure: 3.1%; Industry: Financials; MSCI China Index: 2.6%)
Ping An stands out as a leading insurer in China, with its superior agent productivity, leading technology, and entrepreneurial management. The company has highly effective share incentive schemes to motivate management and core employees based on profit and other key performance measures. The incorporation of technology into operations facilitates cost reduction and efficiency improvement, and this has become Ping An’s core competitive edge against peers.

Twenty Largest Holdings

as at 30 September 2020

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

	Gross Asset Exposure		Fair Value
	£'000	% ¹	£'000
Long Exposures – shares unless otherwise stated			
Alibaba Group Holding (shares and long CFDs)			
e-commerce group	281,999	15.6	233,679
Tencent Holdings (shares and long CFDs)			
Internet, mobile and telecommunications service provider	228,615	12.6	166,613
China MeiDong Auto Holdings (shares and long CFD)			
Automobile dealership and maintenance group	94,390	5.2	63,708
21Vianet Group			
Internet and data center service provider	68,997	3.8	68,997
Ping An Insurance (long CFD)			
Financial services company	56,649	3.1	(3,574)
WuXi AppTec (long CFDs)			
Pharmaceutical, biopharmaceutical and medical device outsourcing provider	48,106	2.6	14,708
Hutchison China MediTech			
Pharmaceutical and healthcare group	46,247	2.5	46,247
SKSHU Paint Company			
Paint manufacturing company	45,345	2.5	45,345
China Pacific Insurance Group (long CFDs)			
Insurance company	42,289	2.3	(13,405)
China Life Insurance Company (shares and long CFD)			
Insurance company	37,068	2.0	5,244
Noah Holdings			
Asset managers	35,389	2.0	35,389
Ctrip.com International			
Travel services provider	30,810	1.7	30,810

	Gross Asset Exposure		Fair Value
	£'000	% ¹	£'000
Asia Cuanon Technology			
Development, manufacturing and sales of decorated insulation products	30,600	1.7	30,600
Innovent Biologics (long CFDs)			
Biopharmaceutical company	29,293	1.6	16,040
China Biologic Products Holdings			
Blood plasma-based biopharmaceutical company	26,797	1.5	26,797
Monalisa Group			
Manufacturer of ceramic products	25,638	1.4	25,638
Pony.ai (unlisted)			
Developer of artificial intelligence and autonomous driving technology solutions	24,776	1.4	24,776
Zhejiang Dahua Technology			
Provider of video surveillance products and services	24,539	1.4	24,539
Shenzhen Yuto Packaging Technology			
High-end brand packaging solutions provider	23,920	1.3	23,920
New Oriental Education & Technology Group			
Private educational services provider	23,638	1.3	23,638
Twenty largest long exposures	1,225,105	67.5	889,709
Other long exposures	1,169,588	64.5	955,670
Total long exposures before hedges (138 holdings)	2,394,693	132.0	1,845,379
Less: hedging exposures			
S&P/BNY Mellon China Select ADR Index (short CFD)	(8,803)	(0.5)	(349)
Hang Seng China Enterprises Index (future)	(84,826)	(4.6)	(726)
Hang Seng Index (future)	(23,302)	(1.3)	(389)
iShares FTSE A50 China Index ETF (put options)	(2,808)	(0.2)	218
Hang Seng China Enterprises Index (put options)	(27,994)	(1.5)	2,263
Total hedging exposures	(147,733)	(8.1)	1,017
Total long exposures after the netting of hedges	2,246,960	123.9	1,846,396

Twenty Largest Holdings continued

	Gross Asset Exposure		Fair Value
	£'000	% ¹	£'000
Add: short exposures			
Short CFDs (11 holdings)	37,498	2.1	946
Gross Asset Exposure²	2,284,458	126.0	
Portfolio Fair Value³			1,847,342
Net liabilities excluding derivative investments			(34,161)
Net Assets			1,813,181

1 Gross Asset Exposure is expressed as a percentage of Net Assets.

2 Gross Asset Exposure comprises market exposure to investments of £1,721,038,000 plus market exposure to derivative instruments of £563,420,000.

3 Portfolio Fair Value comprises Investments of £1,721,038,000 plus derivative assets of £177,028,000 less derivative liabilities of £50,724,000 (per the Balance Sheet on page 22).

