



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



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# FIDELITY CHINA SPECIAL SITUATIONS PLC

Half-Yearly Report for the  
6 months ended 30 September 2024

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.

**ELITE RATED**  
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**Kepler**  
GROWTH  
RATING

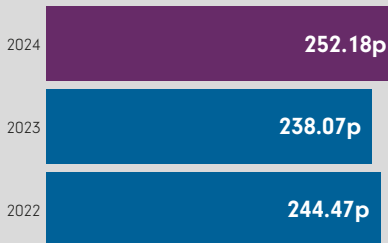
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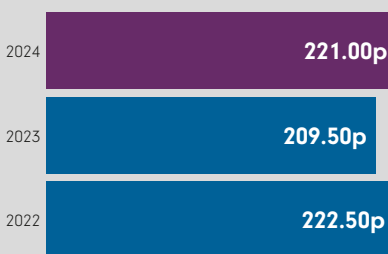
## Portfolio Manager's Half-Yearly Review

Read more on pages 04 to 08

## 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 2024

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

**+16.1%**

(30 September 2023: -10.9%)

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

**+13.3%**

(30 September 2023: -12.9%)

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

**+24.5%**

(30 September 2023: -10.3%)

1 Includes reinvested income.

2 Alternative Performance Measures (see Glossary to the Half-Yearly Report on page 38).

3 The Company's Benchmark Index.

## As at 30 September 2024

### Equity Shareholders' Funds

**£1,302.1m**

### Market Capitalisation

**£1,141.1m**

### Capital Structure

Ordinary Shares of 1 pence held outside of Treasury

**516,349,147**

## 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<br>2024 | 31 March<br>2024 |
|---|----------------------|------------------|
| <b>Assets</b>   |                      |                  |
| Gross Asset Exposure  | £1,568.9m            | £1,450.9m        |
| Net Assets  | £1,302.1m            | £1,176.0m        |
| Gross Gearing <sup>1,2</sup>  | 20.5%                | 23.4%            |
| Net Gearing <sup>1,2</sup>  | 17.1%                | 20.8%            |
| Net Asset Value ("NAV") per Share <sup>2</sup>  | 252.18p              | 223.71p          |
| <b>Share Price and Discount data</b>  |                      |                  |
| Share Price at period/year end  | 221.00p              | 201.00p          |
| Share Price: period/year high   | 243.00p              | 248.50p          |
| Share Price: period/year low  | 171.40p              | 182.60p          |
| Discount at period/year end <sup>2</sup>  | 12.4%                | 10.2%            |
| Discount: period/year high  | 12.6%                | 12.9%            |
| Discount: period/year low   | 6.0%                 | 6.2%             |
| <b>Earnings for the six months ended 30 September – see pages 20 and 21</b>                         |                      |                  |
| Revenue Earnings per Share <sup>2,3</sup>   | 9.05p                | 5.43p            |
| Capital Earnings/(Loss) per Share <sup>2,3</sup>  | 25.20p               | (36.06p)         |
| Total Earnings/(Loss) per Share <sup>2,3</sup>  | 34.25p               | (30.63p)         |
| Ongoing Charges for the six months to 30 September <sup>2,4</sup>                                   | 0.89%                | 0.99%            |
| Variable Management Fee   | (0.18%)              | 0.20%            |
| Ongoing Charges including Variable Management Fee for the six months to 30 September <sup>2,4</sup> | 0.71%                | 1.19%            |

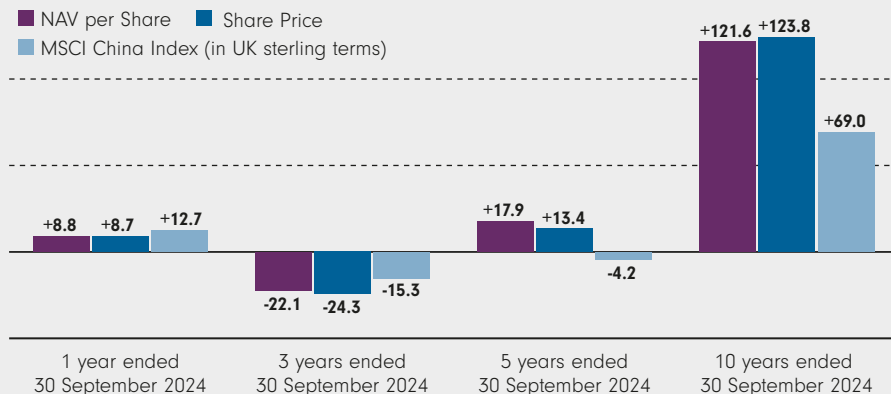
1 Defined in the Glossary to the Half-Yearly Report on pages 40 and 41.

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) are annualised and 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). The significant reduction reflects the management fees waived by the Manager in lieu of its contribution to the costs of the Company's transaction with abrdn China Investment Company Limited ("ACIC").

## Standardised 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

The current year began as a continuation of the challenges seen in the Chinese equity market last year, with ongoing uncertainty over the macroeconomic outlook, negative headlines in the property sector and consumer confidence remaining fragile. This was the picture for much of the six month period under review. However, a raft of stimulus measures announced by the Chinese authorities in late September saw the stock market surge in the last few days of the half-year.

In brief, the announcement from the People's Bank of China on 24 September 2024 included rate cuts and other monetary policy measures to support capital markets. This was followed two days later by positive rhetoric from the Politburo meeting signalling policymakers' willingness to accelerate necessary fiscal spending to achieve the aims of revitalising the economy, stabilising the property market and boosting consumption and employment.

Key among the factors underlying these announcements is an increasing focus on the risk of deflation. Consumer price inflation in China has been muted, while producer prices have been falling for some time. Importantly, further progress has been made on easing purchasing restrictions and having programmes to address housing inventories. While lacking specific numbers, the Ministry of Finance briefing on 12 October 2024 confirmed a commitment to incremental fiscal stimulus, with expanded government debt limits and local government debt resolutions. In my mind, broadening the scope of local government special bond proceeds to help address the problem of excess housing inventories is probably the most positive outcome, given the property sector's importance in the economy and funding challenges faced at the local level.

Weak consumer confidence has been a feature of the Chinese economy since the pandemic, partly driven by the troubled property market, but also by employment and wage concerns. Our sense from discussions with many companies on the ground is that we have now most likely seen the worst of the job cuts, particularly in areas like the big technology companies. Coupled with the policy support for the real estate sector, there is meaningful scope for confidence to gradually improve.

Meanwhile, savings rates remain elevated and consumer balance sheets are relatively healthy, suggesting that there is buying power to support any recovery in consumer sentiment.

## Performance and portfolio review

The surge in Chinese equities in the last week of the review period masks the broader picture, where the best performance for most of the period came from traditionally defensive sectors such as energy, utilities, telecoms and state-owned banks. From January to August 2024, market returns were relatively flat against a backdrop of economic uncertainty with investors favouring large-cap national champions, and companies with more stable earnings and cash flows that provide a higher share of their returns through dividends.

Following the announcement of the stimulus measures, money flowed into sectors that were seen as the direct beneficiaries or had been sold off the most, leading to a strong rally in real estate, consumer stocks (both staples and discretionary) and healthcare in late September and early October 2024.

The trend of increasing shareholder returns through dividends and buybacks remains strong, supported by favourable government policies and investor demand. This year, total dividends and buybacks across all companies listed in China are expected to

reach around 3 trillion renminbi. This trend has also contributed to the Company receiving significantly higher investment income over the review period.

In the context of this mixed picture, the Company's NAV rose by 16.1% in the six-month reporting period to 30 September 2024, underperforming the MSCI China Index (the Benchmark Index) which saw a gain of 24.5%, mostly generated in September alone. The Company's share price rose by 13.3% over the same period, reflecting a widening in the discount to NAV, which moved from 10.2% at the start of the period to end at 12.4%. (All performance data on a total return basis.)

For the first half of the financial year, an overweight in financials, through insurers and financial services, contributed positively to performance. An underweight position in the utilities and energy sectors and security selection within the information technology space also enhanced relative returns. Meanwhile, selected consumer discretionary holdings detracted from performance.

