



**Fidelity**<sup>TM</sup>  
INTERNATIONAL

# FIDELITY CHINA SPECIAL SITUATIONS PLC

Half-Yearly Report for the  
6 months ended 30 September 2023

The purpose of the Company is 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, both listed and unlisted, as well as Chinese companies listed elsewhere. The Company may also invest in companies with significant interests in China.



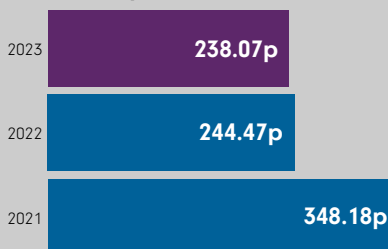
# Contents



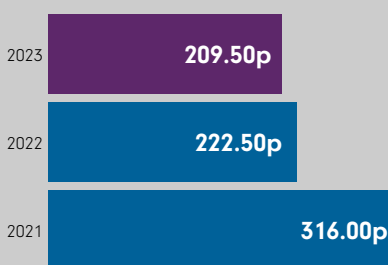
## Portfolio Manager's Half-Yearly Review

Read more on pages 04 to 09

### Net Asset Value per Share as at 30 September



### Share Price as at 30 September



## Directors' Reports

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# At a Glance

Six months ended 30 September 2023

**Net Asset Value per  
Share total return<sup>1,2</sup>**

**-10.9%**

(30 September 2022: -8.4%)

**Share Price total return<sup>1,2</sup>**

**-12.9%**

(30 September 2022: -9.8%)

**MSCI China Index total return  
(in UK sterling terms)<sup>1,3</sup>**

**-10.3%**

(30 September 2022: -5.5%)

1 Includes reinvested income.

2 Alternative Performance Measures (see Glossary to the Half-Yearly Report on page 37).

3 The Company's Benchmark Index.

## As at 30 September 2023

### Equity Shareholders' Funds

£1,134.5m

### Market Capitalisation

£998.3m

### Capital Structure

Ordinary Shares of 1 pence held outside of Treasury

476,524,291

## Summary of the key aspects of the Investment Policy

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

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

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

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

# Financial Highlights

	30 September 2023	31 March 2023
<b>Assets</b>		
Gross Asset Exposure	<b>£1,445.4m</b>	£1,659.1m
Net Assets	<b>£1,134.5m</b>	£1,338.4m
Net Gearing <sup>1,2</sup>	<b>25.0%</b>	21.1%
Net Asset Value ("NAV") per Share <sup>2</sup>	<b>238.07p</b>	274.08p
<b>Share Price and Discount data</b>		
Share Price at period/year end	<b>209.50p</b>	247.50p
Share Price: period/year high	<b>248.50p</b>	302.00p
Share Price: period/year low	<b>200.50p</b>	178.60p
Discount at period/year end <sup>2</sup>	<b>12.0%</b>	9.7%
Discount: period/year high	<b>12.0%</b>	15.2%
Discount: period/year low	<b>6.6%</b>	0.2%
<b>Earnings for the six months ended 30 September – see pages 20 and 21</b>		
Revenue Earnings per Ordinary Share <sup>2,3</sup>	<b>5.43p</b>	6.45p
Capital Loss per Ordinary Share <sup>2,3</sup>	<b>(36.06p)</b>	(29.22p)
Total Loss per Ordinary Share <sup>2,3</sup>	<b>(30.63p)</b>	(22.77p)
Ongoing Charges for the six months to 30 September <sup>2,4</sup>	<b>0.99%</b>	0.97%
Variable Management Fee	<b>0.20%</b>	0.20%
Ongoing Charges including Variable Management Fee for the six months to 30 September <sup>2,4</sup>	<b>1.19%</b>	1.17%

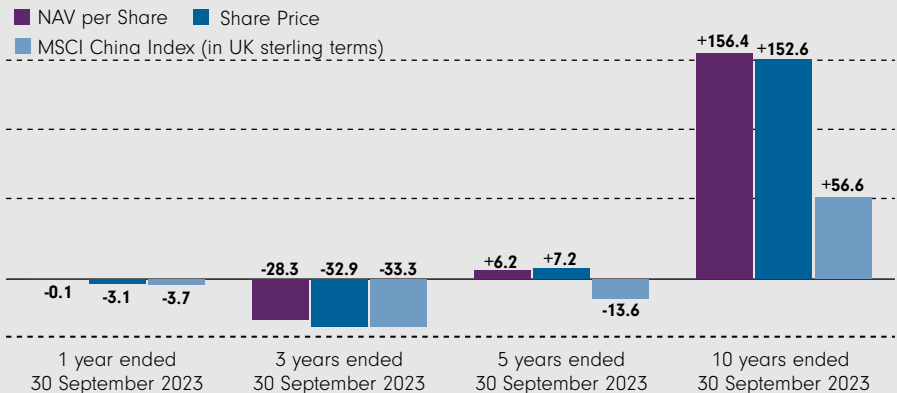
1 Defined in the Glossary to the Half-Yearly Report on page 40.

2 Alternative Performance Measures.

3 Based on the weighted average number of shares held outside of Treasury during the reporting 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 guidance issued by the Association of Investment Companies ("AIC")).

## Performance Total Return<sup>1</sup> (%)



<sup>1</sup> Includes reinvested income.

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

# Portfolio Manager's Half-Yearly Review

## Macro and market backdrop

At the beginning of the current financial year, it was already becoming clear that the hoped-for boost from the lifting of China's zero-Covid policy was going to be less straightforward than anticipated. Rather than seeing an immediate improvement, the economic outlook has remained uncertain, and this has led to high levels of volatility in the stock market. However, the policy backdrop has remained supportive, with the Chinese authorities returning to market-friendly rhetoric and stepping up efforts to roll out an array of stimulus measures to boost consumption and revive the economy since the July Politburo meeting.

The property sector has continued to cause concern both domestically and internationally, with tighter lending conditions leading to increased stress on some highly leveraged privately-owned property developers. Policy support has focused on the slowing residential market and lagging consumer sentiment, with initiatives such as the easing of mortgage conditions, the loosening of the definition of a 'first home' and allowing lower minimum down payment ratios for both first and second homeowners – all in an effort to support underlying demand for property. On the fiscal side, the government's ongoing focus on quality rather than quantity of economic growth, along with stretched local government finances, has meant that the trend of large-scale and leverage-fuelled infrastructure projects is likely to have run its course.

A sustained improvement in domestic regulation towards favouring the private sector or a sustained stabilisation of key geopolitical relationships would likely initiate a gradual rerating of Chinese stocks. We see positive signs of Beijing nurturing high-end manufacturing and encouraging foreign participation. A case in point is Xi Jinping's announcement during the recent BRI Forum that

China will terminate all restrictions for foreign participation in manufacturing.

One of the principal reasons why the post-Covid reopening fell flatter than expected was that consumer confidence has remained muted. The factors driving this include weak business confidence, particularly on the back of well-publicised job cuts at the big tech companies, and youth unemployment headlines. Weakness in the property market is also likely playing a part given the significant weight of property on the consumer balance sheet. On the positive side, Chinese citizens are sitting on record amounts of savings and the assumption had been that they would be keen to travel and spend as soon as they were able to do so. The recent 'Golden Week' holiday saw domestic tourism rebound to pre-pandemic levels, although overseas travel remains below trend. Despite the mixed signals, however, we believe consumption will likely continue to be the prime driver of the recovery, supported by factors such as the move towards urbanisation, which supports rising consumer purchasing power. While this trend may have slowed down during Covid, it remains clearly intact, and the overall levels of urbanisation still significantly lag levels seen in the West.

The rise of the Chinese consumer has long been a major theme for Fidelity China Special Situations, as evidenced by more than 40% of the portfolio held in consumer stocks.