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Income Statement

for the six months ended 30 September 2020

		six months ended 30 September 2020		
		unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Revenue				
Investment income	4	17,614	–	17,614
Derivative income	4	10,967	–	10,967
Other income	4	70	–	70
Total income		28,651	–	28,651
Gains/(losses) on investments at fair value through profit or loss		–	441,177	441,177
Gains/(losses) on derivative instruments		–	166,289	166,289
Foreign exchange (losses)/gains on other net assets		–	(4,397)	(4,397)
Foreign exchange gains/(losses) on bank loans		–	2,879	2,879
Total income and gains/(losses)		28,651	605,948	634,599
Expenses				
Investment management fees	5	(1,776)	(5,337)	(7,113)
Other expenses		(594)	–	(594)
Profit/(loss) before finance costs and taxation		26,281	600,611	626,892
Finance costs	6	(1,334)	(4,001)	(5,335)
Profit/(loss) before taxation		24,947	596,610	621,557
Taxation	7	(1,164)	459	(705)
Profit/(loss) after taxation for the period		23,783	597,069	620,852
Earnings/(loss) per ordinary share	8	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 and is prepared in accordance with IFRS. The revenue and capital columns are supplementary and presented for information purposes as recommended by the Statement of Recommended Practice issued by the AIC.

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

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

year ended 31 March 2020 audited			six months ended 30 September 2019 unaudited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
22,520	-	22,520	18,837	-	18,837
9,015	-	9,015	8,435	-	8,435
1,481	-	1,481	941	-	941
33,016	-	33,016	28,213	-	28,213
-	(57,341)	(57,341)	-	(55,384)	(55,384)
-	(33,597)	(33,597)	-	(41,507)	(41,507)
-	3,634	3,634	-	6,195	6,195
-	(3,321)	(3,321)	-	(6,606)	(6,606)
33,016	(90,625)	(57,609)	28,213	(97,302)	(69,089)
(3,031)	(6,409)	(9,440)	(1,511)	(3,199)	(4,710)
(1,177)	-	(1,177)	(598)	-	(598)
28,808	(97,034)	(68,226)	26,104	(100,501)	(74,397)
(3,590)	(10,771)	(14,361)	(2,038)	(6,114)	(8,152)
25,218	(107,805)	(82,587)	24,066	(106,615)	(82,549)
(488)	-	(488)	(748)	259	(489)
24,730	(107,805)	(83,075)	23,318	(106,356)	(83,038)
4.51p	(19.67p)	(15.16p)	4.24p	(19.36p)	(15.12p)

Statement of Changes in Equity

for the six months ended 30 September 2020

	Notes	share capital £'000
Six months ended 30 September 2020 (unaudited)		
Total equity at 31 March 2020		5,713
Repurchase of ordinary shares	13	-
Profit after taxation for the period		-
Dividend paid to shareholders	9	-
Total equity at 30 September 2020		5,713
Year ended 31 March 2020 (audited)		
Total equity at 31 March 2019		5,713
Repurchase of ordinary shares	13	-
(Loss)/profit after taxation for the year		-
Dividend paid to shareholders	9	-
Total equity at 31 March 2020		5,713
Six months ended 30 September 2019 (unaudited)		
Total equity at 31 March 2019		5,713
Repurchase of ordinary shares	13	-
(Loss)/profit after taxation for the period		-
Dividend paid to shareholders	9	-
Total equity at 30 September 2019		5,713

share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
211,569	914	307,049	710,565	37,237	1,273,047
-	-	(58,558)	-	-	(58,558)
-	-	-	597,069	23,783	620,852
-	-	-	-	(22,160)	(22,160)
211,569	914	248,491	1,307,634	38,860	1,813,181
211,569	914	331,362	818,370	33,660	1,401,588
-	-	(24,313)	-	-	(24,313)
-	-	-	(107,805)	24,730	(83,075)
-	-	-	-	(21,153)	(21,153)
211,569	914	307,049	710,565	37,237	1,273,047
211,569	914	331,362	818,370	33,660	1,401,588
-	-	(1,006)	-	-	(1,006)
-	-	-	(106,356)	23,318	(83,038)
-	-	-	-	(21,153)	(21,153)
211,569	914	330,356	712,014	35,825	1,296,391

