FIDELITY CHINA SPECIAL SITUATIONS PLC

Interim Financial Report for the 6 months ended 30 September 2011

Contents

The Investment Objective

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 or Hong Kong and Chinese companies listed elsewhere. It may also invest in listed companies with significant interests in China and Hong Kong.

Returns (%)
Returns for the 6 month period ended 30 September 2011 were as follows:

	6 months to 30 September 2011
NAV per share total return (1)	-28.9%
Share price total return (1)	-31.2%
MSCI China Index total return	-24.5%

1 Includes Dividend

Source: Fidelity and Datastream
Past performance is not a guide to future returns

Summary of Results

		30 September 2011	31 March 2011	% change
Assets				
Gross Assets (1)		£585.56m	£745.98m	-21.5
Net Assets		£489.54m	£683.96m	-28.4
Net Asset Value per Share		73.93p	104.20p	-29.0
Gross Asset Exposure (2)		£608.82m	£791.89m	
Gross Asset Exposure to Net Assets		124.4%	115.8%	
Revenue earnings per Share (3)		1.20p	0.47p	
Number of ordinary shares in issue		662,204,480	656,404,480	
Stockmarket Data (4)				
MSCI China Index–UK sterling equivalent (5)		77.97	103.30	-24.5
Share Price	period end	75.50p	110.00p	-31.4
	period high	114.30p	128.70p	
	period low	72.80p	92.25p	
Premium/(discount)	period end	2.12%	5.57%	
	period high	8.80%	13.11%	
	period low	(8.80%)	(1.70%)	

Earnings/(losses) per ordinary share

	6 months to 30.09.11	19.04.10 to 30.09.10	
Revenue (3)	1.20p	0.83p	
Capital (3)	(31.30p)	6.55p	
Total (3)	(30.10p)	7.38p	

1 Total assets less current liabilities, excluding bank loans
2 Total portfolio exposure whether through direct or indirect investment (including through derivatives)
3 Based on the weighted average number of ordinary shares in issue during the period

4 Source: Fidelity and Datastream
5 Rebased to 100 at launch

Chairman's Statement

Results
The results contained in this report make for disappointing reading for shareholders of the Company, with the net asset value down by 28.9% (total return) compared with a decline in the Company's benchmark index, MSCI China of 24.5%.

The returns for the six months to 30 September 2011 and prior reporting periods:–

	Six months to 30.09.11	**Period from 19.04.10 to 31.03.11**	**Period from 19.04.10 to 30.09.10**
Revenue	1.20p	0.47p	0.83p
Capital	(31.30p)	3.67p	6.55p
Total	(30.10p)	4.14p	7.38p

The results and the performance of the Portfolio over the six month period to 30 September 2011 are explained in more detail in the Investment Manager's report on page 5 of this report.

Dividend
The Board has decided not to declare an interim dividend. The Board will decide on any dividend payment on the basis of the results for the year and bearing in mind the Company's obligations under the Corporation Tax Act 2010.

Share Issues and Repurchases
During the six month period to 30 September 2011, the Company issued 6,250,000 shares at a premium to net asset value and bought back 450,000 shares at a discount to net asset value.

The Board has adopted an approach whereby the level of premium/discount is actively managed by attempting to ensure the share price of the Company tracks as closely as possible the underlying net asset value of the Portfolio. The Board has no rigid premium management or discount control policy but will exercise its authority to issue or repurchase the Company's shares if deemed to be in the best interests of shareholders at the time.

New Director
The Board is pleased to announce that Elisabeth Scott was appointed as a non-executive director of the Company on 1 November 2011. Ms Scott worked in the asset management industry in Hong Kong from 1992 to 2008, where she was managing director and country head of Schroder Investment Management (Hong Kong) Limited and chair of the Hong Kong Investment Funds Association. Ms Scott is also a non-executive director of Pacific Horizon Investment Trust PLC.

The China Story
There has been considerable focus in the media on a possible "hard landing" for the Chinese economy and a consequent derailing of the China growth story. By contrast, there have been comparatively few stories from commentators who have witnessed for themselves the transformation of the Chinese economy and its continuing dynamism.

The Board witnessed this vitality first hand in late October, visiting the Chinese cities of Chongqing, Tianjin and Shanghai. The sheer size and ambition of the commercial, residential and industrial initiatives in these cities were impressive. Our meetings with senior government officials, company boards and their senior management teams demonstrated the high quality of corporate leadership in China, a belief in the current government's policies and an infectious sense of optimism about the future.