## Performance and portfolio review

Chinese equities have experienced extreme volatility over the past six months, erasing the gains since the market's recent peak at the start of 2023. The initial euphoria around China's reopening was short-lived, as investor sentiment and consumer confidence were both adversely affected by subdued macroeconomic data and renewed stress on the financial and real estate sectors since the second quarter.

Against this uncertain backdrop, the Company's NAV declined by 10.9% in the six-month reporting period to 30 September 2023, slightly more than the MSCI China Index (the Benchmark Index) which was down by 10.3%. The Company's share price fell by 12.9% over the same period, reflecting a widening of the discount to NAV. (All performance data on a total return basis.)

While an overweight exposure to financials and materials detracted from performance during the period, robust stock picking in the consumer discretionary and health care sectors proved rewarding.

Within the consumer area, some of the initial beneficiaries of reopening in discretionary spending continued to post attractive gains. Holdings in Hisense Home Appliances Group, the branded variety retailer MINISO and Lao Feng Xiang, a leading jewellery retailer, all made gains, supported by their solid execution and positive structural growth outlooks. These gains were partially offset by the position in China Tourism Group Duty Free, which declined amid weaker-than-expected consumer confidence.

Elsewhere in the consumer discretionary space, shares in automobile parts manufacturer Intron Technology also declined on the back of disappointing results. However, we believe that structural tailwinds in China's auto sector toward electrification continue to underpin its long-term outlook.

Within the health care sector, WuXi AppTec Group – one of our largest holdings on both an absolute basis and relative to the Benchmark Index – contributed positively to performance. It is a leading biopharma contract development and manufacturing company and reported upbeat financial results. Its shares were also supported by the hype around glucagon-like

peptide 1 (GLP-1) drugs for weight-loss, spurred on by ground-breaking results from a recent clinical study. The position in biotech company HUTCHMED China also advanced on the back of better-than-expected results. Cost-saving initiatives made a meaningful contribution to its earnings, and it has no near-term funding needs as it has adequate cash to fund its upcoming research and development (R&D) pipeline. Moreover, shares in the China-focused and Japan listed drug developer GNI Group were supported by results that were in line with expectations. It revised its revenue and profit guidance upwards after receiving an upfront licence payment from Astellas for its US subsidiary Cullgen.

In contrast, not holding NetEase and Li Auto held back returns relative to the Benchmark Index. Shares of NetEase advanced amid easing industry crackdowns and resilient demand in the gaming sector. The company has benefited from its recent better-than-expected game blockbusters in China. Electric vehicle manufacturers trended upwards on the back of the recent announcement of an extended tax break on renewable automobile purchases. Thus, not holding Li Auto, one of China's largest pure-play electric vehicle companies, weighed on relative returns.

Within financials, the position in credit facilitator Lufax Holding declined as it released subdued results. Tightening lending criteria, driven by weakness in China's macroeconomic backdrop, has led to a decline in new loans which poses a near-term headwind to the company's earnings. Nonetheless, Lufax remains substantially undervalued and provides significant upside potential given its leading position in online lending to small and medium-sized enterprises (SMEs) and attractive valuations.

# Portfolio Manager's Half-Yearly Review continued

## ESG and engagement

We continue to develop our sustainability ratings system and processes to meet the ever-evolving landscape of investing through an ESG lens. Before highlighting our most recent updates, we believe it is important to reiterate why we have institutionalised sustainability into our investment process. There are three layers to our approach. The first is a foundation of robust sustainable investing practices that helps to build sustainable financial futures. The second layer is made up of different modules that will evolve to meet dynamic requirements – building digital tools to support effective analysis, integration, and the reporting of sustainability in our investment process. The final layer is how we communicate our process externally (such as meetings and engagement with companies' management teams).

We equally believe our proprietary ratings add value to third-party ESG research while adhering to our fundamental investment philosophy. Too often, different ESG research providers reach different conclusions on the same companies, due to different underlying methodologies and judgements on materiality. Furthermore, by using an average, we feel that the 'overall' score used by others can mask a complex set of underlying 'E', 'S' and 'G' factors.

When dealing with so-called "less sustainable" companies, one can engage with them to help implement effective change or exclude them entirely from portfolios. We believe that the former has much greater potential to positively impact future generations as well as returns over the long-term (opportunities), particularly if an investor is willing to exert influence and help companies to improve their ESG trajectory.

With all that said, it is important to note that the Company is not an 'ESG fund' that aims to only invest in those companies dedicated to delivering positive ESG impacts. Rather,

we integrate ESG considerations into our investment process to mitigate sustainability risks, which can have negative implications for share prices as well as for people and the planet. Below is an example of one of our recent engagements with a company in the portfolio to help them – and therefore us – to manage sustainability risks.

### **TENCENT HOLDINGS: ENGAGEMENT CASE STUDY**

Tencent's ESG team proactively initiated a meeting with Fidelity which is in itself encouraging. The meeting was wide-ranging and covered 'E', 'S' and 'G' factors. From an environmental perspective, Tencent has a goal of full carbon neutrality by 2030. It is only one of the few technology, media and telecom (TMT) company globally (and the first in China) to have received a Science-Based Target-initiative (SBTi) approved greenhouse gas ("GHG") reduction target, behind Microsoft. During the meeting, we discussed comprehensive GHG disclosures, including Scope 3 emissions (the last of the three groups of targets required to achieve net zero and covering areas such as employee travel and new headquarter constructions). The company has started to look into the potential for Scope 3 emissions reduction, although the actual change will happen in the medium rather than the short-term.

On the social aspect, Tencent recognises previous controversies related to Diversity, Equity and Inclusion (DEI) and has proactively made steady progress towards gender equity at board and company levels. We reiterated Fidelity's policy requiring a minimum of 30% female representation at the board level. Following the appointment of a female non-executive director, the board of Tencent has increased the ratio of female directors to 22.2% and intends to raise this percentage further.

From a governance perspective, we recommended that the company should consider greater disclosure on data privacy. Overall, we were impressed to see the incremental progress Tencent is making in improving its ESG practices.



### Current portfolio positioning

On a relative basis, at the reporting period end we were most overweight the Benchmark Index in the industrials, health care, consumer discretionary and information technology sectors. We were most underweight in utilities, energy and communication services.

A notable change to the portfolio during the period was a significant decrease in exposure to the consumer discretionary sector, triggered mostly by profit taking. The proceeds of these sales have been deployed to increase our allocation in consumer staples, materials and energy sectors.

In information technology, we trimmed our holding in Alibaba Group and initiated a position (which we have since increased) in PDD Holdings, which is the third largest e-commerce platform in China and shows outstanding efficiency in supply chain management and cost control. This competitive edge allows the company to offer very competitive pricing, driving continuous gains in market share. This same edge is helping PDD to expand internationally via its Temu brand, leveraging China's supply chain to meet offshore demand. Currently, Temu is still loss-making due to its significant investment in the user acquisition phase, so in the near-term the expansion is a drag on PDD's profits. However, over the long-term, we believe there is good potential for significant value to be created in this business, and therefore, the stock offers great upside potential when profitability improves, and the market takes a more positive view of the sustainability of its earnings.

Elsewhere in the consumer space, the positions in MINISO and Lao Feng Xiang were sold to lock in profits which we recycled into better priced opportunities elsewhere. For example, we purchased a new position in online video platform operator iQiyi. It offers an attractive

valuation and we believe there is good potential for the competitive environment to improve.

Within the energy sector, we initiated a new position in integrated offshore oil services provider China Oilfield Services, which is 50% owned by the national oil company CNOOC. The company provides leading drilling services in China, while its well service business is also starting to gain market share overseas. We see favourable supply and demand dynamics in the mid-term and the valuations are very compelling.

Premium growth in the life insurance market was negatively impacted during Covid and the recovery has been muted. However, we still see good long-term potential in the Chinese insurance market given the relatively low levels of penetration. Capitalising on the weakness in stock prices, we increased our stake in China's second largest life insurer (by premium income), Ping An Insurance Company of China. This is a high-quality company that looks attractively valued as the overall weakness in the life insurance industry bottoms out. The purchase was funded by selling the entire position in China Pacific Insurance after its valuation moved upwards, with upside being increasingly priced in.