Balance Sheet

as at 30 September 2020

Company number 7133583

	Notes	30.09.20 unaudited £'000	31.03.20 audited £'000	30.09.19 unaudited £'000
Non-current assets				
Investments at fair value through profit or loss	10	1,721,038	1,289,807	1,387,576
Current assets				
Derivative instruments	10	177,028	39,152	11,924
Amounts held at futures clearing houses and brokers		37,736	39,495	77,356
Other receivables	11	5,787	1,407	2,403
Cash at bank		6,320	38,523	29,224
		226,871	118,577	120,907
Current liabilities				
Derivative instruments	10	(50,724)	(45,183)	(86,103)
Bank loans		-	-	(121,912)
Other payables	12	(6,584)	(9,855)	(4,077)
		(57,308)	(55,038)	(212,092)
Net current assets/(liabilities)		169,563	63,539	(91,185)
Total assets less current liabilities		1,890,601	1,353,346	1,296,391
Non-current liabilities				
Bank loans		(77,420)	(80,299)	-
Net assets		1,813,181	1,273,047	1,296,391
Equity attributable to equity shareholders				
Share capital	13	5,713	5,713	5,713
Share premium account		211,569	211,569	211,569
Capital redemption reserve		914	914	914
Other reserve		248,491	307,049	330,356
Capital reserve		1,307,634	710,565	712,014
Revenue reserve		38,860	37,237	35,825
Total equity		1,813,181	1,273,047	1,296,391
Net asset value per ordinary share	14	351.76p	236.27p	236.10p

Cash Flow Statement

for the six months ended 30 September 2020

	six months ended 30 September 2020 unaudited £'000	year ended 31 March 2020 audited £'000	six months ended 30 September 2019 unaudited £'000
Operating activities			
Cash inflow from investment income	14,444	21,465	17,372
Cash inflow from derivative income	11,079	9,004	8,118
Cash inflow from other income	70	1,481	941
Cash outflow from Directors' fees	(120)	(124)	(83)
Cash outflow from other payments	(6,855)	(10,377)	(5,250)
Cash outflow from the purchase of investments	(529,431)	(476,779)	(176,779)
Cash outflow from the settlement of derivatives	(27,290)	(154,858)	(50,061)
Cash inflow from the sale of investments	532,218	558,055	157,387
Cash inflow from the settlement of derivatives	62,383	57,544	11,717
Cash inflow from amounts held at futures clearing houses and brokers	1,759	41,956	4,095
Net cash inflow/(outflow) from operating activities before servicing of finance	58,257	47,367	(32,543)
Financing activities			
Cash outflow from repayment of loan	-	(38,353)	-
Cash outflow from loan interest paid	(1,122)	(3,665)	(1,860)
Cash outflow from CFD interest paid	(3,758)	(10,595)	(6,445)
Cash outflow from short CFD dividends paid	(465)	(1,362)	(927)
Cash outflow from the repurchase of ordinary shares	(58,558)	(24,313)	(1,006)
Cash outflow from dividends paid to shareholders	(22,160)	(21,153)	(21,153)
Cash outflow from financing activities	(86,063)	(99,441)	(31,391)
Decrease in cash at bank	(27,806)	(52,074)	(63,934)
Cash at bank at the start of the period	38,523	86,963	86,963
Effect of foreign exchange movements	(4,397)	3,634	6,195
Cash at bank at the end of the period	6,320	38,523	29,224

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 2020 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

These Half-Yearly Financial Statements have been prepared in accordance with 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 2020. Those Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), to the extent that they have been adopted by the European Union, the Companies Acts that apply to companies reporting under IFRS, IFRIC interpretations and, as far as it is consistent with IFRS, 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.

(ii) Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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.

4 Income

	six months ended 30.09.20 unaudited £'000	year ended 31.03.20 audited £'000	six months ended 30.09.19 unaudited £'000
Investment income			
Overseas dividends	16,964	22,333	18,837
Overseas scrip dividends	650	187	-
	17,614	22,520	18,837
Derivative income			
Dividends received on long CFDs	10,776	8,047	7,920
Interest received on CFDs	191	968	515
	10,967	9,015	8,435
Other income			
Interest received on collateral and deposits	70	1,481	941
Total income	28,651	33,016	28,213

Special dividends of £nil (year ended 31 March 2020: £1,822,000 and six months ended 30 September 2019: £nil) have been recognised in capital.