The Board acknowledges that the results for the six month period to 30 September 2011 are unsatisfactory, but it remains confident that the portfolio's continuing focus on domestic consumption remains the best strategy for providing long-term capital growth to shareholders.

John Owen CMG MBE DL
Chairman
10 November 2011

Investment Manager's Report

The few weeks leading up to the end of September have been a brutal period for Asian markets – as difficult a time to be running money as I can remember. My optimism on markets generally and China specifically has been severely tested. I will argue below why I remain optimistic although many take a much more cautious view. Over and over again I have asked myself whether I should revise my view in light of the deteriorating position in Europe and potentially also in the U.S., but I have concluded that the world is not in such a bad position as many think. It may still end up there at some stage over the next year or so but I believe the balance of probabilities is against such an outcome.

I am sorry to report that the combination of the very difficult stock market background, the Company's exposure to the more volatile medium and smaller capitalisation Chinese stocks and the Company's gearing has produced some very poor performance figures with the net asset value down by 28.9% (total return) over the six month period to 30 September 2011. This compares with a decline in the value of the Company's benchmark, MSCI China Index of 24.5% (total return).

The number of commentators looking for a hard landing in China has increased over the last few months. This together with negative views about the property market and the unofficial lending market has led to Chinese shares performing worse than those in other markets. Asian markets in general have fared less well than developed markets as investors have reduced risk and I have been wrong so far in my expectation that China's stock market could decouple from the West.

Risks

In the Annual Report I wrote about some of the risks in China, including inflation, bank bad debts and falling residential property prices. Let me update you on my views on these three topics:

- The inflation news is starting to improve. Although food inflation remains volatile and difficult to predict I believe China should be experiencing significantly lower official inflation in future months (even though real inflation is above official figures). This is one area where weakness in the rest of the world is helpful because of falls in commodity prices. This better environment should allow the Chinese authorities to stop their monetary tightening and this may have already taken place. Whether they now loosen will depend partially on how the domestic situation develops from here and whether the developed world returns to recession. I still think GDP growth is headed back to around 8% (above the 5 year plan target of 7%). If the world goes into an economic downturn I would need to revise this down to, say, 5-6%. One should remember that, although exports are important to China relative to many other Asian economies, China is less exposed to exports to the rest of the world. The destiny of its economy is more in its own hands.

- On bank bad debts. I remain of the view that there are real issues due to lending via the Local Government Finance Vehicles in the credit expansion period. We could see up to 20% of this debt below water. However, I remain of the view that this is more of a 2013/14 problem than an immediate one and, in any case, the Central Government has ample resources to solve this problem and debts could be rolled over. In the past the Central Government has generally taken bad debts off the banks' balance sheets at face value and guaranteed them. I expect something similar to happen again in two or three years' time when the new political leadership will be able to blame its predecessors.

- The area where I was least optimistic shorter term was residential property. Here the supply/demand relationship looks very unattractive. The Government has been criticised in the past for letting the upward movement in property prices get out of hand and I think it wants to see prices fall. This is now taking place. Unless policy changes I expect a difficult 12-18 months but without substantial debt being held against property (unlike in the developed world) and with good long term supply/demand dynamics I am more optimistic longer term. This is completely different from the American sub-prime crisis. For the moment the Company does not hold any mainland Chinese property developers and the Company has at times been short of some names (although the Company does have some exposure to Hong Kong developers).

A newer worry for investors is the growth of the unofficial loan market in China. This market has always been there but during the tightening phase over the last 12 months or so it has grown at a very fast rate as banks restricted loans to borrowers and these borrowers have had to look elsewhere for funds. There have been a number of conduits for this lending including entrusted loans, trust products, peer to peer lending etc. With bank deposit rates controlling lending at very high rates, the unofficial market has appeared attractive for those with surplus funds. Although most loans are secured, the big expansion in volumes and the monetary tightening means there is the potential for loan losses which could impact some lenders particularly in certain cities. I don't believe, however, that this is a major national problem that will have a big impact on the economy.