Within the real estate sector, we initiated a new position in the state-owned developer China Overseas Land & Investment ("COLI"), given its favourable risk-reward profile following the recent market correction and policy easing expectations for the sector. Against the backdrop of the ongoing property downturn, we believe that leading state-owned players with low funding costs are well placed to survive and to continue gaining market share, while cash-strapped private developers with high levels of leverage are likely to struggle. COLI has been excellent in

## Portfolio Manager's Half-Yearly Review continued

controlling construction costs and enjoys the lowest funding costs in the industry thanks to its prudent balance sheet. This absolute cost advantage enables COLI to have the highest core net profit margin among its peers.

We also added to building materials companies in the property value chain. Beijing Oriental Yuhong Waterproof Technology is a long-term market share gainer amid fast consolidation in the waterproof industry. As the construction downcycle goes on, hundreds of small building materials companies have exited the market. Yuhong, however, is likely to maintain and expand its market leading position. Meanwhile, its shares are trading well below intrinsic value given the extreme bearish market sentiment towards the property sector, presenting an attractive balance of risk and reward.

We have outlined our five largest holdings on the following pages.

### Gearing

We continue to believe that the judicious use of gearing can be accretive to long-term capital and income returns, allowing us the opportunity to capitalise on the volatility in the Chinese market. Gearing is primarily deployed using contracts for difference, which are relatively low-cost and represent a flexible way of increasing investment exposure, along with a fixed term loan. At the start of the period under review, net gearing was 21.1% which rose to 25.0% by the end of September.

### Outlook

After a spell of increased uncertainty over China's growth trajectory as it emerged from Covid lockdowns, the mood music has moved to a slightly more positive tone in recent weeks. Regulatory concerns are now less relevant, and the narrative again focuses more on growth. While a 5% annual GDP growth target

seems largely on track, we believe the current backdrop reflects a more measured growth outlook going into 2024.

In the face of a problematic property market in China, the refinancing conditions for property developers will likely remain challenging in the near-term despite more supportive policies. However, this is not detrimental to all property developers. While we do not expect a significant property rebound given the structural challenges, home prices are showing signs of resilience, especially in top tier cities. Ultimately, the existing divergence between various developers could be magnified further. The indiscriminate sell-off so far this year has caused some mispricing and this provides an opportunity for active investors who can successfully identify the leading players who are most likely to benefit from lower funding costs and can gain market share, while cash-strapped developers struggle.

While economic challenges and geopolitical risks remain, policy direction towards regulatory loosening is clear. We have already seen action taken to boost consumer confidence, such as tax breaks on the purchase of electric vehicles and lower mortgage requirements for home buyers. Although job and wage cuts have clearly hurt consumer confidence, we have the sense that the worst is behind us from our discussions with companies. Over the longer-term, improved corporate earnings could be a key driver for investor confidence to return.

China is at a different point in the economic cycle to many Western countries. Rising interest rates and inflation in the West have meant tightening central bank policies aimed at slowing economies down, whereas the opposite is the case in China. Inflation has not been a problem, and the authorities are taking a more stimulative approach to boost growth.

At the same time, valuations in the Chinese equity market – barring some post-Covid reopening beneficiaries in the consumer discretionary space – remain very compelling both in historic and absolute terms and compared to some other major markets. The low level of valuations is despite a corporate earnings outlook that compares well to most other large markets. Clearly, a lot of pessimism over the economy appears priced in.

It is widely recognised that the long-term plan of the Chinese government is to seek to reduce the economy's reliance on investment and property and pivot away from some of the country's traditional growth drivers towards high-end manufacturing and domestic consumption. The pace of innovation in China remains strong, primarily led by private enterprises in sectors such as industrials and health care. Globally, leading companies have emerged in areas such as electric vehicles and renewable energy. These are factors contributing to consolidation trends across a range of sectors, many of which remain very fragmented. While overseas investors may focus on the impact on China of de-globalisation and 'near-shoring' of industry, the corollary to this is an increasing preference among Chinese consumers for Chinese brands, resulting in domestic companies taking ever greater market share in what remains one of the world's largest markets.

We have spent much time discussing the economic backdrop in China, which has clearly been challenging. What we feel is often missed are the stories of great individual companies executing well in industries where they have strong growth potential, but whose valuations are dragged down by the macro headlines and the general negative sentiment that we have discussed above. We believe that stock prices follow earnings in the long-term. Provided their earnings growth comes through,

the upside potential is significant. Our team on the ground is focused on selecting the winners that will deliver, and that is where we are directing the Company's capital.

#### **Dale Nicholls**

Portfolio Manager  
28 November 2023

# Spotlight on the Top Five Holdings

as at 30 September 2023

The top five holdings comprise 24.7% of the Company's Net Assets.

## Industry Communication Services



### Tencent Holdings

% of Net Assets

10.1%

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

## Industry Consumer Discretionary



### Pony.ai (unlisted)

% of Net Assets

3.9%

The Toyota backed autonomous vehicle technology company, Pony.ai presents significant growth potential as a market leader in an emerging new industry that will transform traditional ways of transportation. The company plans to commercialise autonomous driving for all sizes of vehicles and to operate on both ridesharing and delivery service networks.

## Industry Consumer Discretionary



### Alibaba Group Holding

% of Net Assets

3.8%

Alibaba Group holds a leading position in the e-commerce market. Its core e-commerce categories, including apparel and makeup, will benefit from a recovery in consumption and pent-up demand in China. It has a comprehensive ecosystem that has superior breadth and depth and is the foundation of its loyal merchant and consumer base which supports its pricing power. Alibaba announced in March 2023 that it will split the company into six businesses in a move designed to unlock shareholder value and foster market competitiveness.

**Industry** Healthcare



**Wuxi AppTec Group**

**% of Net Assets**

**3.5%**

WuXi AppTec Group is a leading biotech contract research and manufacturing (“CDMO/CMO”) company and one of the dominant global platforms in terms of sales. It is a long-term compounder and is expected to benefit from global pharmaceutical industry growth and continued research & development (R&D) investment by pharmaceutical companies. The continued outsourcing trend from in-house production to CDMO companies, particularly in China, also underpins its position. WuXi has established a robust talent pool with strong technical skills which has helped to drive a loyal and sticky client base.

**Industry** Consumer Discretionary



**PDD Holdings**

**% of Net Assets**

**3.4%**

PDD Holdings is the third largest e-commerce platform by GMV in China, with outstanding efficiency in supply chain management and cost control. With its unique traffic distribution method, PDD is able to offer the cheapest version of products and continuously gains market share. The company is also expanding internationally via a new shopping app called Temu by leveraging domestic supply chains in order to meet offshore demand. PDD’s profit has recently been impacted by its heavy investment during its user acquisition phase, however, Temu offers great upside potential given the significant user growth being seen.