Notes to the Financial Statements continued

5 Investment Management Fees

	revenue £'000	capital £'000	total £'000
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
Year ended 31 March 2020 (audited)			
Investment management fee – base	3,031	9,094	12,125
Investment management fee – variable*	–	(2,685)	(2,685)
	3,031	6,409	9,440
Six months ended 30 September 2019 (unaudited)			
Investment management fee – base	1,511	4,532	6,043
Investment management fee – variable*	–	(1,333)	(1,333)
	1,511	3,199	4,710

* For the calculation of the variable management fee element, the Company's NAV return was compared to the Benchmark Index return for the period from 1 July 2018 to the relevant reporting dates.

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

The Company charges base investment management fees 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 2020 (unaudited)			
Interest on bank loans 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
Year ended 31 March 2020 (audited)			
Interest on bank loans and overdrafts	876	2,628	3,504
Interest paid on CFDs	2,374	7,121	9,495
Dividends paid on short CFDs	340	1,022	1,362
	3,590	10,771	14,361
Six months ended 30 September 2019 (unaudited)			
Interest on bank loans and overdrafts	470	1,410	1,880
Interest paid on CFDs	1,336	4,009	5,345
Dividends paid on short CFDs	232	695	927
	2,038	6,114	8,152

Notes to the Financial Statements continued

7 Taxation

	revenue £'000	capital £'000	total £'000
Six months ended 30 September 2020 (unaudited)			
UK corporation tax	459	(459)	-
Overseas taxation	705	-	705
Taxation charge for the period	1,164	(459)	705
Year ended 31 March 2020 (audited)			
UK corporation tax	-	-	-
Overseas taxation	488	-	488
Taxation charge for the year	488	-	488

**Six months ended 30 September 2019
(unaudited)**

UK corporation tax	259	(259)	-
Overseas taxation	489	-	489
Taxation charge for the period	748	(259)	489

8 Earnings/(Loss) per Ordinary Share

	six months ended 30.09.20 unaudited	year ended 31.03.20 audited	six months ended 30.09.19 unaudited
Revenue earnings per ordinary share	4.55p	4.51p	4.24p
Capital earnings/(loss) per ordinary share	114.20p	(19.67p)	(19.36p)
Total earnings/(loss) per ordinary share	118.75p	(15.16p)	(15.12p)

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	23,783	24,730	23,318
Capital profit/(loss) after taxation for the period	597,069	(107,805)	(106,356)
Total profit/(loss) after taxation for the period	620,852	(83,075)	(83,038)
	number	number	number
Weighted average number of ordinary shares held outside Treasury	522,836,127	548,133,431	549,391,529

9 Dividend Paid to Shareholders

	six months ended 30.09.20 unaudited £'000	year ended 31.03.20 audited £'000	six months ended 30.09.19 unaudited £'000
Dividend of 4.25 pence per ordinary share paid for the year ended 31 March 2020	22,160	-	-
Dividend of 3.85 pence per ordinary share paid for the year ended 31 March 2019	-	21,153	21,153
	22,160	21,153	21,153

No dividend has been declared for the six months ended 30 September 2020 (six months ended 30 September 2019: 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

Notes to the Financial Statements continued

10 Fair Value Hierarchy continued

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 2020 (Accounting Policies Notes 2(l) and (m) on pages 62 and 63). The table below sets out the Company's fair value hierarchy:

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 – shares	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	–	(79,799)	–	(79,799)

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

10 Fair Value Hierarchy continued

	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
30 September 2019 (unaudited)				
Financial assets at fair value through profit or loss				
Investments – shares	1,308,222	–	79,354	1,387,576
Derivative instrument assets	2,331	9,593	–	11,924
	1,310,553	9,593	79,354	1,399,500
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	(349)	(83,278)	(2,476)	(86,103)
Financial liabilities at fair value				
Bank loan	–	(122,247)	–	(122,247)

11 Other Receivables

	30.09.20 unaudited £'000	31.03.20 audited £'000	30.09.19 unaudited £'000
Securities sold for future settlement	2,991	274	407
Accrued income	2,740	1,037	1,939
Other receivables	56	96	57
	5,787	1,407	2,403

12 Other Payables

	30.09.20 unaudited £'000	31.03.20 audited £'000	30.09.19 unaudited £'000
Securities purchased for future settlement	4,397	8,350	2,545
Investment management, secretarial and administration fees	1,628	782	782
Accrued expenses	559	723	750
	6,584	9,855	4,077