Another issue that has concerned investors is a structure that many Chinese companies have used to list businesses particularly in the U.S. when the business is one that can't be owned directly by foreigners. This results in the listed company having an economic interest in the Chinese business but not a legal one. These structures have been widely used for a number of years and include some Hong Kong-listed companies. The Chinese regulators are reviewing these structures. The general view is that existing structures will not need to change but new structures will need to be approved.

US and Europe

I think I should say a few words about the global situation. Many are starting to compare the situation today with the post-Lehman situation. However, although I believe there are some similarities there are also some significant differences. Post-Lehman, industrial activity across the globe collapsed. Today markets have fallen in anticipation that activity will fall and the West will have another recession. Although it is possible that the pessimism in financial markets may actually create the downturn, I think the odds are against this. Firstly, most recessions follow periods of above trend activity which has not been experienced this cycle. Secondly, the economic evidence coming out of the U.S. is mixed. On balance I believe there are more positive factors than negative ones. Lastly, in light of the way the U.S. economy is currently managed, I believe the authorities there will try everything in their power to avoid a near term recession.

I believe an interesting contrast exists between how investors are reacting to the current crisis and how I think industrialists will generally react. With the 2008 post-Lehman scenario still fresh in their minds investors are reacting by reducing exposures. I believe industrialists may take a different approach. Many companies cut investment, working capital and staff in 2008 only to have to reverse these decisions in 2009. This time I think they will be more reluctant to react quickly.

Moving on to the situation in Europe, which is very much the epicentre of the current crisis. I think everything is summed up by a meeting I had a few weeks ago with one of the best sell-side China strategists – a significant section of his presentation was about Europe rather than China, his argument being that the future for China is completely tied up with the future of Europe.

I have never been a fan of the euro and today we are fully exposed to all the risks of that misguided experiment. Ultimately the politicians will have to decide between political union or breakup, but I believe this is still a few years away. In the short term, it remains to be seen whether the latest package is enough to calm markets. That said even with a cloud hanging over Europe, it does not mean a major recession is inevitable and the idea that it is imminent for the whole of Europe is, I believe, wrong.

Investors' timescales and real world timescales are often mismatched. Investors expecting events to have an immediate influence on activity, but this process often takes many months. Many compare the situation at European banks with the investment banks after the subprime crisis. I think it is different. Those were mainly investment banks: now it is commercial banks. Then it was subprime and collateralised debt obligations, now it is the debt of peripheral countries that is the risk – these are quite different risks. The way authorities will treat them will also be different. I think all the major European banks who need a combination of capital, guarantees and liquidity will be supported by their Governments, who could be more generous to shareholders as this crisis is much less due to bank mismanagement than the last one. I do not think any country will let one of its major banks default even if it means a downgrade of that nation's credit rating. My strongest view is that with a black cloud looming over Europe for several years to come, investors in those markets will look elsewhere for growth, provided exchange controls do not stop them doing so.

Korea

In the last report I mentioned that I was concerned about the situation between North and South Korea. During August, the Americans restarted a dialogue with North Korea which is a significant positive development. In September I closed the KOSPI put option position at a significant profit.

Portfolio

The strategy I have pursued in running the Company from the start remains unchanged in that the portfolio is mainly exposed to Chinese companies in the consumption and services sectors. It remains significantly underweight in exporters, commodities, infrastructure companies and mainland banks and property companies. Within consumption, the Company has exposure to department stores, ladies fashion, electricals, jewellery, watches, shoes, cosmetics and sportswear retailing as well as supermarkets. The Company is also invested in manufacturers of soft drinks, beer, wine & spirits, food & cooking oils, manufacturers of luxury cars, personal products, household textiles & appliances. The portfolio includes owners of hotels, restaurants, airports & railways; operators of lotteries, advertising companies, magazine publishers and an owner of popular children's cartoon characters. There are internet companies selling games, second hand cars and property information. In the services area the Company's exposure is to pharmaceutical companies, medical device companies; distributors of pharmaceuticals, electronic equipment & parts and fertilizers, I.T. services, mobile phone operators, securities brokerage, estate agents, insurance and education companies, Hong Kong-based banks, property, telecoms, T.V. and newspaper companies. Outside these two main areas the Company holds two investments in goldmines and some high value manufacturers making automation equipment, process control equipment, optical equipment and credit card readers. Finally it holds a regional insurance company, a satellite operating company, a conglomerate and a Chinese carton paper producer. A characteristic of many of the companies that I have invested in is that they have similar business models to those that I have come across in the UK or Europe but I am finding that these stocks can be brought at a much earlier stage in their development.