# Twenty Largest Holdings

as at 30 September 2023

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

	Asset Exposure		Fair Value
	£'000	% <sup>1</sup>	£'000
<b>Long Exposures – shares unless otherwise stated</b>			
<b>Tencent Holdings (shares and long CFDs)</b>			
Internet, mobile and telecommunications service provider	114,086	10.1	63,568
<b>Pony.ai (unlisted)</b>			
Developer of artificial intelligence and autonomous driving technology solutions	43,774	3.9	43,774
<b>Alibaba Group Holding (shares and long CFD)</b>			
e-commerce group	43,596	3.8	20,175
<b>WuXi AppTec Group (long CFDs)</b>			
Pharmaceutical, biopharmaceutical and medical device outsourcing provider	39,292	3.5	210
<b>PDD Holdings (long CFD)</b>			
e-commerce group	38,981	3.4	(145)
<b>DJI International (unlisted)</b>			
Manufacturer of drones	30,266	2.7	30,266
<b>China Life Insurance (long CFDs)</b>			
Insurance company	29,533	2.6	444
<b>Ping An Insurance Company of China (long CFD)</b>			
Provider of insurance, banking and investment products	29,355	2.6	(1,540)
<b>Chime Biologics Convertible Bond (unlisted)</b>			
Contract Development and Manufacturing Organization	28,583	2.5	28,583
<b>Venturous Holdings (unlisted)</b>			
Investment company	27,970	2.5	27,970
<b>HollySys Automation Technologies</b>			
Provider of automation control system solutions	26,772	2.4	26,772

	Asset Exposure		Fair Value
	£'000	% <sup>1</sup>	£'000
<b>Hisense Home Appliances Group</b>			
Developer, manufacturer and distributor of household appliances	26,252	2.3	26,252
<b>Crystal International Group</b>			
Clothing manufacturer	26,056	2.3	26,056
<b>China Foods (shares and long CFD)</b>			
Processor and distributor of food and beverages	25,536	2.2	2,389
<b>ByteDance (unlisted)</b>			
Technology company	25,411	2.2	25,411
<b>ERA (shares and equity linked notes)</b>			
Manufacturer of plastic valves and fittings	23,066	2.0	23,066
<b>Postal Savings Bank of China</b>			
Commercial retail bank	22,684	2.0	22,684
<b>Sinotrans (shares and long CFDs)</b>			
Logistics, storage and terminal services provider	22,617	2.0	10,803
<b>HUTCHMED China</b>			
Biopharmaceutical company	21,476	1.9	21,476
<b>Autohome</b>			
Online portal for automobile buyers	19,692	1.7	19,692
<b>Twenty largest long exposures</b>	<b>664,998</b>	<b>58.6</b>	<b>417,906</b>
Other long exposures	919,047	81.0	722,879
<b>Total long exposures before hedges (151 companies)</b>	<b>1,584,045</b>	<b>139.6</b>	<b>1,140,785</b>
<b>Less: hedging exposures</b>			
Hang Seng Index (future)	(104,963)	(9.2)	629
Hang Seng China Enterprises Index (future)	(47,347)	(4.2)	327
<b>Total hedging exposures</b>	<b>(152,310)</b>	<b>(13.4)</b>	<b>956</b>
<b>Total long exposures after the netting of hedges</b>	<b>1,431,735</b>	<b>126.2</b>	<b>1,141,741</b>

## Twenty Largest Holdings continued

	Asset Exposure		Fair Value
	£'000	% <sup>1</sup>	£'000
<b>Short exposures</b>			
Short CFDs (2 holdings)	13,656	1.2	(844)
<b>Gross Asset Exposure<sup>2</sup></b>	<b>1,445,391</b>	<b>127.4</b>	
<b>Portfolio Fair Value<sup>3</sup></b>			<b>1,140,897</b>
Net current liabilities (excluding derivative instruments)			(6,421)
<b>Net Assets</b>			<b>1,134,476</b>

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

2 Gross Asset Exposure comprises market exposure to investments of £1,147,456,000 plus market exposure to derivative instruments of £297,935,000.

3 Portfolio Fair Value comprises investments of £1,147,456,000 plus derivative assets of £3,739,000 less derivative liabilities of £10,298,000.



# Interim Management Report

## Unlisted Investments

The Company can invest up to 15% of its Net Assets plus Borrowings in unlisted companies which carry on business, or have significant interests, in China. The limit is applied at the time of purchase of the investment. The unlisted space in China allows the Portfolio Manager to take advantage of the faster growth trajectory of earlier stage companies before they potentially become listed on the public markets. This can offer excellent opportunities for patient and long-term investors.

As at 30 September 2023, the Company had 12.8% of Net Assets plus Borrowings in six unlisted investments (31 March 2023: 13.6% of Net Assets plus Borrowings in nine unlisted investments). In the reporting period, the following companies listed on the Hong Kong Stock Exchange: Beisen on 13 April 2023; Cutia Therapeutics on 12 June 2023; and Tuhu Car on 26 September 2023.

The unlisted investments in the Company's portfolio are assessed regularly by Fidelity's dedicated Fair Value Committee ("FVC") with advice from Kroll, a third-party valuation specialist, and also the Fidelity analysts who look after these companies. In addition, Fidelity has an unlisted investments specialist focused on Chinese unquoted companies. The FVC meets monthly to consider the valuation of the unlisted investments. However, the unlisted investments are monitored on a daily basis for trigger events such as funding rounds or news of fundamentals which may require the FVC to adjust the valuation price as soon as the relevant Fidelity analyst has been consulted. Kroll undertake a detailed review of each of the unlisted investments on a quarterly basis. The FVC provides regular updates to the Board so that it has oversight of the valuation process. The Board also receives details of any price changes made outside of the normal quarterly cycle.

Twice yearly, ahead of the Company's interim and its year end, the Audit and Risk Committee has meetings whereby it receives a detailed presentation from the FVC, Kroll and Fidelity's unlisted specialist in order to satisfy itself that the unlisted investments are carried at an appropriate value at the balance sheet date. The external Auditor attends the unlisted valuations meeting held ahead of the Company's year end.

The basis of the valuation of the unlisted investments is set out in Notes 2 (e) and 2 (l) of the Accounting Policies which can be found on pages 65 to 68 of the Annual Report for the year ended 31 March 2023.

## Gearing

The Board continues to believe that the judicious use of gearing (a benefit of the investment trust structure) can be accretive to long-term capital and income returns, although being more than 100% invested does mean that the NAV and share price may be more volatile and can accentuate losses in a falling market. Net gearing at the period end was 25.0% compared to 21.1% as at 31 March 2023.

The Company renewed its loan facility with Scotiabank Europe PLC for US\$100,000,000 on 14 February 2023 for a period of one year at a fixed interest annual rate of 6.335%. It is the Board's intention not to renew this facility at maturity.

## Discount Management

The Board believes that investors are best served when the share price trades close to its NAV per share. However, 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, as well as the performance of the Company's portfolio. A discount control mechanism is in place whereby the Board seeks to maintain the

## Interim Management Report continued

Company's discount in single digits in normal market conditions. Until May 2023, shares repurchased were held in Treasury. However, once shares held in Treasury equated to 15% of the issued share capital, shares repurchased since then have been cancelled. Shareholders authorised the Directors to buyback up to 14.99% of the Company's shares at the last Annual General Meeting.

To combat tricky and volatile market conditions during the reporting period, the Board undertook active discount management, the primary purpose of which was, and remains, the intent to reduce discount volatility. Despite this intervention, the Company's discount widened from 9.0% at the start of the reporting period to end the period at 12.0%. Over the six months, the Board authorised the repurchase of 11,801,337 shares into Treasury and for cancellation at a cost of £25,895,000, representing 2.1% 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. Subsequent to the period end and up the latest practicable date, the Company has repurchased 5,397,163 shares for cancellation.

### Ongoing Charge

The Ongoing Charge (the costs of running the Company) for the six months ended 30 September 2023 was 0.99% (31 March 2023: 0.98%). The variable element of the management fee was a charge of 0.20% (31 March 2023: 0.20%). Therefore, the Ongoing Charge including the variable element for the reporting period was 1.19% (31 March 2023: 1.18%).

### Board of Directors

In the announcement made by the Company on 20 July 2023 with the results of its Annual General Meeting ("AGM"), it was noted that

Gordon Orr received less than 80% of the votes cast in favour of his re-election, which was predominantly the result of a large shareholder's view on his being over boarded. Whilst it is felt that Mr Orr was able to devote, and was in fact devoting, sufficient time to the business of the Company, following further discussions since the AGM, the Board confirms that Mr Orr will step down from one of his board positions by 1 January 2024. His number of directorships is therefore expected to have reduced ahead of the Company's next Annual General Meeting.