Notes to the Financial Statements continued

13 Share Capital

	30 September 2020 unaudited		31 March 2020 audited		30 September 2019 unaudited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
Issued, allotted and fully paid						
Ordinary shares of 1 penny each held outside Treasury						
Beginning of the period	538,809,043	5,388	549,574,480	5,496	549,574,480	5,496
Ordinary shares repurchased into Treasury	(23,345,560)	(233)	(10,765,437)	(108)	(480,000)	(5)
End of the period	515,463,483	5,155	538,809,043	5,388	549,094,480	5,491
Ordinary shares of 1 penny each held in Treasury*						
Beginning of the period	32,545,437	325	21,780,000	217	21,780,000	217
Ordinary shares repurchased into Treasury	23,345,560	233	10,765,437	108	480,000	5
End of the period	55,890,997	558	32,545,437	325	22,260,000	222
Total share capital		5,713		5,713		5,713

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

During the period, the Company repurchased 23,345,560 (year ended 31 March 2020: 10,765,437 and six months ended 30 September 2019: 480,000) ordinary shares and held them in Treasury. The cost of repurchasing these shares of £58,558,000 (year ended 31 March 2020: £24,313,000 and six months ended 30 September 2019: £1,006,000) 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:

	30.09.20 unaudited	31.03.20 audited	30.09.19 unaudited
Net assets	£1,813,181,000	£1,273,047,000	£1,296,391,000
Ordinary shares held outside Treasury	515,463,483	538,809,043	549,094,480
Net asset value per ordinary share	351.76p	236.27p	236.10p

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 ("the Manager") and has delegated portfolio management to FIL Investment Management (Hong Kong) Limited and FIL Investments International. They are all Fidelity group companies.

Details of the current fee arrangements are given in Note 5 above. During the period, management fees of £7,113,000 (year ended 31 March 2020: £9,440,000 and six months ended 30 September 2019: £4,710,000), and accounting, administration and secretarial fees of £50,000 (year ended 31 March 2020: £100,000 and six months ended 30 September 2019: £50,000) were payable to the Managers. Fidelity also provides the Company with marketing services. The total amount payable for these services was £109,000 (year ended 31 March 2020: £175,000 and six months ended 30 September 2019: £128,000). Amounts payable to the Managers 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 on page 41) 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 £42,000, the Audit and Risk Committee Chairman receives an annual fee of £32,000, the Chairman of the Unlisted Investment Committee receives an annual fee of £31,500, the Senior Independent Director receives an annual fee of £31,500 and the other Director receives an annual fee of £26,500. The following members of the Board hold ordinary shares in the Company at the date of this report: Mike Balfour 65,000 shares, Nicholas Bull 110,804 shares, Elisabeth Scott 19,819 shares and Linda Yueh 2,318 shares.

16 Post Balance Sheet Event

Subsequent rounds of funding for SenseTime and Pony.ai, both unlisted companies, were finalised post period end. As a result, in November 2020, the valuation of SenseTime was increased by 15.8% from £17,713,000 to £20,508,000 and the valuation of Pony.ai was increased by 64.2% from £24,776,000 to £40,674,000. If both increases in value had been applied at 30 September 2020, the net assets of the Company would have increased by 1.03%.

On 24 November 2020, the Company invested in Full Truck Alliance, an unlisted company, at a cost of £12,078,000 which represented 0.6% of Gross Assets.

As at 30 November 2020, total unlisted investments represented 5.8% of Gross Assets.

Glossary to the Half-Yearly Report

ADR (American Depositary Receipt)

A negotiable certificate issued by a US bank representing a specified number of shares in a foreign stock that is traded on a US Exchange.

AIC

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

AIF

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

AIFM

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

AIFMD

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

Alternative Performance Measures

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

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

Auditor

The Company's auditor is Ernst & Young LLP.

Benchmark Index

MSCI China Index total return (in sterling terms) and is a composite of China "A", "B", "H", "Red

Chip" and "P Chip" share classes and foreign listings (e.g. ADRs).

Broker

The Company's broker is Peel Hunt LLP.

China "A" Shares

Shares traded on the Chinese Stock Exchanges in Chinese renminbi. Foreign investors were unable to participate in the China "A" Shares market until the introduction of the QFII program in 2002 which provided a legal framework for licensed QFIIs to invest in China "A" Shares on the Chinese Stock exchanges and certain other securities previously not eligible for investment by foreign investors.