The top stock contributors include insurers Ping An Insurance Company and China Life Insurance. Their shares advanced strongly amid a lift in sentiment post China's recent stimulus announcement. Ping An also reported better-than-expected earnings for the first half of 2024, with robust growth in the value of new business in its life and health insurance segments, reflecting strong demand and effective sales strategies. Elsewhere within financials, Qifu Technology, a credit-tech platform provider, benefitted from strong business execution and better-than-expected results, successfully navigating the weak macroeconomic environment.

Elsewhere among the top contributors, we saw good performance from VNET Group, a technology company involved in the provision of data centre services, which is experiencing significant demand growth from increasing adoption of digitalisation and artificial intelligence (AI). Demand from wholesale clients remains strong, with ByteDance serving as a prime example. The company has secured several key contracts and is primarily focused on providing cloud services and infrastructure to support its vast user base across various platforms. Our investment in VNET was trimmed slightly after its recent share price strength.

In addition, Cutia Therapeutics, a long-standing holding that has been in the portfolio since before it was listed, also advanced. Investor confidence in the dermatology-focused biopharmaceutical company was underpinned by its solid product pipeline execution, sales ramp up and cost control measures.

Meanwhile, an underweight position in consumer-related Chinese internet players, including Alibaba Group Holding, Meituan and JD.com, which received a big boost in sentiment post the stimulus announcement, weighed on relative returns.

Exposure to unlisted names were also a meaningful factor in the Company's underperformance, especially positions in Pony.ai, Venturous Holdings and ByteDance. While moves in the price of listed equities are immediately reflected in portfolio performance, unlisted companies are revalued on a periodic rather than a real-time basis. Given the difficult market backdrop, we marked down the valuations of these assets during the period under review. However, we believe that the solid business performance of many of the listed companies bodes well for more positive valuations for these companies going forward.

## Portfolio Manager's Half-Yearly Review continued

### Current portfolio positioning

Industrials remain the Company's largest sector overweight compared to the Benchmark Index. Significant domestic innovation continues to take place across various sub-sectors, reflecting companies' focus on building competitiveness and improving pricing power. Despite a relatively weak domestic environment, we are seeing companies remain committed to investing in research and development. This includes areas such as renewables, automation and the electric vehicle value chain. In my view, this will only reinforce the trend of domestic players in taking market share from foreign players.

A key holding in the sector is Tuhu Car, the leading auto maintenance service franchise in China. With rising automobile penetration in China in recent years, maintenance is a growing market, resulting from an aging car fleet, and we see great potential for Tuhu Car to gain further market share through industry consolidation. The company should also be a beneficiary of any improvement in consumer confidence. Tuhu Car, previously one of our unlisted holdings which went public in September 2023, was our biggest purchase in the reporting period following share price weakness post its stock market listing.

The Company also remains overweight in consumer discretionary and staples. The weakness in consumption in recent months has been reflected in lacklustre performance for many consumer-related stocks, and this is where we have been allocating more capital. Staples is an interesting area – although it is usually seen as being more defensive, it was not immune from the poor market sentiment earlier in the year, and in fact posted the second-worst performance of all the MSCI China Index sectors in the period from the start of 2024 to the end of August, before the stimulus measures were introduced. As is

often the case with broad-based corrections, this created opportunities in some very strong franchises spanning areas such as beer, condiments and dairy products, where we saw depressed valuations making these some of the cheapest companies globally in their respective sectors.

Sell-offs in structural growth stories in the consumer discretionary space such as sportswear and household appliances also created opportunities.

We added to PDD Holdings to take advantage of its very attractive valuation in absolute terms versus its e-commerce competitors, its generally higher growth trajectory and superior returns profile. We also purchased shares in Man Wah, a leading mattress maker and retailer, with a strong record of market share gains both domestically and overseas. Its valuation had been depressed to an attractive level on concerns over its property-related exposure, the risk of which we felt to be priced in. These purchases were funded by profit-taking in long-held names such as Hisense Home Appliances Group and Crystal International Group as their valuations became less attractive. We also closed the position in JD.com in order to capitalise on better risk/reward opportunities elsewhere.

More broadly, our positioning in other consumer focused segments such as travel, education, consumer finance and insurance, stands to benefit from any improvement in consumer sentiment. For example, we increased our high-conviction position in Ping An Insurance. The insurance market in China has had a tough few years; nonetheless, life insurance remains at much lower levels of penetration than in the West and offers significant scope to grow which is not reflected in what in our view are still attractive valuation levels. Ping An is targeting further growth

through continued expansion of its financial services offerings, diversifying life insurance products, tightening risk management, and improving service quality. We also added to our stake in ByteDance, an unlisted holding. It is an important benefit of our closed-ended structure that we are able to hold a portion of our assets in private investments, particularly in names such as ByteDance, which is among the most valuable private companies globally.

In addition to industrial and consumer staples stocks, we remain overweight in healthcare, broadly neutral versus the Index in information technology, and underweight in communication services and financials, the latter mainly through being underweight in banks, where we see fewer opportunities and greater risk.

We have outlined our five largest holdings on pages 9 and 10.

### Gearing

As with the ability to hold unlisted stocks, gearing is an important benefit of the investment trust structure, and we continue to believe that the prudent use of gearing can be accretive to long-term capital and income returns. Our gearing is currently deployed using contracts for difference (CFDs), which are relatively low cost and represent a flexible way of increasing investment exposure. The Company repaid its fixed term loan in February 2024 and did not renew it given prevailing interest rate levels, so 100% of the gearing in the six months to 30 September 2024 has been via CFDs. During the period, the level of net market exposure averaged around 120%, with net gearing falling to 17.1% at the end of the period from 20.8% at the start of the year. Total gearing impact contributed positively over the six months, adding 4.5% to relative returns.

### Outlook

Despite the rally in Chinese equities following the stimulus measures announced in late September, sentiment towards the market remains quite mixed. This has been evident in the early days of the second half of our financial year, with something of a retrenchment as investors await further details of the scale and deployment of some of the stimulus programmes. That said, there are signs of confidence growing among domestic investors who recognise the fundamental change in the level of commitment by the government to tackling economic challenges.

The widely anticipated China National People's Congress (NPC) Standing Committee meeting on 8 November approved another series of stimulus measures, though their scale and detail may have fallen short of lofty market expectations. Key policies included raising the ceiling for local government special bonds and targets to reduce local government implicit debt by 2029. But the forward-looking signals from the Finance Minister were encouraging, particularly the emphasis on more proactive fiscal policy planning for 2025, suggesting a path of further easing. I anticipate more concrete actions in upcoming policy meetings, which will be important in addressing China's domestic demand challenges.

While the earnings outlook for China in aggregate is not weak in a global context, and we see improvement in areas like technology, until very recently the general trend of earnings revisions has been downward. The hope is that supportive policies can help drive a turn in economic fundamentals, leading to an improved earnings outlook. Such a virtuous circle would almost certainly drive a sustained improvement in market sentiment and further re-rating. Meanwhile, the announcements in late September have only moved the valuation needle in Chinese equities from 'historically

## Portfolio Manager's Half-Yearly Review continued

cheap' to 'still pretty cheap' versus other global markets, and I believe there is still ample room for valuation multiples to expand further.

Of course, geopolitical worries persist, especially around US tariffs on Chinese goods, which are likely to increase following the US Presidential election. However, investors and companies are well aware of this prospect. Chinese companies have been dealing with tariffs and import barriers for some time now. In fact, some of the export-focused companies we see on the ground have remained extremely competitive and have been taking pre-emptive actions for years, with many of them moving production offshore. The Company is already focused on companies that generate the vast majority of their revenues domestically, but I continue to pay close attention to the different scenarios and assess how these risks are reflected in valuations.

With so much focus on the macro considerations, it can be easy for investors to forget that what really drives superior returns are great companies executing well in growing industries where they have strong competitive advantages. While the headwinds – and indeed the tailwinds, given the impact of the recent stimulus measures on the stock market – are well recognised, your Company remains focused on finding opportunities amidst the volatility where fundamental value and value-creation should be recognised by the market over the medium-term.