Consumption & services are not immune to any slowdown in China but I believe these are the areas with the best longer term outlook where structural trends favour them. Even with a slowdown in GDP growth, I expect these areas to outperform the general economy. If I am wrong about the world outlook, and a new recession were to commence leading to China embarking on another stimulus programme, these areas would likely be direct beneficiaries.

The Company is mainly exposed to China through companies listed on the Hong Kong exchange with 13.3% in ‘A’ and ‘B’ shares, 11% in US-listed shares and 4.6% in China exposed shares listed on other markets. Medium and small capitalisation stocks (under US1$bn market capitalisation) represent 40.1% of the portfolio.

Gearing

The Company remains geared through a bank debt facility and also via contracts for difference (CFDs) on individual positions. The bank debt of US$150m has been recently reduced to US$100m and at the same time the CFD exposure was increased from US$50m to US$100m as it is cheaper and more flexible. At the end of the reporting period the total gearing was 24.4%.

An Optimistic Contrarian

The most important reason that I remain optimistic about stock markets is my contrarian nature. At the beginning of October sentiment became about as negative as I’ve seen it. However, valuations are very attractive versus history and Hong Kong directors’ purchases of shares are the second highest they’ve been in the last 11 years (only higher in 2008). Everywhere risk is off. Markets normally move to prove the majority wrong. I believe a strong market recovery likely over the next few months.

Outlook

The last six months has been a most disappointing period for everyone involved in this Company. I have outlined my optimism above and I believe that once the dust settles, investors will recognise the superior growth prospects in markets like China and the decoupling which has not been experienced to date will finally occur. Although markets remain volatile, they have started to recover in the last few weeks leading to an improvement in the net asset value of the Company.

The next 12 months should be a defining moment for Chinese investment when investors realise the economy is not about to collapse and the tightening period is over. In the meantime I can only assure shareholders that I will make the upmost effort to reverse the recent under performance of the Company’s assets and in turn of the share price. Much of this report has been devoted to my assessment of the Global and Chinese macro situation. I hope in future reports to focus in more detail on the companies in which the Company is invested.

Anthony Bolton
Portfolio Manager
10 November 2011

Directors' Responsibility Statement

Principal Risks And Uncertainties
The Board believes that the principal risks and uncertainties faced by the Company fall into two broad categories. The first, external risks, being stock market, share price and discount and the second, internal risks, being portfolio and governance, operational, financial, compliance, and administration. Information on each risk and a risk matrix listing the specific top risks identified by the Board is contained in the Annual Report which is available for inspection on the Company's pages of its website www.fidelity.co.uk/china.

Responsibility Statement
The Directors confirm to the best of their knowledge that:

a) the condensed set of financial statements contained within the Interim Financial Report has been prepared in accordance with the International Accounting Standards 34; "Interim Financial Reporting"

b) the Interim Financial Reporting (constituting the interim management report) includes a fair review of the information required by Rule 4.2.7R of the FSA's Disclosure and Transparency Rules and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

c) in accordance with Disclosure and Transparency Rule 4.2.8R there have been no reportable related party transactions during the six month period to 30 September 2011 and therefore nothing to report on any material effect by such a transaction on the financial position or the performance of the Company during that period.

The Interim Financial Report was approved by the Board on 10 November 2011 and the above responsibility statement was signed on its behalf by John Owen, Chairman.

By order of the Board

John Owen CMG MBE DL
Chairman

Enquiries
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Twenty Largest Holdings as at 30 September 2011