China "B" Shares

Shares traded on the Shenzhen Stock Exchange and Shanghai Stock Exchange in Hong Kong dollars and US dollars, respectively. The shares were originally intended to be available only to foreign individuals and institutional investors, however since February 2001, they have also been available to domestic individual investors who trade through legal foreign currency accounts.

China "H" Shares

Shares in companies incorporated in the PRC and listed on the Hong Kong Stock Exchange. They are available to non-Chinese investors and are traded in Hong Kong dollars on the Hong Kong Stock Exchange.

Chinese Renminbi

Currency of the PRC.

Chinese Stock Exchanges

The Shanghai Stock Exchange, the Shenzhen Stock Exchange and any other stock exchange located within the PRC from time to time.

ChiNext

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

Collateral

Assets provided as security.

Contract For Difference (CFD)

A [contract for difference](#) is a [derivative](#). It is a contract between the Company and an investment bank at the end of which the parties exchange the difference between the opening price and the closing price of the underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A [contract for difference](#) allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company holds long positions, dividends are received and interest is paid. If the Company holds short positions, dividends are paid and interest is received.

Custodian

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

Debt

Bank borrowings and long [contracts for difference](#).

Depository

An entity that oversees the custody, cash arrangements and other [AIFM](#) responsibilities of the Company. J.P. Morgan Europe Limited act as the Company's [Depository](#).

Derivatives

Financial instruments whose value is derived from the value of an underlying asset or other financial instruments. The main categories of [derivatives](#) are [contracts for difference](#), [warrants](#), [futures](#) and [options](#).

Discount

If the share price of the Company is lower than the [Net Asset Value per Ordinary Share](#), the Company's shares are said to be trading at a [discount](#). It is shown as a percentage of the [Net Asset Value per Ordinary Share](#).

Equity Linked Notes (ELNs)

Debt instruments whose return on investment is linked to specific equities or equity markets. The return on [equity linked notes](#) may be determined by an equity index, a basket of equities, or a single equity.

Fair Value

The carrying value in the Balance Sheet which represents the amount that would be received or paid on disposal of the financial asset or liability.

Forward Currency Contract

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

Future or Future Contract

An agreement to buy or sell a stated amount of a security, currency or commodity at a specific future date and at a pre-agreed price.

Glossary to the Half-Yearly Report continued

Gross Assets

Net Assets plus borrowings.

Gross Asset Exposure

The value of the portfolio to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of the **derivatives**, but excluding **forward currency contracts**).

Gross Gearing

Gross Asset Exposure in excess of **Net Assets**.

Hedging

A hedge position demonstrates risk reduction qualities by delivering short exposure to an asset which has regional congruence and a correlation of at least 80% to long exposures in the Company's portfolio. It therefore distinguishes itself from a "short" which is a position not opened with the objective of reducing the long exposure in the portfolio. Qualifying hedge exposures do not count towards the short exposure limits. For the purposes of calculating **Gross Asset Exposure**, the exposure attributed to the hedge positions will be deducted from the exposure of the corresponding long positions. Short positions are added to long positions in arriving at the **Gross Asset Exposure**.

Index Linked Securities

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

Investment Manager

FIL Investment Management (Hong Kong) Limited.

Investment Managers

Together, represents the **Investment Manager** and the **Unlisted Investment Manager**.

Manager

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

MSCI China Index

The **Benchmark Index** of the investment performance of the Company, in sterling terms.

NASDAQ

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

Net Assets

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

Net Asset Value (NAV)

Net Asset Value is sometimes described as "**Shareholders' Funds**" and is the total value of the Company's assets less the total value of its liabilities. For valuation purposes, it is common to express the **Net Asset Value** on a per Ordinary Share basis.

Net Asset Value (NAV) Per Ordinary Share

The **NAV per Ordinary Share** is calculated as **Shareholders' Funds** divided by the number of ordinary shares in issue.

Net Gearing

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

Net Market Exposure

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

Ongoing Charges (excluding Variable Management Fee element)

Total operating expenses (excluding finance costs and taxation) incurred by the Company as a percentage of the average daily **Net Asset Values** for the reporting period.

Options

An **option** is a contract which gives the right but not the obligation to buy or sell an underlying asset at an agreed price on or before an agreed date. **Options** may be calls (buy) or puts (sell) and are used to gain or reduce exposure to the underlying asset on a conditional basis.