### **Dale Nicholls**

Portfolio Manager


6 December 2024

# Spotlight on the Top Five Holdings

as at 30 September 2024

The top five holdings comprise 31.3% of the Company’s Net Assets.

Industry Communication Services




Tencent Holdings

% of Net Assets

12.9%

Tencent Holdings has a dominant position in social networking in China and benefits from a sizeable user base. As China’s internet user growth slows down 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. Furthermore, an increasing revenue mix from new higher-margin business segments, including short-form video, mini program games and e-commerce services underpins a robust outlook. Growth from its gaming segment is expected to accelerate, and its increasing shareholder returns also underpin its long-term investment thesis.

Industry Financials




Ping An Insurance Company of China

% of Net Assets

6.1%

Ping An Insurance Company of China is a financial services holding company whose subsidiaries provide insurance, banking, asset management, and financial services. It has a strong presence in China, Hong Kong, and Macau, with expanding operations overseas. It has a robust structural growth outlook. Within the broader sector, its operations are of relatively better quality, with strong distribution channels, earnings quality, and a strong management team. It trades at an attractive valuation in comparison to its historical averages and the broader index.

Industry Consumer Discretionary



Alibaba Group Holding

% of Net Assets

5.1%

Alibaba Group Holding has a leading position in the e-commerce market. Its core e-commerce categories, including apparel and makeup, stand to benefit from any recovery in consumption. Its new management team is focused on a clearer strategy by investing in technology and user experiences, including logistics, product return, and customer service. Strategic focus on core e-commerce services, investment in cloud technology, exit from non-core businesses, and commitment to improving shareholder returns, underpin a strong growth outlook.

# Spotlight on the Top Five Holdings continued

as at 30 September 2024

Industry Consumer Discretionary



## PDD Holdings

% of Net Assets

4.3%

PDD Holdings is the third largest e-commerce platform by Gross Merchandise Value (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 to more than 50 countries through its shopping app called Temu by leveraging domestic supply chains in order to meet offshore demand.

Industry Consumer Discretionary



## Meituan

% of Net Assets

2.9%

Meituan is a leading online shopping platform that offers a wide range of locally sourced consumer products and retail services, including entertainment, dining, delivery, travel, etc. It has a long-term penetration story (bringing 'service online') which will drive revenue growth and market share expansion. It has delivered a strong margin improvement with the stabilisation of competitive pressures. Despite macro headwinds (which has particularly impacted tier 1-2 cities), Meituan has been actively penetrating in lower tier cities and using Shen Hui Yuan membership to cross sell delivery and local services. Its management is implementing strategic changes to reduce losses in non-core businesses and return cash to shareholders.

# Twenty Largest Holdings

as at 30 September 2024

The Asset Exposures shown below and on the next page 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                         | 167,788        | 12.9           | 111,815    |
| <b>Ping An Insurance Company of China (long CFD)</b>                             |                |                |            |
| Provider of insurance, banking and investment products                           | 79,380         | 6.1            | 19,060     |
| <b>Alibaba Group Holding (call option and long CFDs)</b>                         |                |                |            |
| e-commerce group   | 66,804         | 5.1            | 13,504     |
| <b>PDD Holdings (long CFD)</b>   |                |                |            |
| e-commerce group   | 55,778         | 4.3            | 23,343     |
| <b>Meituan (shares and long CFDs)</b>  |                |                |            |
| Shopping platform for locally found consumer products and retail services        | 38,004         | 2.9            | 19,133     |
| <b>ByteDance (unlisted)</b>  |                |                |            |
| Technology company   | 35,451         | 2.7            | 35,451     |
| <b>Pony.ai (unlisted)</b>  |                |                |            |
| Developer of artificial intelligence and autonomous driving technology solutions | 30,934         | 2.4            | 30,934     |
| <b>Tuhu Car</b>  |                |                |            |
| Provider of automobile parts and services  | 27,368         | 2.1            | 27,368     |
| <b>Chime Biologics Convertible Bond (unlisted)</b>                               |                |                |            |
| Contract Development and Manufacturing Organization                              | 25,627         | 2.0            | 25,627     |
| <b>Crystal International Group</b>   |                |                |            |
| Clothing manufacturer  | 25,600         | 2.0            | 25,600     |
| <b>China Foods (shares and long CFDs)</b>  |                |                |            |
| Processor and distributor of food and beverages                                  | 24,786         | 1.9            | 4,135      |

## Twenty Largest Holdings continued

|   | Asset Exposure   |                | Fair Value       |
|---|------------------|----------------|------------------|
|   | £'000            | % <sup>1</sup> | £'000            |
| <b>VNET Group (shares and long CFD)</b>                         |                  |                |                  |
| Internet data center services provider                          | 24,346           | 1.9            | 21,367           |
| <b>Hisense Home Appliances Group</b>                            |                  |                |                  |
| Developer, manufacturer and distributor of household appliances | 24,026           | 1.9            | 24,026           |
| <b>Sinotrans (shares and long CFD)</b>                          |                  |                |                  |
| Logistics, storage and terminal services provider               | 22,711           | 1.7            | 14,248           |
| <b>Venturous Holdings (unlisted)</b>                            |                  |                |                  |
| Investment company  | 21,303           | 1.6            | 21,303           |
| <b>Lenovo Group (long CFDs)</b>                                 |                  |                |                  |
| Multinational technology company                                | 20,087           | 1.5            | 543              |
| <b>Noah Holdings</b>  |                  |                |                  |
| Wealth management company                                       | 18,489           | 1.4            | 18,489           |
| <b>Precision Tsugami (China)</b>                                |                  |                |                  |
| High precision machine tool manufacturer                        | 18,309           | 1.4            | 18,309           |
| <b>China Merchants Bank</b>                                     |                  |                |                  |
| Commercial bank   | 16,810           | 1.3            | 16,810           |
| <b>HUTCHMED China</b>   |                  |                |                  |
| Biopharmaceutical company                                       | 16,181           | 1.3            | 16,181           |
| <b>Twenty largest long exposures</b>                            | <b>759,782</b>   | <b>58.4</b>    | <b>487,246</b>   |
| Other long exposures  | 972,940          | 74.7           | 804,754          |
| <b>Total long exposures before hedges (149 companies)</b>       | <b>1,732,722</b> | <b>133.1</b>   | <b>1,292,000</b> |
| <b>Less: hedging exposures</b>                                  |                  |                |                  |
| Hang Seng Index (future)  | (112,598)        | (8.6)          | (8,558)          |
| Hang Seng China Enterprises Index (future)                      | (72,386)         | (5.6)          | (5,077)          |
| Hang Seng China Enterprises Index (put option)                  | (1,274)          | (0.1)          | 132              |
| <b>Total hedging exposures</b>                                  | <b>(186,258)</b> | <b>(14.3)</b>  | <b>(13,503)</b>  |

|  | Asset Exposure   |                | Fair Value       |
|--|------------------|----------------|------------------|
|  | £'000            | % <sup>1</sup> | £'000            |
| <b>Total long exposures after the netting of hedges</b>    | <b>1,546,464</b> | <b>118.8</b>   | <b>1,278,497</b> |
| <b>Short exposures</b>                                     |                  |                |                  |
| Short CFDs (3 holdings)                                    | 22,442           | 1.7            | (2,966)          |
| <b>Gross Asset Exposure<sup>2</sup></b>                    | <b>1,568,906</b> | <b>120.5</b>   |                  |
| <b>Portfolio Fair Value<sup>3</sup></b>                    |                  |                | <b>1,275,531</b> |
| Net current liabilities (excluding derivative instruments) |                  |                | 26,586           |
| <b>Net Assets</b>  |                  |                | <b>1,302,117</b> |

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

2 Gross Asset Exposure comprises market exposure to investments of £1,188,207,000 plus market exposure to derivative instruments of £380,699,000.

3 Portfolio Fair Value comprises investments of £1,188,207,000 plus derivative assets of £104,457,000 less derivative liabilities of £17,133,000.

# Interim Management Report

## Unlisted Investments

The Company can invest up to 15% of its Net Assets plus Borrowings in unlisted securities which carry on business, or have significant interests, in China. The limit is applied at the time of purchase.