### 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, which 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 continue to fall into the following risk categories: geopolitical; market and economic (including currency risk); operational (including those of third-party service providers); investment performance (including gearing risk); variable interest entity structures; climate change; discount management; unlisted securities; environmental, social and governance (ESG); key person; cybercrime and information security; business continuity; and tax and regulatory risks. Information on each of these risks is given in the Strategic Report section of the Annual Report on pages 28 to 32 for the year ended 31 March 2023 which can be found on the Company's pages of the Manager's website at [www.fidelity.co.uk/china](http://www.fidelity.co.uk/china).

While the principal risks and uncertainties are the same as those at the last year end, the uncertainty continues to be heightened by the ongoing global implications of the Russia and

Ukraine conflict, conflict in the Middle East, continuing tensions between China and the US, tensions with Taiwan. Western sanctions on China on capital and trade flows and from the economic outlook remaining challenging. The quantum of risks continues to change and the Board remains vigilant in monitoring the risks.

Climate change continues to be a key emerging issue, as well as a principal risk, confronting asset managers and their investors. The Board notes that the Manager has integrated ESG considerations, including climate change, into the Company's investment process. The Board will continue to monitor how this may impact the Company as a risk to investment valuations and potentially to shareholder returns.

Investors should be prepared for market fluctuations and remember that holding shares in the Company should be considered to be a long-term investment. Risks are partially 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 has appropriate business continuity and operational plans in place to ensure the continued provision of services, including investment team key activities of portfolio managers, analysts and trading/support functions. It reviews its operational resilience strategies on an ongoing basis and 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 Company's other third-party service providers also have 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 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 on page 36.

### Going Concern Statement

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio and its expenditure and cash flow projections. The Directors, having considered the liquidity of the Company's portfolio of investments (being mainly securities which are readily realisable), the projected income and expenditure and the loan facility agreement, are satisfied that the Company is financially sound and has adequate 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.

This conclusion takes into account the Board's assessment of the ongoing risks as outlined above.

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

By Order of the Board

**FIL Investments International**

28 November 2023

# 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 on pages 4 to 9 and the Interim Management Report on pages 15 to 17, 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 28 November 2023 and the above responsibility statement was signed on its behalf by Mike Balfour, Chairman.

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# Income Statement

for the six months ended 30 September 2023

		Six months ended 30 September 2023 unaudited		
	Notes	Revenue £'000	Capital £'000	Total £'000
<b>Revenue</b>				
Investment income	4	22,274	–	22,274
Derivative income	4	9,709	–	9,709
Other income	4	800	–	800
<b>Total income</b>		<b>32,783</b>	<b>–</b>	<b>32,783</b>
Losses on investments at fair value through profit or loss				
		–	(119,622)	(119,622)
(Losses)/gains on derivative instruments				
		–	(36,505)	(36,505)
Foreign exchange (losses)/gains				
		–	(1,975)	(1,975)
Foreign exchange losses on bank loans				
		–	(1,013)	(1,013)
<b>Total income and (losses)/gains</b>		<b>32,783</b>	<b>(159,115)</b>	<b>(126,332)</b>
<b>Expenses</b>				
Investment management fees	5	(1,293)	(5,056)	(6,349)
Other expenses		(669)	(3)	(672)
<b>Profit/(loss) before finance costs and taxation</b>		<b>30,821</b>	<b>(164,174)</b>	<b>(133,353)</b>
Finance costs	6	(3,426)	(10,279)	(13,705)
<b>Profit/(loss) before taxation</b>		<b>27,395</b>	<b>(174,453)</b>	<b>(147,058)</b>
Taxation	7	(1,177)	383	(794)
<b>Profit/(loss) after taxation for the period</b>		<b>26,218</b>	<b>(174,070)</b>	<b>(147,852)</b>
<b>Earnings/(loss) per ordinary share</b>	8	<b>5.43p</b>	<b>(36.06p)</b>	<b>(30.63p)</b>

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.

Year ended 31 March 2023 audited			Six months ended 30 September 2022 unaudited		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
32,704	-	32,704	27,786	-	27,786
11,566	-	11,566	9,925	-	9,925
409	-	409	145	-	145
44,679	-	44,679	37,856	-	37,856
-	(6,912)	(6,912)	-	(52,166)	(52,166)
-	14,971	14,971	-	(88,129)	(88,129)
-	8,167	8,167	-	13,614	13,614
-	(4,814)	(4,814)	-	(13,800)	(13,800)
44,679	11,412	56,091	37,856	(140,481)	(102,625)
(3,012)	(11,715)	(14,727)	(1,544)	(6,002)	(7,546)
(1,097)	(4)	(1,101)	(486)	-	(486)
40,570	(307)	40,263	35,826	(146,483)	(110,657)
(3,956)	(11,869)	(15,825)	(1,256)	(3,770)	(5,026)
36,614	(12,176)	24,438	34,570	(150,253)	(115,683)
(1,149)	-	(1,149)	(1,476)	433	(1,043)
35,465	(12,176)	23,289	33,094	(149,820)	(116,726)
7.05p	(2.42p)	4.63p	6.45p	(29.22p)	(22.77p)

# Statement of Changes in Equity

for the six months ended 30 September 2023

	Notes	Share capital £'000
<b>Six months ended 30 September 2023 (unaudited)</b>		
<b>Total equity at 31 March 2023</b>		<b>5,710</b>
Repurchase of ordinary shares into Treasury	13	-
Repurchase of ordinary shares for cancellation	13	<b>(89)</b>
(Loss)/profit after taxation for the period		-
Dividend paid to shareholders	9	-
<b>Total equity at 30 September 2023</b>		<b>5,621</b>
<b>Year ended 31 March 2023 (audited)</b>		
<b>Total equity at 31 March 2022</b>		<b>5,710</b>
Repurchase of ordinary shares into Treasury	13	-
(Loss)/profit after taxation for the year		-
Dividend paid to shareholders	9	-
<b>Total equity at 31 March 2023</b>		<b>5,710</b>
<b>Six months ended 30 September 2022 (unaudited)</b>		
<b>Total equity at 31 March 2022</b>		<b>5,710</b>
Repurchase of ordinary shares into Treasury	13	-
(Loss)/profit after taxation for the period		-
Dividend paid to shareholders	9	-
<b>Total equity at 30 September 2022</b>		<b>5,710</b>



Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
<b>211,569</b>	<b>917</b>	<b>186,794</b>	<b>877,782</b>	<b>55,649</b>	<b>1,338,421</b>
-	-	(6,965)	-	-	(6,965)
-	89	(18,930)	-	-	(18,930)
-	-	-	(174,070)	26,218	(147,852)
-	-	-	-	(30,198)	(30,198)
<b>211,569</b>	<b>1,006</b>	<b>160,899</b>	<b>703,712</b>	<b>51,669</b>	<b>1,134,476</b>
211,569	917	244,043	889,958	48,424	1,400,621
-	-	(57,249)	-	-	(57,249)
-	-	-	(12,176)	35,465	23,289
-	-	-	-	(28,240)	(28,240)
211,569	917	186,794	877,782	55,649	1,338,421
211,569	917	244,043	889,958	48,424	1,400,621
-	-	(23,532)	-	-	(23,532)
-	-	-	(149,820)	33,094	(116,726)
-	-	-	-	(28,240)	(28,240)
211,569	917	220,511	740,138	53,278	1,232,123