Holdings	**Fair Value & Gross Asset Exposure £'000**	**Fair Value as a % of Gross Assets#**
China Unicom (Hong Kong) Limited An integrated telecommunications provider	41,917	7.2
HSBC Holdings Plc (Hong Kong listed) A global banking and financial services company	28,409	4.9
Ping An Insurance (Group) Company of China* Insurance company	25,562	4.4
Bank Of China Hong Kong Limited A subsidiary of the Bank of China based in Hong Kong	23,809	4.1
Tencent Holdings Limited Provides internet, mobile and telecommunications value-added services	21,636	3.7
PCCW Limited A Hong Kong-based telecommunications company	18,288	3.1
TVB Hong Kong television broadcaster	16,927	2.9
CITIC Securities Company Limited* Broker and asset manager	16,743	2.9
AIA Group Insurance company based in Hong Kong	16,143	2.7
China Minsheng Bank Chinese bank	15,926	2.7
Brilliance China Automotive Holdings Limited Auto company that is BMW's Chinese partner	15,251	2.6
Zhaojin Mining Industry Company Limited Gold mining company	14,398	2.4
Gome Electrical Appliances Holdings Retails electrical appliances and consumer electronic products	11,675	2.0
Little Sheep Group Limited Operates hot pot restaurants and processes condiments and meat	9,953	1.7
Jardine Matheson Holdings A holding company with interests in engineering, transport services, insurance broking, property investment and mining	8,059	1.4
Tsingtao Brewery China's second largest brewery	7,676	1.3
Suning Appliances Company Limited* One of the largest electrical appliance retailers in China	7,225	1.2
Silver Base Group Holdings A leading distributor of alcoholic beverages	7,173	1.2
Ports Design Designs, manufactures and retails fashion clothing	7,154	1.2
United Laboratories International Holdings Pharmaceutical company	7,069	1.2
Twenty Largest Holdings	**320,993**	**54.8**

% is based on Gross Assets which represent total assets less current liabilities, excluding bank loans
* includes investment via Equity Linked Notes ("ELNs")

Income Statement

	Notes	Six months to 30.09.11 unaudited revenue £'000	capital £'000	total £'000	Period from 19.04.10 to 31.03.11 audited revenue £'000	capital £'000	total £'000	Period from 19.04.10 to 30.09.10 unaudited revenue £'000	capital £'000	total £'000
Revenue										
Investment income		11,291	-	11,291	9,447	-	9,447	6,981	-	6,981
Other income		4	-	4	23	-	23	18	-	18
Net derivative income		407	-	407	30	-	30	741	-	741
Total income	2	11,702	-	11,702	9,500	-	9,500	7,740	-	7,740
(Losses)/gains on investments designated at fair value through profit or loss		-	(214,259)	(214,259)	-	32,177	32,177	-	44,653	44,653
Gains/(losses) on derivative instruments held at fair value through profit or loss		-	12,169	12,169	-	(12,211)	(12,211)	-	(13,837)	(13,837)
Foreign exchange gains/(losses) on other net assets		16	615	631	(39)	(513)	(552)	59	1,619	1,678
Foreign exchange (losses)/gains on bank loans		-	(3,178)	(3,178)	-	3,004	3,004	-	1,503	1,503
Total income and (losses)/gains		**11,718**	**(204,653)**	**(192,935)**	**9,461**	**22,457**	**31,918**	**7,799**	**33,938**	**41,737**
Expenses										
Investment management fee		(2,183)	(2,183)	(4,366)	(3,746)	(3,746)	(7,492)	(1,602)	(1,602)	(3,204)
Performance fees		-	-	-	-	-	-	-	(1,425)	(1,425)
Other expenses		(817)	-	(817)	(2,435)	-	(2,435)	(1,689)	-	(1,689)
Profit/(loss) before finance costs and taxation		**8,718**	**(206,836)**	**(198,118)**	**3,280**	**18,711**	**21,991**	**4,508**	**30,911**	**35,419**
Finance costs		(452)	(452)	(904)	(523)	(523)	(1,046)	(250)	(250)	(500)
Profit/(loss) before taxation		**8,266**	**(207,288)**	**(199,022)**	**2,757**	**18,188**	**20,945**	**4,258**	**30,661**	**34,919**
Overseas taxation		(305)	-	(305)	(426)	-	(426)	(349)	-	(349)
Net profit/(loss) after taxation for the period		**7,961**	**(207,288)**	**(199,327)**	**2,331**	**18,188**	**20,519**	**3,909**	**30,661**	**34,570**
Earnings per share	3	**1.20p**	**(31.30p)**	**(30.10p)**	**0.47p**	**3.67p**	**4.14p**	**0.83p**	**6.55p**	**7.38p**

The Company does not have any income or expenses that are not included in the net profit/(loss) after taxation for the period. Accordingly the net 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 Statement of Comprehensive Income of the Company and is prepared in accordance with IFRS. The revenue and capital columns are supplementary and presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies. All of the profit/(loss) and total comprehensive income is attributable to the equity shareholders of the Company. There are no minority interests. All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