P Chips

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

Portfolio

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

Portfolio Manager

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

PRC

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

Premium

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

QFII

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

Red Chips

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

Registrar

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

Return

The return generated in a given period from investments:

- **Revenue Return** – reflects the dividends and interest from investments and other income, net of expenses, finance costs and taxation;

Glossary to the Half-Yearly Report continued

- **Capital Return** – reflects the return on capital, excluding any revenue return; and
- **Total Return** – reflects the aggregate of revenue and capital returns.

Shareholders' Funds

Also described as [Net Asset Value](#), [Shareholders' Funds](#) represent the total value of the Company's assets less the total value of its liabilities as shown in the balance sheet.

Short Stock Exposure

The position of the Company when it has sold a security or [derivative](#) that it does not own but is now committed to eventually purchase in order to satisfy its obligation to sell. It is a strategy used to capitalise on an expected decline in the security's or [derivative's](#) price.

Total Return Performance

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

Total Shareholder Return (TSR)

[Total shareholder return \(TSR\)](#) is the total return of shares to shareholders, or the capital gains, plus dividends paid.

Treasury Shares

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

Unlisted Investment Manager

FIL Investments International.

Unlisted Companies

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

Variable Management Fee (VMF)

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

With effect from 1 April 2021, there will be a new [VMF](#) structure in place which will be on a tiered basis. The annual base fee will be 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 from the current fee structure of +/- 0.20% will remain unchanged.

Warrants

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

Shareholder Information

Investing in Fidelity China Special Situations PLC

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

CONTACT INFORMATION

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

Shareholders on the main share register

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

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

Telephone: **0371 664 0300** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

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

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

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

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0371 664 0391** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Link Share Dealing Service

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

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

Shareholder Information continued

Fidelity Platform Investors

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

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

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

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

General Enquiries

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

Telephone: **01737 837846**

Email: **investmenttrusts@fil.com**

Website: **www.fidelityinvestmenttrusts.com**

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

Financial Calendar 2020/2021	
30 September 2020	Half-Yearly period end
December 2020	Announcement of Half-Yearly results
December 2020	Publication of Half-Yearly Report
31 March 2021	Financial year end
June 2021	Publication of Annual Report
July 2021	Annual General Meeting

Directory

Board of Directors

Nicholas Bull FCA (Chairman)
Mike Balfour CA (Chairman of the Audit and Risk Committee)
Vanessa Donegan (Chairman of the Investment Committee)
Elisabeth Scott (Senior Independent Director)
Linda Yueh

Alternative Investment Fund Manager (AIFM/the Manager)

FIL Investment Services (UK) Limited
Beechgate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

Investment Manager

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

Unlisted Investment Manager, Secretary and Registered Office

FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey KT20 6RP
Email: investmenttrusts@fil.com

Banker and Custodian

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

Depository

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

Financial Adviser and Stockbrokers

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

Charles Russell Speechlys LLP
5 Fleet Place
London
EC4M 7RD

Registrar

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

General Data Protection Regulation ("GDPR")

What personal data is collected and how it is used

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

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

Sharing personal data

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

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

How long will personal data be kept for?

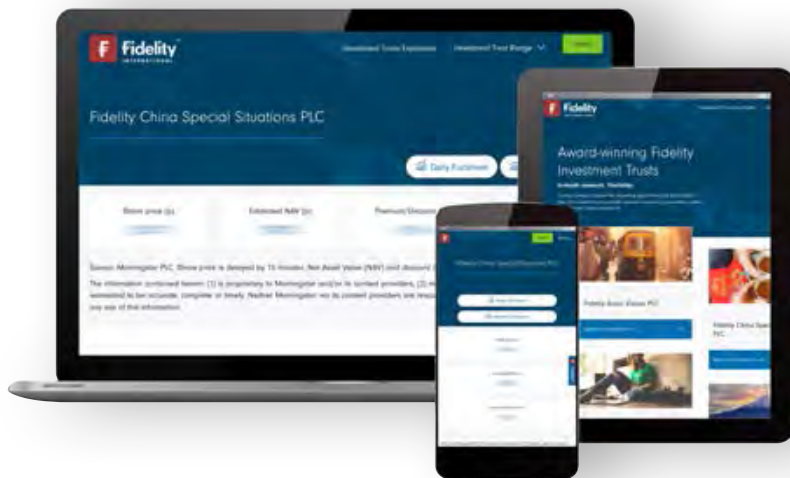
We will keep the personal data for as long as is necessary for these purposes and no longer than we are legally permitted to do so.

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

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

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



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