# Balance Sheet

as at 30 September 2023

Company number 7133583

	Notes	30.09.23 unaudited £'000	31.03.23 audited £'000	30.09.22 unaudited £'000
<b>Non-current assets</b>				
Investments at fair value through profit or loss	10	1,147,456	1,318,764	1,256,604
<b>Current assets</b>				
Derivative instruments	10	3,739	22,313	15,978
Amounts held at futures clearing houses and brokers		24,438	34,813	66,612
Other receivables	11	10,390	11,939	44,391
Cash at bank		51,258	72,943	11,551
		89,825	142,008	138,532
<b>Current liabilities</b>				
Derivative instruments	10	(10,298)	(20,892)	(34,150)
Bank loan		(81,870)	(80,857)	(89,843)
Other payables	12	(10,637)	(20,602)	(37,900)
Bank overdraft		-	-	(1,120)
		(102,805)	(122,351)	(163,013)
<b>Net current (liabilities)/assets</b>		<b>(12,980)</b>	19,657	(24,481)
<b>Net assets</b>		<b>1,134,476</b>	1,338,421	1,232,123
<b>Equity attributable to equity shareholders</b>				
Share capital	13	5,621	5,710	5,710
Share premium account		211,569	211,569	211,569
Capital redemption reserve		1,006	917	917
Other reserve		160,899	186,794	220,511
Capital reserve		703,712	877,782	740,138
Revenue reserve		51,669	55,649	53,278
<b>Total equity</b>		<b>1,134,476</b>	1,338,421	1,232,123
<b>Net asset value per ordinary share</b>	14	<b>238.07p</b>	274.08p	244.47p

# Cash Flow Statement

for the six months ended 30 September 2023

	Six months ended 30 September 2023 unaudited £'000	Year ended 31 March 2023 audited £'000	Six months ended 30 September 2022 unaudited £'000
<b>Operating activities</b>			
Cash inflow from investment income	18,806	30,352	24,344
Cash inflow from derivative income	8,129	11,484	9,648
Cash inflow from other income	800	409	145
Cash outflow from Directors' fees	(125)	(195)	(95)
Cash outflow from other payments	(7,337)	(15,638)	(8,143)
Cash outflow from the purchase of investments	(315,682)	(429,715)	(215,661)
Cash outflow from the purchase of derivatives	(1,910)	(7,957)	(3,966)
Cash outflow from the settlement of derivatives	(152,776)	(485,760)	(215,801)
Cash inflow from the sale of investments	356,034	480,407	231,473
Cash inflow from the settlement of derivatives	132,953	510,263	189,426
Cash inflow/(outflow) from amounts held at futures clearing houses and brokers	10,375	(2,593)	(34,392)
<b>Net cash inflow/(outflow) from operating activities before servicing of finance</b>	<b>49,267</b>	<b>91,057</b>	<b>(23,022)</b>
<b>Financing activities</b>			
Cash outflow from bank loan, collateral and overdraft interest paid	(2,561)	(2,242)	(1,190)
Cash outflow from CFD interest paid	(11,245)	(12,099)	(2,741)
Cash outflow from short CFD dividends paid	-	(254)	(254)
Cash outflow from the repurchase of ordinary shares into Treasury	(7,095)	(57,119)	(21,409)
Cash outflow from the repurchase of ordinary shares for cancellation	(17,878)	-	-
Cash outflow from dividends paid to shareholders	(30,198)	(28,240)	(28,240)
<b>Cash outflow from financing activities</b>	<b>(68,977)</b>	<b>(99,954)</b>	<b>(53,834)</b>
<b>Decrease in cash at bank</b>	<b>(19,710)</b>	<b>(8,897)</b>	<b>(76,856)</b>
Cash at bank at the start of the period	72,943	73,673	73,673
Effect of foreign exchange movements	(1,975)	8,167	13,614
<b>Cash at bank at the end of the period</b>	<b>51,258</b>	<b>72,943</b>	<b>10,431</b>
Represented by:			
Cash at bank	51,258	72,943	11,551
Bank overdraft	-	-	(1,120)
	<b>51,258</b>	<b>72,943</b>	<b>10,431</b>

# 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 2023 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 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 2023. Those Financial Statements were prepared in accordance with UK-adopted International Accounting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006, 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 July 2022.

### (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 ongoing risks as disclosed in the Going Concern Statement on page 17.

#### 4 Income

	<b>Six months ended 30.09.23 unaudited £'000</b>	Year ended 31.03.23 audited £'000	Six months ended 30.09.22 unaudited £'000
<b>Investment income</b>			
Overseas dividends	<b>22,274</b>	31,949	27,030
Overseas scrip dividends	-	755	756
	<b>22,274</b>	32,704	27,786
<b>Derivative income</b>			
Dividends received on long CFDs	<b>9,405</b>	11,282	9,849
Interest received on CFDs	<b>304</b>	284	76
	<b>9,709</b>	11,566	9,925
<b>Other income</b>			
Interest received on collateral and deposits	<b>800</b>	409	145
<b>Total income</b>	<b>32,783</b>	44,679	37,856

Special dividends of £1,458,000 have been recognised in capital during the period (year ended 31 March 2023: £1,155,000 and six months ended 30 September 2022: £nil).

## Notes to the Financial Statements continued

**5 Investment Management Fees**

	Revenue £'000	Capital £'000	Total £'000
<b>Six months ended 30 September 2023 (unaudited)</b>			
Investment management fee – base	1,293	3,879	5,172
Investment management fee – variable	–	1,177	1,177
	<b>1,293</b>	<b>5,056</b>	<b>6,349</b>
<b>Year ended 31 March 2023 (audited)</b>			
Investment management fee – base	3,012	9,037	12,049
Investment management fee – variable	–	2,678	2,678
	3,012	11,715	14,727
<b>Six months ended 30 September 2022 (unaudited)</b>			
Investment management fee – base	1,544	4,632	6,176
Investment management fee – variable	–	1,370	1,370
	1,544	6,002	7,546

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").

The base investment management fee for the period from 1 April to 30 June 2023 was charged at an annual rate of 0.90% on the first £1.5 billion of net assets, reducing to 0.70% of net assets over £1.5 billion. Since 1 July 2023, it has been charged at an annual reduced rate of 0.85% on the first £1.5 billion of net assets and has remained unchanged at 0.70% on net assets over £1.5 billion.

In addition, there is a +/-0.20% variable fee based on the Company's NAV per share performance relative to the Company's Benchmark Index measured daily over a three-year rolling basis. In the event of outperformance against the Benchmark Index, the maximum fee that the Company would pay overall is 1.05% (1.10% until 30 June 2023) on net assets up to £1.5 billion and reducing to 0.85% (0.90% until 30 June 2023) on net assets over £1.5 billion. If the Company underperforms, then the overall fee can fall as low as 0.65% (0.70% until 30 June 2023) on net assets up to £1.5 billion and reducing to 0.50% on net assets over £1.5 billion.

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

## 6 Finance Costs

	Revenue £'000	Capital £'000	Total £'000
<b>Six months ended 30 September 2023 (unaudited)</b>			
Interest on bank loan and overdrafts	642	1,927	2,569
Interest paid on CFDs	2,784	8,352	11,136
Dividends paid on short CFDs	-	-	-
	<b>3,426</b>	<b>10,279</b>	<b>13,705</b>
<b>Year ended 31 March 2023 (audited)</b>			
Interest on bank loan and overdrafts	663	1,989	2,652
Interest paid on CFDs	3,230	9,689	12,919
Dividends paid on short CFDs	63	191	254
	<b>3,956</b>	<b>11,869</b>	<b>15,825</b>
<b>Six months ended 30 September 2022 (unaudited)</b>			
Interest on bank loan, collateral and overdrafts	309	927	1,236
Interest paid on CFDs	884	2,652	3,536
Dividends paid on short CFDs	63	191	254
	<b>1,256</b>	<b>3,770</b>	<b>5,026</b>

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

## Notes to the Financial Statements continued

## 7 Taxation

	Revenue £'000	Capital £'000	Total £'000
<b>Six months ended 30 September 2023 (unaudited)</b>			
UK corporation tax	383	(383)	-
Overseas taxation charge	794	-	794
Taxation charge for the period	1,177	(383)	794

## Year ended 31 March 2023 (audited)

UK corporation tax	-	-	-
Overseas taxation charge	1,149	-	1,149
Taxation charge for the year	1,149	-	1,149