Statement of Changes in Equity

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
From 19.04.10 to 30.09.10								
Proceeds from offer for subscription and placing (1)		4,600	455,400	-	-	-	-	460,000
Fees and expenses of the offer for subscription and placing		-	(3,168)	-	-	-	-	(3,168)
Cancellation of share premium account (2)		-	(452,232)	-	452,232	-	-	-
Issue of ordinary shares		217	22,060	-	-	-	-	22,277
Additional share listing costs (3)		-	(161)	-	-	-	-	(161)
Net profit after taxation for the period		-	-	-	-	30,661	3,909	34,570
Equity shareholders' funds: 30 September 2010		**4,817**	**21,899**	**-**	**452,232**	**30,661**	**3,909**	**513,518**
From 19.04.10 to 31.03.11								
Proceeds from offer for subscription and placing (1)		4,600	455,400	-	-	-	-	460,000
Fees and expenses of the offer for subscription and placing		-	(3,168)	-	-	-	-	(3,168)
Cancellation of share premium account (2)		-	(452,232)	-	452,232	-	-	-
Issue of ordinary shares		387	42,262	-	-	-	-	42,649
Additional share listing costs (3)		-	(200)	-	-	-	-	(200)
Proceeds from "C" share offer and placing		1,577	164,673	-	-	-	-	166,250
Fees and expenses of the "C" share offer and placing		-	(2,087)	-	-	-	-	(2,087)
Net profit after taxation for the period		-	-	-	-	18,188	2,331	20,519
Equity shareholders' funds: 31 March 2011		**6,564**	**204,648**	**-**	**452,232**	**18,188**	**2,331**	**683,963**
Six months to 30.09.11								
Equity shareholders' funds: 31 March 2011		6,564	204,648	-	452,232	18,188	2,331	683,963
Issue of ordinary shares		63	6,921	-	-	-	-	6,984
Additional share listing costs (3)		-	(38)	-	-	-	-	(38)
Repurchase of ordinary shares		(5)	-	5	-	(384)	-	(384)
Dividend paid	4	-	-	-	-	-	(1,657)	(1,657)
Net (loss)/profit after taxation for the period		-	-	-	-	(207,288)	7,961	(199,327)
Equity shareholders' funds: 30 September 2011		**6,622**	**211,531**	**5**	**452,232**	**(189,484)**	**8,635**	**489,541**

1 The Company was incorporated on 22 January 2010 and operations commenced when its shares were listed on the London Stock Exchange on 19 April 2010.

2 Court approval was given on 21 April 2010 for the Company's share premium account to be cancelled. As a result £452,232,000 was transferred to the other reserve account. This is a distributable reserve.

3 Costs associated with block listing application fees charged by the London Stock Exchange.

Balance Sheet as at 30 September 2011

Company No. 7133583

	Note	30.09.11 unaudited £'000	31.03.11 audited £'000	30.09.10 unaudited £'000
Non current assets				
Investments designated at fair value through profit or loss		577,015	720,287	554,871
Current assets				
Derivative assets held at fair value through profit or loss		6,224	2,729	2,281
Cash and cash equivalents		11,432	25,184	15,564
Amounts held at futures clearing houses and brokers		5,722	3,280	170
Other receivables		1,843	7,388	12,923
		25,221	**38,581**	**30,938**
Current liabilities				
Derivative liabilities held at fair value through profit and loss		(11,285)	(1,582)	-
Bank loans		(96,015)	(62,013)	(63,470)
Other payables		(5,395)	(11,310)	(8,821)
		(112,695)	(74,905)	(72,291)
Net current liabilities		**(87,474)**	**(36,324)**	**(41,353)**
Net assets		**489,541**	**683,963**	**513,518**
Equity attributable to equity shareholders				
Share capital		6,622	6,564	4,817
Share premium account		211,531	204,648	21,899
Capital redemption reserve		5	-	-
Other reserve		452,232	452,232	452,232
Capital reserve		(189,484)	18,188	30,661
Revenue reserve		8,635	2,331	3,909
Total equity shareholders' funds		**489,541**	**683,963**	**513,518**
Net asset value per ordinary share	6	73.93p	104.20p	106.61p