The Directors believe that the ability to invest in unlisted securities is a differentiating factor for the Company and can be a source of additional investment performance. It allows the Portfolio Manager to take advantage of the growth trajectory of early-stage companies before they potentially become listed and this can offer good opportunities for patient and long-term investors.

In the reporting period, the following changes were made in the Company's unlisted holdings. The D shares held in DJI International were sold in April 2024 at a profit of £960,000. A purchase of ordinary shares was made in ByteDance (already held in the portfolio as preference shares) in August 2024 at a cost of £12,414,000. No companies listed from those held in the Company's portfolio at the last year end.

At the period end, the Company had six unlisted investments valued at £128,905,000 being 9.9% of its Net Assets (31 March 2024: six unlisted investments valued at £151,212,000 being 12.8% of Net Assets).

## Overview of the Unlisted Investments Valuation Process

Unlisted investments in the Company's portfolio are held at fair value, which is defined as the value that would be paid for a holding in an open-market transaction. The Manager's Fair Value Committee ("FVC"), which is independent of the Portfolio Manager, provides recommended fair values to the Directors.

Twice yearly, ahead of the Company's interim and year end, the Audit and Risk Committee receives a detailed presentation from the FVC, Fidelity's unlisted investments specialist and Kroll (independent third-party valuers), in order to satisfy itself that the unlisted investments in the Company's portfolio are carried at an appropriate value in accordance with Accounting Policies Notes 2 (e) and (l) on pages 66 to 68 of the Annual Report for the year ended 31 March 2024 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). The external Auditor will attend the unlisted valuations meeting held ahead of the Company's year end.

## Workings of the Fair Value Committee

The valuation of each unlisted investment is set by the Manager's FVC and includes input from Fidelity's analysts that cover the unlisted securities as well as Fidelity's unlisted investments specialist. Kroll, as independent third-party valuers, undertake a detailed review of each of the unlisted investments on a quarterly basis and provide advice on the valuations.

The Board is provided with the quarterly updates from the FVC, which includes recommendations from Fidelity's analysts and its unlisted investments specialist, enabling the Board to have oversight of and confidence in the valuation process. Outside of the normal quarterly cycle, the unlisted investments are monitored daily 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 Fidelity analyst has been consulted. In addition to this, the unlisted investments are monitored on a weekly basis within a comparable movement model. If the average movement of the selected proxies is

+/-15%, a revaluation of the relevant investment is considered.

### Gearing

The Board continues to believe that the judicious use of gearing (a benefit of the investment trust structure) can enhance 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. The Company has no bank loans and uses contracts of differences (CFDs) for gearing purposes. Net gearing at the period end was 17.1% compared to 20.8% as at 31 March 2024. The average net gearing in the six month reporting period was 19.7%.

### 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 Company's discount in single digits in normal market conditions. Historically, shares repurchased were held in Treasury and could be issued at a later date should the share price move to a premium to NAV per share. As the number of shares equated to 15% of the issued share capital by 11 May 2023, shares repurchased since then have been cancelled. At the last Annual General Meeting ("AGM"), shareholders authorised the Directors to repurchase up to 14.99% of the Company's shares.

The Board undertook active discount management in the reporting period, the primary purpose of which was to reduce discount volatility. Despite this intervention, the Company's discount widened from 10.2%

at the start of the reporting period to end the period at 12.4%. Over the six months, the Board authorised the repurchase of 9,332,287 shares for cancellation at a cost of £18,509,000, representing 1.55% of the issued share capital of the Company as at 30 September 2024. As well as helping to limit discount volatility, 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 to latest practicable date of 3 December 2024, the Company has repurchased 8,906,838 shares for cancellation.

### Ongoing Charge

The ongoing charge (the costs of running the Company) for the six months ended 30 September 2024 was 0.89% (31 March 2024: 0.98%). The variable element of the management fee was a credit of 0.18% (31 March 2024: charge of 0.15%). Therefore, the ongoing charge, including the variable element, for the reporting period was 0.71% (31 March 2024: 1.13%).

### 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); investment performance (including gearing risk); discount management; unlisted securities; climate change; environmental, social and governance (ESG); key person; cybercrime and information security; business continuity; operational (including those of third-party service providers); variable interest entity structures; and

# Interim Management Report continued

tax and regulatory risks. Information on each of these risks is given in the Strategic Report section of the Annual Report on pages 25 to 29 for the year ended 31 March 2024 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).

The principal risks and uncertainties remain the same as those at the last year end. There continue to be increased geopolitical risks facing the company, including political and trade tensions between China and the US including trade sanctions and a challenging regulatory environment hindering foreign investment. Global economic uncertainty is raised by the ongoing Ukraine/Russia conflict, the escalation of the Middle East conflict, the risk of a South China Sea dispute, and tensions in the Taiwan Strait include potential military conflict. The Board and the Manager remain vigilant in monitoring such risks.

Climate change continues to be a key principal risk confronting asset managers and their investors. Globally, climate change effects are already being experienced in the form of a changing pattern of weather events. Climate change can potentially impact the operations of investee companies, their supply chains and their customers. Additional risks may also arise from increased regulations, costs and net-zero programmes which can all impact investment returns. 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, the main risk being the impact on investment valuations and potentially shareholder returns.

The Board and the Manager are also monitoring the emerging risks and rewards posed by the rapid advancement of artificial intelligence (AI) and technology and how this may threaten the Company's activities and its

potential impact on the portfolio and investee companies. AI can provide asset managers powerful tools, such as enhancing data analysis risk management, trading strategies, operational efficiency and client servicing, all of which can lead to better investment outcomes and more efficient operations. However, with these advances in computer power that will impact society, there are risks from its increasing use and manipulation with the potential to harm, including a heightened threat to cybersecurity.

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 mitigated by the investment trust structure of the Company which means that the Portfolio Manager is not required to trade to meet investor redemptions. Therefore, investments in the Company's portfolio can be held over a longer-time horizon.

The Manager has appropriate business continuity and operational resilience plans in place to ensure the continued provision of services. This includes investment team key activities, including those of portfolio managers, analysts and trading/support functions. The Manager reviews its operational resilience strategies on an ongoing basis and continues to take all reasonable steps in meeting its regulatory obligations, assess its 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 in place 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 pages 36 and 37.

### **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) and the projected income and expenditure, 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 also takes into account the Board's assessment of the ongoing risks as outlined on the previous two pages.

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

Following the completion of the transaction with abrdn China Investment Company Limited, the Board has introduced a continuation vote. The first vote will be held at the AGM in 2029 and every five years thereafter.

By Order of the Board

**FIL Investments International**

6 December 2024

## 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 8 and the Interim Management Report on pages 14 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 6 December 2024 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 2024