Six months ended 30 September 2023  
(unaudited)

UK corporation tax	433	(433)	-
Overseas taxation charge	1,043	-	1,043
Taxation charge for the period	1,476	(433)	1,043

## 8 Earnings/(Loss) per Ordinary Share

	Six months ended 30.09.23 unaudited	Year ended 31.03.23 audited	Six months ended 30.09.22 unaudited
Revenue earnings per ordinary share	5.43p	7.05p	6.45p
Capital loss per ordinary share	(36.06p)	(2.42p)	(29.22p)
<b>Total (loss)/earnings per ordinary share</b>	<b>(30.63p)</b>	4.63p	(22.77p)

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 shown below:

	£'000	£'000	£'000
Revenue profit after taxation for the period	26,218	35,465	33,094
Capital loss after taxation for the period	(174,070)	(12,176)	(149,820)
<b>Total (loss)/profit after the taxation for the period</b>	<b>(147,852)</b>	23,289	(116,726)
	Number	Number	Number
Weighted average number of ordinary shares held outside of Treasury	482,649,498	503,045,428	512,714,728



## 9 Dividend Paid to Shareholders

	Six months ended 30.09.23 unaudited £'000	Year ended 31.03.23 audited £'000	Six months ended 30.09.22 unaudited £'000
Dividend of 6.25 pence per ordinary share paid for the year ended 31 March 2023	30,198	-	-
Dividend of 5.50 pence per ordinary share paid for the year ended 31 March 2022	-	28,240	28,240
	30,198	28,240	28,240

No dividend has been declared for the six months ended 30 September 2023 (six months ended 30 September 2022: £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 2023 (Accounting Policies Notes 2 (e), (l) and (m) on pages 65 to 68). The table below sets out the Company's fair value hierarchy:

<b>30 September 2023 (unaudited)</b>	<b>Level 1</b> <b>£'000</b>	<b>Level 2</b> <b>£'000</b>	<b>Level 3</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Investments	915,517	45,802	186,137	1,147,456
Derivative instrument assets	956	2,783	-	3,739
	<b>916,473</b>	<b>48,585</b>	<b>186,137</b>	<b>1,151,195</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	-	(10,298)	-	(10,298)
<b>Financial liabilities at fair value</b>				
Bank loan	-	(81,790)	-	(81,790)

<b>31 March 2023 (audited)</b>	<b>Level 1</b> <b>£'000</b>	<b>Level 2</b> <b>£'000</b>	<b>Level 3</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Investments	1,081,458	44,428	192,878	1,318,764
Derivative instrument assets	2,492	19,821	-	22,313
	<b>1,083,950</b>	<b>64,249</b>	<b>192,878</b>	<b>1,341,077</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	(7,271)	(13,621)	-	(20,892)
<b>Financial liabilities at fair value</b>				
Bank loan	-	(81,092)	-	(81,092)

**10 Fair Value Hierarchy** continued

<b>30 September 2022 (unaudited)</b>	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	981,880	45,681	229,043	1,256,604
Derivative instrument assets	8,453	7,525	-	15,978
	990,333	53,206	229,043	1,272,582
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	-	(32,930)	(1,220)	(34,150)
<b>Financial liabilities at fair value</b>				
Bank loan	-	(89,421)	-	(89,421)

The table below sets out the movements in level 3 investments during the period:

	<b>30.09.23 unaudited £'000</b>	31.03.23 audited £'000	30.09.22 unaudited £'000
Level 3 investments at the beginning of the period	<b>192,878</b>	194,650	194,650
Transfers into level 3 at cost <sup>1</sup>	<b>17,316</b>	-	-
Transfers out of level 3 - at cost <sup>2</sup>	<b>(11,758)</b>	(9,971)	(9,971)
Unrealised gains recognised in the Income Statement	<b>(12,299)</b>	8,199	44,364
<b>Level 3 investments at the end of the period</b>	<b>186,137</b>	192,878	229,043

1 Financial instruments are transferred into level 3 on the date they are suspended, delisted or if they have not traded for thirty days.

2 Financial instruments are transferred out of level 3 when they become listed.

No income has been recognised from the unlisted investments during the period (year ended 31 March 2023 and six months ended 30 September 2022: £nil). No additional disclosures have been made in respect of the unlisted investments as the underlying financial information is not publicly available.

## Notes to the Financial Statements continued

**11 Other Receivables**

	<b>30.09.23</b> <b>unaudited</b> <b>£'000</b>	31.03.23 audited £'000	30.09.22 unaudited £'000
Amounts receivable on settlement of derivatives	<b>3,788</b>	10,135	639
Securities sold for future settlement	<b>703</b>	148	40,746
Accrued income	<b>5,768</b>	1,513	2,691
Taxation recoverable	<b>12</b>	13	225
Other receivables	<b>119</b>	130	90
	<b>10,390</b>	11,939	44,391

**12 Other Payables**

	<b>30.09.23</b> <b>unaudited</b> <b>£'000</b>	31.03.23 audited £'000	30.09.22 unaudited £'000
Amounts payable on settlement of derivatives	<b>5,175</b>	4,731	31,855
Securities purchased for future settlement	<b>1,624</b>	12,402	1,213
Investment management fees payable	<b>974</b>	1,266	1,206
Accrued expenses	<b>944</b>	1,096	551
Amounts payable for the cancellation of shares	<b>1,052</b>	-	-
Amounts payable for the repurchase of shares	-	130	2,123
Finance costs payable	<b>868</b>	977	952
	<b>10,637</b>	20,602	37,900

### 13 Share Capital

	30 September 2023 unaudited		31 March 2023 audited		30 September 2022 unaudited	
	Number of shares	£'000	Number of shares	£'000	Number of shares	£'000
<b>Issued, allotted and fully paid</b>						
<b>Ordinary shares of 1 pence each held outside of Treasury</b>						
<b>Beginning of the period</b>	<b>488,325,628</b>	<b>4,884</b>	513,957,409	5,140	513,957,409	5,140
Ordinary shares repurchased into Treasury	(2,900,696)	(29)	(25,631,781)	(256)	(9,953,633)	(100)
Ordinary shares repurchased for cancellation	(8,900,641)	(89)	-	-	-	-
<b>End of the period</b>	<b>476,524,291</b>	<b>4,766</b>	488,325,628	4,884	504,003,776	5,040
<b>Ordinary shares of 1 pence each held in Treasury*</b>						
<b>Beginning of the period</b>	<b>82,728,852</b>	<b>826</b>	57,097,071	570	57,097,071	570
Ordinary shares repurchased into Treasury	2,900,696	29	25,631,781	256	9,953,633	100
<b>End of the period</b>	<b>85,629,548</b>	<b>855</b>	82,728,852	826	67,050,704	670
<b>Total share capital</b>		<b>5,621</b>		5,710		5,710

\* 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 2,900,696 (year ended 31 March 2023: 25,631,781 and six months ended 30 September 2022: 9,953,633) ordinary shares into Treasury. The cost of repurchasing these shares of £6,965,000 (year ended 31 March 2023: £57,249,000 and six months ended 30 September 2022: £23,532,000) was charged to the Other Reserve.

The Company also repurchased 8,900,641 (year ended 31 March 2023 and six months ended 30 September 2022: nil shares) ordinary shares for cancellation. The cost of repurchasing these shares of £18,930,000 (year ended 31 March 2023 and six months ended 30 September 2022: £nil) was charged to the Other Reserve.