Cash Flow Statement

	Six months to 30.09.11 unaudited £'000	Period from 19.04.10 to 31.03.11 audited £'000	Period from 19.04.10 to 30.09.10 unaudited £'000
Operating activities			
Cash inflow from investment income	9,365	7,736	6,589
Cash inflow/(outflow) from net derivative income	313	(26)	-
Cash inflow from other income	6	21	18
Cash outflow from Directors' fees	(72)	(105)	(47)
Cash outflow from other payments	(3,358)	(6,645)	(1,200)
Cash outflow from purchase of investments	(423,838)	(1,066,951)	(623,637)
Cash outflow from purchase of derivatives	(8,634)	(16,857)	(75,042)
Cash inflow from sale of investments	352,033	380,884	160,029
Cash inflow from sale of derivatives	27,011	3,499	6,417
Cash outflow from amounts held at futures clearing houses and brokers	(2,442)	(3,280)	(170)
Net cash outflow from operating activities before servicing of finance	**(49,616)**	**(701,724)**	**(527,043)**
Servicing of Finance			
Cash outflow on interest on bank loans	(480)	(1,040)	(264)
Net cash outflow from operating activities and servicing of finance	**(50,096)**	**(702,764)**	**(527,307)**
Financing activities			
Cash inflow from issue of ordinary shares	6,984	42,649	18,154
Cash outflow from costs of issue of ordinary shares	(38)	(200)	(3,329)
Cash outflow from the repurchase of ordinary shares	(384)	-	-
Cash inflow from offer for subscription and placing	-	460,000	460,000
Cash outflow from the costs of the offer for subscription and placing	-	(3,168)	-
Cash inflow from the "C" share offer and placing	-	166,250	-
Cash outflow from the costs of the "C" share offer and placing	-	(2,087)	-
Cash inflow from bank loans	34,002	62,013	63,470
Cash outflow from dividends paid to shareholders	(1,657)	-	-
Net cash inflow from financing activities	**38,907**	**725,457**	**538,295**
(Decrease)/increase in cash and cash equivalents	**(11,189)**	**22,693**	**10,988**
Reconciliation of movements in cash and cash equivalents			
Net cash (outflow)/inflow from cash and cash equivalents (from above)	(11,189)	22,693	10,988
Effect of foreign exchange movements	(2,563)	2,491	4,576
(Decrease)/increase in cash and cash equivalents in the period	**(13,752)**	**25,184**	**15,564**
Cash and cash equivalents at the beginning of the period	25,184	-	-
Cash and cash equivalents at the end of the period	**11,432**	**25,184**	**15,564**

Notes to the Financial Statements

1. Accounting policies

The Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The accounting policies adopted in the preparation of the Interim Financial Statements are the same as those applied in the Company's Annual Report for the period to 31 March 2011.

2. Income

	Six months to 30.09.11 unaudited £'000	Period from 19.04.10 to 31.03.11 audited £'000	Period from 19.04.10 to 30.09.10 unaudited £'000
Income from investment designated at fair value through profit or loss			
Overseas dividends	10,362	8,783	7,475
Overseas scrip dividends	929	664	247
	11,291	9,447	7,722
Other income			
Deposit interest	4	12	7
Income from Fidelity Institutional Liquidity Fund plc	-	11	11
	4	23	18
Net derivative income			
Income received on long CFDs	550	68	-
Less: expenses paid on long CFDs	(143)	(38)	-
	407	30	-
Total income	11,702	9,500	7,740

3. Earnings/(losses) per ordinary share

	Six months to 30.09.11 unaudited	Period from 19.04.10 to 31.03.11 audited	Period from 19.04.10 to 30.09.10 unaudited
Revenue earnings per ordinary share	1.20p	0.47p	0.83p
Capital (losses)/earnings per ordinary share	(31.30p)	3.67p	6.55p
Total (losses)/earnings per ordinary share	(30.10p)	4.14p	7.38p

The revenue, capital and total earnings/(loss) per ordinary share are based on the net profit/(loss) after taxation in the period and the weighted average number of ordinary shares in issue during the period as shown below:

	Six months to 30.09.11 unaudited £'000	Period from 19.04.10 to 31.03.11 audited £'000	Period from 19.04.10 to 30.09.10 unaudited £'000
Revenue net profit after taxation	7,961	2,331	3,909
Capital net (loss)/profit after taxation	(207,288)	18,188	30,661
Total net (loss)/profit after taxation	(199,327)	20,519	34,570
Weighted average number of ordinary shares	662,189,453	495,842,187	468,269,394

4. Dividend

	Six months to 30.09.11 unaudited £'000	Period from 19.04.10 to 31.03.11 audited £'000	Period from 19.04.10 to 30.09.10 unaudited £'000
Dividend paid			
Final dividend of 0.25 pence per ordinary share paid for the period ended 31 March 2011	1,657	-	-

No dividend has been declared for the six month period ended 30 September 2011.