|  |       | Six months ended 30 September 2024<br>unaudited |                  |                |
|--|-------|---|------------------|----------------|
|  | Notes | Revenue<br>£'000                                | Capital<br>£'000 | Total<br>£'000 |
| <b>Revenue</b>   |       |   |                  |                |
| Investment income  | 4     | 40,731  | –                | 40,731         |
| Derivative income  | 4     | 11,720  | –                | 11,720         |
| Other income   | 4     | 676   | –                | 676            |
| <b>Total income</b>  |       | <b>53,127</b>                                   | <b>–</b>         | <b>53,127</b>  |
| Gains/(losses) on investments at fair value through profit or loss |       | –   | 72,009           | 72,009         |
| Gains/(losses) on derivative instruments                           |       | –   | 73,226           | 73,226         |
| Foreign exchange losses  |       | –   | (3,263)          | (3,263)        |
| Foreign exchange gains/(losses) on bank loans                      |       | –   | –                | –              |
| <b>Total income and gains/(losses)</b>                             |       | <b>53,127</b>                                   | <b>141,972</b>   | <b>195,099</b> |
| <b>Expenses</b>  |       |   |                  |                |
| Investment management fees   | 5     | (1,108)   | (2,267)          | (3,375)        |
| Other expenses   |       | (593)   | (5)              | (598)          |
| <b>Profit/(loss) before finance costs and taxation</b>             |       | <b>51,426</b>                                   | <b>139,700</b>   | <b>191,126</b> |
| Finance costs  | 6     | (2,901)   | (8,703)          | (11,604)       |
| <b>Profit/(loss) before taxation</b>                               |       | <b>48,525</b>                                   | <b>130,997</b>   | <b>179,522</b> |
| Taxation   | 7     | (1,341)   | 322              | (1,019)        |
| <b>Profit/(loss) after taxation for the period</b>                 |       | <b>47,184</b>                                   | <b>131,319</b>   | <b>178,503</b> |
| <b>Earnings/(loss) per ordinary share</b>                          | 8     | <b>9.05p</b>                                    | <b>25.20p</b>    | <b>34.25p</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 2024<br>audited |                  |                | Six months ended 30 September 2023<br>unaudited |                  |                |
|-------------------------------------|------------------|----------------|---|------------------|----------------|
| Revenue<br>£'000                    | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                                | Capital<br>£'000 | Total<br>£'000 |
| 26,123                              | -                | 26,123         | 22,274  | -                | 22,274         |
| 11,154                              | -                | 11,154         | 9,709   | -                | 9,709          |
| 1,659                               | -                | 1,659          | 800   | -                | 800            |
| 38,936                              | -                | 38,936         | 32,783  | -                | 32,783         |
| -                                   | (155,001)        | (155,001)      | -   | (119,622)        | (119,622)      |
| -                                   | (54,790)         | (54,790)       | -   | (36,505)         | (36,505)       |
| -                                   | (3,858)          | (3,858)        | -   | (1,975)          | (1,975)        |
| -                                   | 1,517            | 1,517          | -   | (1,013)          | (1,013)        |
| 38,936                              | (212,132)        | (173,196)      | 32,783  | (159,115)        | (126,332)      |
| (2,430)                             | (8,991)          | (11,421)       | (1,293)   | (5,056)          | (6,349)        |
| (1,203)                             | (35)             | (1,238)        | (669)   | (3)              | (672)          |
| 35,303                              | (221,158)        | (185,855)      | 30,821  | (164,174)        | (133,353)      |
| (6,699)                             | (20,098)         | (26,797)       | (3,426)   | (10,279)         | (13,705)       |
| 28,604                              | (241,256)        | (212,652)      | 27,395  | (174,453)        | (147,058)      |
| (812)                               | -                | (812)          | (1,177)   | 383              | (794)          |
| 27,792                              | (241,256)        | (213,464)      | 26,218  | (174,070)        | (147,852)      |
| 5.78p                               | (50.18p)         | (44.40p)       | 5.43p   | (36.06p)         | (30.63p)       |

# Statement of Changes in Equity

for the six months ended 30 September 2024

|   | Notes | Share capital<br>£'000 |
|---|-------|------------------------|
| <b>Six months ended 30 September 2024 (unaudited)</b>               |       |                        |
| <b>Total equity at 31 March 2024</b>                                |       | <b>6,113</b>           |
| Contribution in respect of the transaction with ACIC by the Manager |       | -                      |
| Costs relating to the ACIC transaction and issuance of shares       |       | -                      |
| Repurchase of ordinary shares for cancellation                      | 13    | (93)                   |
| Profit after taxation for the period                                |       | -                      |
| Dividend paid to shareholders                                       | 9     | -                      |
| <b>Total equity at 30 September 2024</b>                            |       | <b>6,020</b>           |
| <b>Year ended 31 March 2024 (audited)</b>                           |       |                        |
| <b>Total equity at 31 March 2023</b>                                |       | <b>5,710</b>           |
| New ordinary shares issued in respect of the transaction with ACIC  | 13    | 590                    |
| Contribution in respect of the transaction with ACIC by the Manager |       | -                      |
| Repurchase of ordinary shares into Treasury                         | 13    | -                      |
| Repurchase of ordinary shares for cancellation                      | 13    | (187)                  |
| (Loss)/profit after taxation for the year                           |       | -                      |
| Dividend paid to shareholders                                       | 9     | -                      |
| <b>Total equity at 31 March 2024</b>                                |       | <b>6,113</b>           |
| <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    | (89)                   |
| (Loss)/profit after taxation for the period                         |       | -                      |
| Dividend paid to shareholders                                       | 9     | -                      |
| <b>Total equity at 30 September 2023</b>                            |       | <b>5,621</b>           |

| Share premium account<br>£'000 | Capital redemption reserve<br>£'000 | Other reserve<br>£'000 | Capital reserve<br>£'000 | Revenue reserve<br>£'000 | Total equity<br>£'000 |
|--------------------------------|-------------------------------------|------------------------|--------------------------|--------------------------|-----------------------|
| 338,167                        | 1,104                               | 140,861                | 636,526                  | 53,243                   | 1,176,014             |
| 100                            | -                                   | -                      | -                        | -                        | 100                   |
| (636)                          | -                                   | -                      | -                        | -                        | (636)                 |
| -                              | 93                                  | (18,509)               | -                        | -                        | (18,509)              |
| -                              | -                                   | -                      | 131,319                  | 47,184                   | 178,503               |
| -                              | -                                   | -                      | -                        | (33,355)                 | (33,355)              |
| 337,631                        | 1,197                               | 122,352                | 767,845                  | 67,072                   | 1,302,117             |
| 211,569                        | 917                                 | 186,794                | 877,782                  | 55,649                   | 1,338,421             |
| 126,198                        | -                                   | -                      | -                        | -                        | 126,788               |
| 400                            | -                                   | -                      | -                        | -                        | 400                   |
| -                              | -                                   | (6,965)                | -                        | -                        | (6,965)               |
| -                              | 187                                 | (38,968)               | -                        | -                        | (38,968)              |
| -                              | -                                   | -                      | (241,256)                | 27,792                   | (213,464)             |
| -                              | -                                   | -                      | -                        | (30,198)                 | (30,198)              |
| 338,167                        | 1,104                               | 140,861                | 636,526                  | 53,243                   | 1,176,014             |
| 211,569                        | 917                                 | 186,794                | 877,782                  | 55,649                   | 1,338,421             |
| -                              | -                                   | (6,965)                | -                        | -                        | (6,965)               |
| -                              | 89                                  | (18,930)               | -                        | -                        | (18,930)              |
| -                              | -                                   | -                      | (174,070)                | 26,218                   | (147,852)             |
| -                              | -                                   | -                      | -                        | (30,198)                 | (30,198)              |
| 211,569                        | 1,006                               | 160,899                | 703,712                  | 51,669                   | 1,134,476             |

# Balance Sheet

as at 30 September 2024

Company number 7133583

|   | Notes | 30.09.24<br>unaudited<br>£'000 | 31.03.24<br>audited<br>£'000 | 30.09.23<br>unaudited<br>£'000 |
|---|-------|--------------------------------|------------------------------|--------------------------------|
| <b>Non-current assets</b>                           |       |                                |                              |                                |
| Investments at fair value through profit or loss    | 10    | 1,188,207                      | 1,162,265                    | 1,147,456                      |
| <b>Current assets</b>                               |       |                                |                              |                                |
| Derivative instruments                              | 10    | 104,457                        | 7,103                        | 3,739                          |
| Amounts held at futures clearing houses and brokers |       | 29,585                         | 24,589                       | 24,438                         |
| Other receivables                                   | 11    | 14,450                         | 10,066                       | 10,390                         |
| Cash and cash equivalents                           |       | 8,827                          | 7,858                        | 51,258                         |
|   |       | 157,319                        | 49,616                       | 89,825                         |
| <b>Current liabilities</b>                          |       |                                |                              |                                |
| Derivative instruments                              | 10    | (17,133)                       | (13,307)                     | (10,298)                       |
| Bank loan   |       | -                              | -                            | (81,870)                       |
| Other payables                                      | 12    | (4,068)                        | (9,802)                      | (10,637)                       |
| Bank overdraft                                      |       | (22,208)                       | (12,758)                     | -                              |
|   |       | (43,409)                       | (35,867)                     | (102,805)                      |
| <b>Net current assets/(liabilities)</b>             |       | 113,910                        | 13,749                       | (12,980)                       |
| <b>Net assets</b>                                   |       | 1,302,117                      | 1,176,014                    | 1,134,476                      |
| <b>Equity attributable to equity shareholders</b>   |       |                                |                              |                                |
| Share capital                                       | 13    | 6,020                          | 6,113                        | 5,621                          |
| Share premium account                               |       | 337,631                        | 338,167                      | 211,569                        |
| Capital redemption reserve                          |       | 1,197                          | 1,104                        | 1,006                          |
| Other reserve                                       |       | 122,352                        | 140,861                      | 160,899                        |
| Capital reserve                                     |       | 767,845                        | 636,526                      | 703,712                        |
| Revenue reserve                                     |       | 67,072                         | 53,243                       | 51,669                         |
| <b>Total equity</b>                                 |       | 1,302,117                      | 1,176,014                    | 1,134,476                      |
| <b>Net asset value per ordinary share</b>           | 14    | 252.18p                        | 223.71p                      | 238.07p                        |