# Notes to the Financial Statements continued

## 14 Net Asset Value per Ordinary Share

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

	<b>30.09.23</b> <b>unaudited</b>	31.03.23 audited	30.09.22 unaudited
Net assets	<b>£1,134,476,000</b>	£1,338,421,000	£1,232,123,000
Ordinary shares held outside of Treasury	<b>476,524,291</b>	488,325,628	504,003,776
Net asset value per ordinary share	<b>238.07p</b>	274.08p	244.47p

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 on page 28. During the period, management fees of £6,349,000 (year ended 31 March 2023: £14,727,000 and six months ended 30 September 2022: £7,546,000) were payable to Fidelity. Fidelity also provides the Company with marketing services. The total amount payable for these services was £132,000 (year ended 31 March 2023: £263,000 and six months ended 30 September 2022: £58,000). Amounts payable at the Balance Sheet date are included in other payables and are disclosed in Note 12 on page 34.

At the date of this report, the Board consisted of six non-executive Directors (as shown on page 45) 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 £52,000, the Audit and Risk Committee Chairman receives an annual fee of £43,500, the Senior Independent Director receives an annual fee of £41,000 and each other Director receives an annual fee of £34,500. 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 43,800 shares, Vanessa Donegan 10,000 shares, Georgina Field 2,250 shares, Gordon Orr nil shares and Edward Tse nil shares.

# 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 (the Manager).

## AIFMD

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

## Alternative Performance Measures

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

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

## Asset Exposure

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

## Auditor

The Company's independent 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 Jefferies International Limited.

## 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.

# Glossary to the Half-Yearly Report continued

## 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 indexes for the first time in May 2019, allowing foreign investors to tap the tech-focused board by investing in the indexes.

## Collateral

Asset provided as security for the unrealised gain or loss under a [contract for difference](#).

## Contract For Difference (CFD)

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

position). If the Company holds long positions, dividends are received and interest is paid. If the Company holds short positions, dividends are paid and interest is received.

## Corporation Tax

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

## Custodian

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

## Debt

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

## 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 (such as [futures](#), [options](#) and [contracts for difference](#)) whose value is derived from the value of an underlying asset.

## Discount

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



## Earnings

The **earnings** generated in a given period from investments:

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

## Equity Linked Notes (ELNS)

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

## Fair Value

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

## 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

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

## Gross Asset Exposure

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

## Gross Gearing

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

## Hedging

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

## Index Linked Securities

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

## Initial Public Offering (IPO)

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

## Investment Manager

FIL Investment Management (Hong Kong) Limited.

## Kroll

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

# Glossary to the Half-Yearly Report continued

## Manager

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

## MSCI China Index

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

## NASDAQ

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

## Net Assets

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

## Net Assets Plus Borrowings

**Net Assets** plus bank loans.

## Net Asset Value

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

## Net Asset Value per Ordinary Share

The **net asset value** divided by the number of ordinary shares in issue.

## Net Gearing

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

## Net Market Exposure

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

## Ongoing Charges (excluding Variable Management Fee)

Total operating expenses (excluding finance costs and taxation) incurred by the Company as a percentage of the average daily **net asset values** for the reporting year.

## 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.

## Premium

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

## QFII

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

## Red Chips

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

## Registrar

An entity that manages the Company's shareholder register. The Company's [Registrar](#) is Link Group.

## Reserves

- **Share premium account** represents the amount by which the proceeds from the issue of ordinary shares has exceeded

the cost of those ordinary shares. It is not distributable by way of dividends and it cannot be used to fund share repurchases.

- **Capital redemption reserve** represents the nominal value of ordinary shares repurchased and cancelled. It cannot be used to fund share repurchases and is not distributable by way of dividends.
- **Other reserve** is a distributable premium reserve created on 21 April 2010 when High Court approval was given for the share premium account to be cancelled. As a result, £452,232,000 was transferred from the share premium account to the other reserve. It can be used to fund share repurchases.
- **Capital reserve** represents realised gains or losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund share repurchases and it is distributable by way of dividends.
- **Revenue reserve** represents the net revenue surpluses recognised in the revenue column of the Income Statement that have not been distributed as dividends to shareholders. It is distributable by way of dividends.

## Secretary

FIL Investments International.

## Shareholders' Funds

[Shareholders' funds](#) are also described as "[net asset value](#)" and represent the total value of the Company's assets less the total value of its liabilities as shown in the balance sheet.

# Glossary to the Half-Yearly Report continued

## 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 pay dividends, have no voting rights and are excluded from the [net asset value per ordinary share](#) calculation.

## Unlisted Companies

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

## Variable Interest Entity (VIE)

A [variable interest entity \(VIE\)](#) structure is designed to facilitate foreign investment in sectors of the Chinese domestic economy which prohibit foreign ownership. The essential purpose of the [VIE](#) structure is to convey the economic benefits and operational control of ownership without direct equity ownership itself. As the controlling interest is not based on having the majority of voting rights, there may be a risk to an investor of being unable to enforce their ownership rights in certain circumstances.

## Variable Management Fee (VMF)

The Company has a [Variable Management Fee \(VMF\)](#) structure. The base fee 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 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 could pay if it outperforms is 1.10% on [Net Assets](#) up to £1.5 billion and reducing to 0.90% on [Net Assets](#) over £1.5 billion, but if the Company underperforms against the [Benchmark Index](#), then the overall fee could have been as low as 0.70% on [Net Assets](#) up to £1.5 billion, reducing to 0.50% on [Net Assets](#) over 1.5 billion.

## Warrants

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

# Shareholder Information

## Investing in China Special Situations PLC

Fidelity China Special Situations PLC is a company listed on the London Stock Exchange and you can buy its shares through a platform, stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in a way that is best for you. Details of how to invest and the latest Key Information Document can be found on the Company's pages of the Manager's website at [www.fidelity.co.uk/china](http://www.fidelity.co.uk/china).

## CONTACT INFORMATION

Shareholders and Fidelity's Platform Investors should contact the appropriate administrator using the contact details given below and in the next column. Links to the websites of major platforms can be found online at [www.fidelity.co.uk/its](http://www.fidelity.co.uk/its).

## Shareholders on the main share register

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

Email: [enquiries@linkgroup.co.uk](mailto: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](http://www.signalshares.com). Shareholders are able to manage their shareholding online by registering for the Share Portal, a free and secure online access service. Facilities include:

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

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

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

## Fidelity Platform Investors

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

Website: [www.fidelity.co.uk](http://www.fidelity.co.uk)

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

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

## Shareholder Information continued

### 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: **020 7961 4240**

Email: **investmenttrusts@fil.com**

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

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

### ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at **www.sharegift.org.uk** or by telephoning **020 7930 3737**.

### Financial Calendar 2023/2024

<b>30 September 2023</b>	<b>Half-Yearly period end</b>
<b>November 2023</b>	<b>Announcement of Half-Yearly results</b>
<b>December 2023</b>	<b>Publication of Half-Yearly Report</b>
<b>31 March 2024</b>	<b>Financial year end</b>
<b>June 2024</b>	<b>Publication of Annual Report</b>
<b>July 2024</b>	<b>Annual General Meeting</b>
<b>July 2024</b>	<b>Payment of the Annual Dividend</b>

# Directory

## Board of Directors

Mike Balfour (Chairman)  
 Alastair Bruce (Chairman of the Audit and Risk Committee)  
 Vanessa Donegan (Senior Independent Director)  
 Georgina Field  
 Gordon Orr  
 Edward Tse

## Alternative Investment Fund Manager (AIFM/the Manager)

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

## Investment Manager

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

## Secretary and Registered Office

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

Jefferies International Limited  
 100 Bishopsgate  
 London  
 EC2N 4JL

## Independent Auditor

Ernst & Young LLP  
 25 Churchill Place  
 London  
 E14 5EY

## Lawyer

Simmons & Simmons LLP  
 1 Ropemaker Street  
 London  
 EC2Y 9SS

## Registrar

Link Group  
 Central Square  
 29 Wellington Street  
 Leeds  
 LS1 4DL

# Data Protection

## General Data Protection Regulation (“GDPR”)

### What personal data is collected and how is it 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.

### Retention period

Personal data will be kept for as long as is necessary for these purposes and no longer than legally permitted to do so.

### Requesting access, making changes to 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.









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



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