5. Share capital

	Six months to 30.09.11 unaudited		Period from 19.04.10 to 31.03.11 audited		Period from 19.04.10 to 30.09.10 unaudited	
Issued, allotted and fully paid	Number of shares	£'000	Number of shares	£'000	Number of shares	£'000
Beginning of the period	656,404,480	6,564	-	-	-	-
Issue of ordinary shares of 1 penny each at launch on 19 April 2010	-	-	460,000,000	4,600	460,000,000	4,600
Issue of ordinary shares of 1 penny each following conversion of the "C" shares on 1 March 2011	-	-	157,654,480	1,577	-	-
Issue of ordinary shares of 1 penny each	6,250,000	63	38,750,000	387	21,700,000	217
Repurchase of ordinary shares of 1 penny each	(450,000)	(5)	-	-	-	-
End of the period	662,204,480	6,622	656,404,480	6,564	481,700,000	4,817

6. Net asset value per ordinary share

The net asset value per ordinary share is based on net assets of £489,541,000 (31.03.11: £683,963,000, 30.09.10: £513,518,000) and on 662,204,480 ordinary shares (31.03.11: 656,404,480, 30.09.10: 481,700,000), being the number of ordinary shares in issue at the period end.

7. Unaudited financial statements

The results for the six month period to 30 September 2011 and the period from 19 April 2010 to 30 September 2010, which are unaudited, constitute non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The figures and financial information for the period from 19 April 2010 to 31 March 2011 are extracted from the latest published financial statements, on which the Independent Auditor gave an unqualified report and have been delivered to the Registrar of Companies.

Directory

BOARD OF DIRECTORS
John Owen CMG MBE DL (Chairman)
Nicholas Bull FCA (Senior Independent Director)
David Causer FCA (Audit Committee Chairman)
The Hon. Peter Pleydell-Bouverie
Elisabeth Scott
Gary Shaughnessy

INVESTMENT MANAGER
FIL Investment Management
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17/F, One International Finance Centre,
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125 London Wall
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Capita Registrars
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34 Beckenham Road
Beckenham
Kent BR3 4BR

LAWYERS
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Investor Information

CONTACT INFORMATION
Private investors can call free on 0800 41 41 10, 9am to 6pm, Monday to Saturday.
Financial advisers can call free on 0800 41 41 81, 8am to 6pm, Monday to Friday.
www.fidelity.co.uk/its

Existing shareholders who have specific queries regarding their holding, for example a change of address, should contact the appropriate administrator.

Holders of ordinary shares:
Capita Registrars, Registrars to Fidelity China Special Situations PLC, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR, Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras) email: ssd@capitaregistrars.com. Details of individual shareholdings and other information can also be obtained from the Registrars' website: www.capitaregistrars.com

Fidelity Share Plan investors:
Fidelity Investment Trust Share Plan, BNP Paribas Securities Services, Block C, Western House, Lynchwood Business Park, Peterborough PE2 6BP.
Telephone: 0845 358 1107 (calls to this number are charged at 4p per minute from a BT landline. Other telephone providers' costs may vary).

Fidelity ISA investors:
Fidelity, using the freephone numbers given above, or by writing to: UK Customer Service, Fidelity Investments, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.
www.fidelity.co.uk/its

Fidelity ShareNetwork:
http://www.fidelity.co.uk/sharenetwork

General enquiries should be made to FIL Investments International, the Secretary, at the Company's registered office: FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.
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Fax: 01737 836892
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FINANCIAL CALENDAR
30 September 2011 – Interim period end
14 November 2011 – announcement of Interim results
Beginning of December 2011 – publication of Interim Financial Report
31 March 2012 – financial year end
June 2012 – publication of Annual Report
July 2012 – Annual General Meeting

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