# Cash Flow Statement

for the six months ended 30 September 2024

|  | Six months ended<br>30 September<br>2024<br>unaudited<br>£'000 | Year ended<br>31 March<br>2024<br>audited<br>£'000 | Six months ended<br>30 September<br>2023<br>unaudited<br>£'000 |
|--|--|--|--|
| <b>Operating activities</b>  |  |  |  |
| Cash inflow from investment income   | 37,082   | 26,240   | 18,806   |
| Cash inflow from derivative income   | 9,593  | 10,891   | 8,129  |
| Cash inflow from other income  | 676  | 1,659  | 800  |
| Cash outflow from Directors' fees  | (107)  | (236)  | (125)  |
| Cash outflow from other payments   | (3,755)  | (13,104)   | (7,337)  |
| Cash outflow from costs relating to the ACIC transaction and issuance of shares          | (636)  | -  | -  |
| Cash outflow from the purchase of investments  | (308,988)  | (592,266)  | (315,682)  |
| Cash outflow from the purchase of derivatives  | (1,137)  | (1,910)  | (1,910)  |
| Cash outflow from the settlement of derivatives  | (172,503)  | (301,285)  | (152,776)  |
| Cash inflow from the sale of investments   | 349,903  | 703,150  | 356,034  |
| Cash inflow from the settlement of derivatives   | 153,184  | 260,351  | 132,953  |
| Cash (outflow)/inflow from amounts held at futures clearing houses and brokers           | (4,996)  | 10,224   | 10,375   |
| <b>Net cash inflow from operating activities before servicing of finance</b>             | <b>58,316</b>  | <b>103,714</b>                                     | <b>49,267</b>  |
| <b>Financing activities</b>  |  |  |  |
| Cash inflow from the issuance of ordinary shares in respect of the transaction with ACIC | -  | 5,156  | -  |
| Cash inflow from the Fidelity contribution in respect of the transaction with ACIC       | 100  | 400  | -  |
| Cash outflow from bank loan and overdraft interest paid                                  | (48)   | (5,138)  | (2,561)  |
| Cash outflow from the settlement of the bank loan  | -  | (79,340)   | -  |
| Cash outflow from CFD interest paid  | (11,274)   | (22,695)   | (11,245)   |
| Cash outflow from short CFD dividends paid   | (287)  | -  | -  |
| Cash outflow from the repurchase of ordinary shares into Treasury                        | -  | (7,095)  | (7,095)  |
| Cash outflow from the repurchase of ordinary shares for cancellation                     | (18,670)   | (38,789)   | (17,878)   |
| Cash outflow from dividends paid to shareholders   | (33,355)   | (30,198)   | (30,198)   |
| <b>Cash outflow from financing activities</b>  | <b>(63,534)</b>  | <b>(177,699)</b>                                   | <b>(68,977)</b>  |
| <b>Decrease in cash at bank</b>  | <b>(5,218)</b>   | <b>(73,985)</b>                                    | <b>(19,710)</b>  |
| Cash at bank at the start of the period  | 7,858  | 72,943   | 72,943   |
| Bank overdraft at the start of the period  | (12,758)   | -  | -  |
| Effect of foreign exchange movements   | (3,263)  | (3,858)  | (1,975)  |
| <b>Cash at bank at the end of the period</b>   | <b>(13,381)</b>  | <b>(4,900)</b>                                     | <b>51,258</b>  |
| Represented by:  |  |  |  |
| Cash at bank   | 8,826  | 7,858  | 51,258   |
| Amount held in Fidelity Institutional Liquidity Fund                                     | 1  | -  | -  |
| Bank overdraft   | (22,208)   | (12,758)   | -  |
|  | <b>(13,381)</b>  | <b>(4,900)</b>                                     | <b>51,258</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 2024, 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 2024. Those Financial Statements were prepared in accordance with UK-adopted International Accounting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006, IFRC 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

|  | Six months ended<br>30.09.24<br>unaudited<br>£'000 | Year ended<br>31.03.24<br>audited<br>£'000 | Six months ended<br>30.09.23<br>unaudited<br>£'000 |
|--|--|--|--|
| <b>Investment income</b>                     |  |  |  |
| Overseas dividends                           | 40,459   | 26,052                                     | 22,274   |
| Overseas scrip dividends                     | 272  | -  | -  |
| Interest on securities                       | -  | 71   | -  |
|  | 40,731   | 26,123                                     | 22,274   |
| <b>Derivative income</b>                     |  |  |  |
| Dividends received on long CFDs              | 11,375   | 10,525                                     | 9,405  |
| Interest received on CFDs                    | 345  | 629  | 304  |
|  | 11,720   | 11,154                                     | 9,709  |
| <b>Other income</b>                          |  |  |  |
| Interest received on collateral and deposits | 676  | 1,659                                      | 800  |
| <b>Total income</b>                          | <b>53,127</b>                                      | <b>38,936</b>                              | <b>32,783</b>                                      |

Special dividends of £1,493,000 have been recognised in capital during the period (year ended 31 March 2024: £1,458,000 and six months ended 30 September 2023: £1,458,000).

# Notes to the Financial Statements continued

## 5 Investment Management Fees

|   | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
|---|------------------|------------------|----------------|
| <b>Six months ended 30 September 2024<br/>(unaudited)</b>       |                  |                  |                |
| Investment management fee – base                                | 1,242            | 3,727            | 4,969          |
| Investment management fee – variable                            | –                | (1,058)          | (1,058)        |
| Investment management fee waived in respect of ACIC combination | (134)            | (402)            | (536)          |
|   | 1,108            | 2,267            | 3,375          |
| <b>Year ended 31 March 2024 (audited)</b>                       |                  |                  |                |
| Investment management fee – base                                | 2,430            | 7,289            | 9,719          |
| Investment management fee – variable                            | –                | 1,702            | 1,702          |
|   | 2,430            | 8,991            | 11,421         |
| <b>Six months ended 30 September 2023<br/>(unaudited)</b>       |                  |                  |                |
| Investment management fee – base                                | 1,293            | 3,879            | 5,172          |
| Investment management fee – variable                            | –                | 1,177            | 1,177          |
|   | 1,293            | 5,056            | 6,349          |

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 remained unchanged at 0.70% on Net Assets over £1.5 billion until 14 March 2024, when on completion of the transaction with ACIC, it reduced to 0.65% on Net Assets over £1.5 billion.

The Manager agreed to a contribution of £715,000, representing eight months of management fees, in respect of the assets transferred by ACIC to the Company, that would otherwise be payable by the enlarged Company to the Manager being recognised in the year to 31 March 2025. In the period to 30 September 2024, an initial £536,000 has been recognised and an additional £179,000 will be recognised in the final six months of the year.

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.

Fees are payable monthly in arrears and are calculated on a daily basis.

The base management fee has been allocated 75% to capital reserve in accordance with the Company's accounting policies.

## 6 Finance Costs

|   | Revenue<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
|---|------------------|------------------|----------------|
| <b>Six months ended 30 September 2024<br/>(unaudited)</b> |                  |                  |                |
| Interest on overdrafts                                    | 12               | 36               | 48             |
| Interest paid on CFDs                                     | 2,817            | 8,452            | 11,269         |
| Dividends paid on short CFDs                              | 72               | 215              | 287            |
|   | <b>2,901</b>     | <b>8,703</b>     | <b>11,604</b>  |
| <b>Year ended 31 March 2024 (audited)</b>                 |                  |                  |                |
| Interest on bank loan and overdrafts                      | 1,117            | 3,352            | 4,469          |
| Interest paid on CFDs                                     | 5,582            | 16,746           | 22,328         |
| Dividends paid on short CFDs                              | -                | -                | -              |
|   | <b>6,699</b>     | <b>20,098</b>    | <b>26,797</b>  |
| <b>Six months ended 30 September 2023<br/>(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>  |

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<br>£'000 | Capital<br>£'000 | Total<br>£'000 |
|---|------------------|------------------|----------------|
| <b>Six months ended 30 September 2024<br/>(unaudited)</b> |                  |                  |                |
| UK corporation tax  | 322              | (322)            | -              |
| Overseas taxation charge                                  | 1,019            | -                | 1,019          |
| Taxation charge for the period                            | 1,341            | (322)            | 1,019          |

### Year ended 31 March 2024 (audited)

|                              |     |   |     |
|------------------------------|-----|---|-----|
| UK corporation tax           | -   | - | -   |
| Overseas taxation charge     | 812 | - | 812 |
| Taxation charge for the year | 812 | - | 812 |

### Six months ended 30 September 2023 (unaudited)

|                                |       |       |     |
|--------------------------------|-------|-------|-----|
| UK corporation tax             | 383   | (383) | -   |
| Overseas taxation charge       | 794   | -     | 794 |
| Taxation charge for the period | 1,177 | (383) | 794 |

## 8 Earnings/(Loss) per Ordinary Share

|   | Six months<br>ended<br>30.09.24<br>unaudited | Year<br>ended<br>31.03.24<br>audited | Six months<br>ended<br>30.09.23<br>unaudited |
|---|--|--------------------------------------|--|
| Revenue earnings per ordinary share             | 9.05p  | 5.78p                                | 5.43p  |
| Capital earnings/(loss) per ordinary share      | 25.20p                                       | (50.18p)                             | (36.06p)                                     |
| <b>Total earnings/(loss) per ordinary share</b> | <b>34.25p</b>                                | <b>(44.40p)</b>                      | <b>(30.63p)</b>                              |

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                        | 47,184         | 27,792           | 26,218           |
| Capital profit/(loss) after taxation for the period                 | 131,319        | (241,256)        | (174,070)        |
| <b>Total profit/(loss) after the taxation for the period</b>        | <b>178,703</b> | <b>(213,464)</b> | <b>(147,852)</b> |
|   | Number         | Number           | Number           |
| Weighted average number of ordinary shares held outside of Treasury | 521,153,833    | 480,806,725      | 482,649,498      |

### 9 Dividend Paid to Shareholders

|   | Six months ended<br>30.09.24<br>unaudited<br>£'000 | Year ended<br>31.03.24<br>audited<br>£'000 | Six months ended<br>30.09.23<br>unaudited<br>£'000 |
|---|--|--|--|
| Dividend of 6.40 pence per ordinary share paid for the year ended 31 March 2024 | 33,355   | -  | -  |
| Dividend of 6.25 pence per ordinary share paid for the year ended 31 March 2023 | -  | 30,198                                     | 30,198   |
|   | 33,355   | 30,198                                     | 30,198   |

No dividend has been declared for the six months ended 30 September 2024 (six months ended 30 September 2023: £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 2024 (Accounting Policies Notes 2 (e), (l) and (m) on pages 66 to 68). The table below sets out the Company's fair value hierarchy:

| <b>30 September 2024 (unaudited)</b>                              | <b>Level 1<br/>£'000</b> | <b>Level 2<br/>£'000</b> | <b>Level 3<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|--------------------------|--------------------------|--------------------------|------------------------|
| <b>Financial assets at fair value through profit or loss</b>      |                          |                          |                          |                        |
| Investments   | 1,045,496                | 13,806                   | 128,905                  | 1,188,207              |
| Derivative instrument assets                                      | 132                      | 104,325                  | –                        | 104,457                |
|   | 1,045,628                | 118,131                  | 128,905                  | 1,292,664              |
| <b>Financial liabilities at fair value through profit or loss</b> |                          |                          |                          |                        |
| Derivative instrument liabilities                                 | (13,635)                 | (3,498)                  | –                        | (17,133)               |

| <b>31 March 2024 (audited)</b>                                    | <b>Level 1<br/>£'000</b> | <b>Level 2<br/>£'000</b> | <b>Level 3<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|--------------------------|--------------------------|--------------------------|------------------------|
| <b>Financial assets at fair value through profit or loss</b>      |                          |                          |                          |                        |
| Investments   | 980,975                  | 24,282                   | 157,008                  | 1,162,265              |
| Derivative instrument assets                                      | –                        | 7,103                    | –                        | 7,103                  |
|   | 980,975                  | 31,385                   | 157,008                  | 1,169,368              |
| <b>Financial liabilities at fair value through profit or loss</b> |                          |                          |                          |                        |
| Derivative instrument liabilities                                 | (475)                    | (12,832)                 | –                        | (13,307)               |

## 10 Fair Value Hierarchy continued

| 30 September 2023 (unaudited)                                     | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|---|------------------|------------------|------------------|----------------|
| <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          |
|   | 916,473          | 48,585           | 186,137          | 1,151,195      |
| <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)       |

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

|   | 30.09.24<br>unaudited<br>£'000 | 31.03.24<br>audited<br>£'000 | 30.09.23<br>unaudited<br>£'000 |
|---|--------------------------------|------------------------------|--------------------------------|
| Level 3 investments at the beginning of the period          | 157,008                        | 192,878                      | 192,878                        |
| Purchases at cost - ByteDance                               | 12,414                         | -                            | -                              |
| Sales proceeds - DJI International D and Venturous Holdings | (14,410)                       | (2,943)                      | -                              |
| Sales gains - DJI International D and Venturous Holdings    | 960                            | 615                          | -                              |
| Transfers into level 3 at cost <sup>1</sup>                 | -                              | 17,316                       | 17,316                         |
| Transfers out of level 3 - at cost <sup>2</sup>             | (17,316) <sup>3</sup>          | (35,153)                     | (11,758)                       |
| Unrealised gains recognised in the Income Statement         | (9,751)                        | (15,705)                     | (12,299)                       |
| <b>Level 3 investments at the end of the period</b>         | <b>128,905</b>                 | <b>157,008</b>               | <b>186,137</b>                 |

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

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

3 China Renaissance Holdings following its relisting on the Hong Kong Stock Exchange on 11 September 2024.

No income has been recognised from the unlisted investments during the period (year ended 31 March 2024 and six months ended 30 September 2023: £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>30.09.24<br/>unaudited<br/>£'000</b> | 31.03.24<br>audited<br>£'000 | 30.09.23<br>unaudited<br>£'000 |
|---|---|------------------------------|--------------------------------|
| Securities sold for future settlement           | <b>6,834</b>                            | 5,957                        | 703                            |
| Amounts receivable on settlement of derivatives | <b>1,237</b>                            | 2,161                        | 3,788                          |
| Accrued income                                  | <b>6,212</b>                            | 1,726                        | 5,768                          |
| Taxation recoverable                            | <b>11</b>                               | 12                           | 12                             |
| Other receivables                               | <b>156</b>                              | 210                          | 119                            |
|   | <b>14,450</b>                           | 10,066                       | 10,390                         |

**12 Other Payables**

|   | <b>30.09.24<br/>unaudited<br/>£'000</b> | 31.03.24<br>audited<br>£'000 | 30.09.23<br>unaudited<br>£'000 |
|---|---|------------------------------|--------------------------------|
| Securities purchased for future settlement                | <b>2,296</b>                            | 6,843                        | 1,624                          |
| Amounts payable on settlement of derivatives              | <b>–</b>                                | 1,078                        | 5,175                          |
| Investment management fees payable                        | <b>563</b>                              | 678                          | 974                            |
| Accrued expenses  | <b>604</b>                              | 414                          | 944                            |
| Finance costs payable                                     | <b>605</b>                              | 610                          | 868                            |
| Amounts payable for repurchase of shares for cancellation | <b>–</b>                                | 179                          | 1,052                          |
|   | <b>4,068</b>                            | 9,802                        | 10,637                         |

**13 Share Capital**

|  | <b>30 September 2024<br/>unaudited</b> |              | 31 March 2024<br>audited |       | 30 September 2023<br>unaudited |       |
|--|--|--------------|--------------------------|-------|--------------------------------|-------|
|  | <b>Number of<br/>shares</b>            | <b>£'000</b> | Number of<br>shares      | £'000 | Number of<br>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>525,681,434</b>                     | <b>5,258</b> | 488,325,628              | 4,884 | 488,325,628                    | 4,884 |
| New ordinary shares issued in respect of the transaction with ACIC | -                                      | -            | 59,005,997               | 590   | -                              | -     |
| Ordinary shares repurchased into Treasury                          | -                                      | -            | (2,900,696)              | (29)  | (2,900,696)                    | (29)  |
| Ordinary shares repurchased for cancellation                       | <b>(9,332,287)</b>                     | <b>(93)</b>  | (18,749,495)             | (187) | (8,900,641)                    | (89)  |
| <b>End of the period</b>   | <b>516,349,147</b>                     | <b>5,165</b> | 525,681,434              | 5,258 | 476,524,291                    | 4,766 |
| <b>Ordinary shares of 1 pence each held in Treasury*</b>           |  |              |                          |       |                                |       |
| <b>Beginning of the period</b>                                     | <b>85,629,548</b>                      | <b>855</b>   | 82,728,852               | 826   | 82,728,852                     | 826   |
| Ordinary shares repurchased into Treasury                          | -                                      | -            | 2,900,696                | 29    | 2,900,696                      | 29    |
| <b>End of the period</b>   | <b>85,629,548</b>                      | <b>855</b>   | 85,629,548               | 855   | 85,629,548                     | 855   |
| <b>Total share capital</b>   |  | <b>6,020</b> |                          | 6,113 |                                | 5,621 |

\* 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 9,332,287 (year ended 31 March 2024: 18,749,495 shares and six months ended 30 September 2023: 8,900,641 shares) ordinary shares for cancellation. The cost of repurchasing these shares of £18,509,000 (year ended 31 March 2024: £38,968,000 and six months ended 30 September 2023: £18,930,000) was charged to the Other Reserve.

No ordinary shares were repurchased and held in Treasury during the period (year ended 31 March 2024: 2,900,696 shares and six months ended 30 September 2023: 2,900,696 shares). The cost of repurchasing these shares in the year to 31 March 2024 of £6,965,000 was charged to the Other Reserve.

On 13 March 2024, the Company acquired £126.8 million of Net Assets from ACIC, in consideration for the issue of 59,005,997 new shares to ACIC shareholders in accordance with the Scheme.

# 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 net assets divided by the number of ordinary shares held outside of Treasury.

|  | 30.09.24<br>unaudited | 31.03.24<br>audited | 30.09.23<br>unaudited |
|--|-----------------------|---------------------|-----------------------|
| Net assets                               | <b>£1,302,117,000</b> | £1,176,014,000      | £1,134,476,000        |
| Ordinary shares held outside of Treasury | <b>516,349,147</b>    | 525,681,434         | 476,524,291           |
| Net asset value per ordinary share       | <b>252.18p</b>        | 223.71p             | 238.07p               |

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 £3,375,000 (year ended 31 March 2024: £11,421,000 and six months ended 30 September 2023: £6,349,000) were payable to Fidelity. Fidelity also provides the Company with marketing services. The total amount payable for these services was £128,000 (year ended 31 March 2024: £269,000 and six months ended 30 September 2023: £132,000). Amounts payable at the Balance Sheet date are included in other payables and are disclosed in Note 12 on page 34.

FIL Investment Services (UK) Limited agreed to contribute towards the costs of the transaction with ACIC and an amount equal to eight months of management fees in the year to 31 March 2025, that would otherwise be payable by the enlarged Company to the Manager, in respect of the assets transferred by ACIC to the Company pursuant to the Scheme will be waived. In the period to 30 September 2024, an initial £536,000 has been recognised and an additional £179,000 will be recognised in the final six months of the year.

Additionally, the Manager agreed to make a contribution of £500,000 in respect of the transaction with ACIC. The Company recognised an initial contribution of £400,000 in the year to 31 March 2024, and have subsequently recognised a further £100,000 in the period to 30 September 2024.

At the date of this report, the Board consisted of six non-executive Directors (as shown on page 46) all of whom are considered to be independent by the Board. None of the Directors has a service contract with the Company.

### 15 Transactions with the Managers and Related Parties continued

The Chairman receives an annual fee of £54,000, the Chairman of the Audit and Risk Committee receives an annual fee of £45,500, the Senior Independent Director receives an annual fee of £42,500 and each other Director receives an annual fee of £36,000. The following members of the Board hold ordinary shares in the Company at the date of this report: Mike Balfour 65,000 shares, Alastair Bruce 43,800 shares, Vanessa Donegan 10,000 shares, Georgina Field 2,250 shares, Gordon Orr nil shares and Edward Tse nil shares.

### 16 Post Balance Sheet Event

On 27 November 2024 following an initial public offering (“IPO”), Pony.ai listed on the Nasdaq Global Select Market at an IPO price of US\$13 which was similar to the valuation in the Company’s portfolio.

# 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 Returns; and
- Total Return Performance (Net Asset Value Total Return or Ordinary 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 derivatives).

## Auditor

The Company's independent Auditor is Ernst & Young LLP.

## Benchmark Index

MSCI China Index total return (in UK 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.

### 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](#).

# Glossary to the Half-Yearly Report continued

## 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.

## Fidelity International (Fidelity)

FIL Investments International.

## Forward 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 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**, independent third party valuers, provide 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.

## 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 Charge (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.

## Option

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.

# Glossary to the Half-Yearly Report continued

## 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.

## Scheme

A transaction effective in March 2024 whereby the Company combined assets with abrdn China Investment Company Limited, following a Guernsey scheme of reconstruction.

## 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.

## 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.

### 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 2024/2025 |                                     |
|------------------------------|-------------------------------------|
| 30 September 2024            | Half-Yearly period end              |
| December 2024                | Announcement of Half-Yearly results |
| December 2024                | Publication of Half-Yearly Report   |
| 31 March 2025                | Financial year end                  |
| June 2025                    | Publication of Annual Report        |
| July 2025                    | Annual General Meeting              |
| July 2025                    | Payment of the Annual Dividend      |

# 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

## Depositary

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.

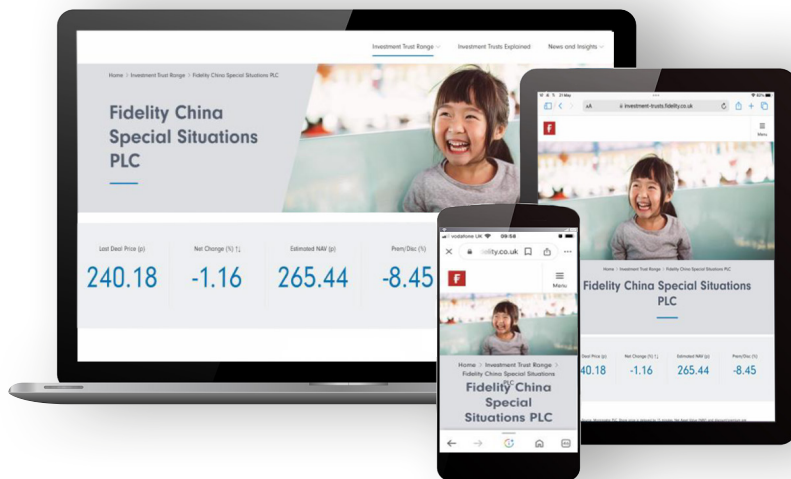
### Requesting access, making changes to personal data and other important information

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.

### Fair treatment of investors

The legal and regulatory regime to which the Company and the Directors are subject ensures the fair treatment of investors. The Listing Rules require that the Company treats all Shareholders of the same class of shares equally. In particular, the Directors have certain statutory duties under the Companies Act 2006 with which they must comply. These include a duty upon each Director to act in the way she or he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.





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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Park works to the EMAS standard and its Environmental Management System is certified to ISO 14001.

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