

Fidelity China Special Situations PLC

Matter reserved for the Board

The Board has overall responsibilities for the company's affairs. Subject to the final sanction or veto of the Board, if imposed, certain of these responsibilities have specifically been delegated to committees of the Board. The detail and extent of such delegation is set out in the terms of reference of these committees.

In addition, the Board has, through an Investment Management Agreement and the Secretarial Agreement and through specific instructions, delegated the day to day management of the company to the Manager, FIL Investment Management (Hong Kong) Limited and the Secretary, FIL Investments International

Save as summarised above, and as may be delegated from time to time, all other matters in relation to the company's affairs are reserved for the Board. The items set out below outline specific reserved matters but are not intended to provide an exhaustive list and are subject to amendment by the Board.

Companies Act

1. Approval of half-yearly, interim management and final financial statements
2. Approval of interim dividend and recommendation of final dividend.
3. Approval of any significant change in accounting policies or practices.
4. Appointment or removal of company secretary.
5. Remuneration of auditors where, as is usual, shareholders have delegated this power to the board and recommendations for appointment or removal of auditors.

UK Listing Authority

6. Approval of all circulars (approval of routine documents such as periodic circulars re exercise of conversion rights may be delegated to a committee) with references to the relevant provisions of the Listing, Prospectus and Disclosure and Transparency rules.
7. Approval of press releases concerning matters decided by the board.

Board membership and board committees

8. Composition of board and definition of independence.
9. Board appointments and removals.
10. Terms of reference and membership of any board committees.

Company/management structure

11. Changes relating to the company's capital or its status as a plc.
12. Appointment of manager and terms of such appointment.
13. Approval of the company's basis of management fee and its cost.
14. Changes to the company's management and control structure.
15. Company's corporate governance policies.

Issues of strategy and financial/business risk management (including investments, assets and treasury)

16. Approval of the company's commercial strategy or material changes in investment strategy including investment in unquoted securities and other Fidelity collective funds.
17. Approval of the annual operating budget/revenue forecast.
18. Material contracts of the company in the ordinary course of business eg bank borrowings.
19. Contracts of the company not in the ordinary course of business eg loans and repayments, major acquisitions or disposals.
20. Risk management strategy including the setting of limits to the manager's authority, to include the use of gearing.
21. Review of internal control arrangements, including the setting of authority levels.
22. Approval of treasury policies.
23. Authority for the manager to invest in futures or other derivatives and the limits imposed on such investments.
24. Approval of the Company's share buyback strategy.
25. Approval of any changes to the Company's investment objective (any changes subject to shareholder approval).

Miscellaneous

26. Appointment of advisers.
27. Prosecution, defence or settlement of litigation by/against the Company other than in respect of investments held by the Company. Investment related litigation will be subject to approval by the Board of the Company's participation in any such litigation but the prosecution, defence or settlement of any such litigation will be delegated to the Manager.

28. Indemnity limits of directors' and officers' liability insurance.
29. Approval of any position as a director or officer held by Fidelity's employees who are associated with the management or administration of the Company in invested companies.
30. Relationships with shareholders and requests for meetings by the Board or shareholders.

Fidelity China Special Situations PLC

Terms of Reference of the Audit Committee

1. Function

- 1.1 The function of the Audit Committee is to ensure that the Company maintains the highest standards of integrity, financial reporting and internal control.

As part of this function the Audit Committee is to review the Company's internal control systems, form an opinion as to the effectiveness of internal control and report formally to the Board.

2. Membership

- 2.1 The Committee shall be appointed by the Board and shall consist of a Chairman and not less than two other members. A quorum shall be two members.

- 2.2 All members, including the Chairman, shall be independent non-executive Directors and at least one should have recent relevant financial knowledge.

- 2.3 A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Committee for a period of one year commencing on the date of his ceasing;

(i) to be a partner of the firm; or

(ii) to have a financial interest in the firm, whichever is later.

- 2.4 An induction programme is required for new Audit Committee members.

- 2.5 All members shall be given regular updates regarding any proposed developments or changes in laws or regulations which affect the Company and/or the Directors.

- 2.6 Representatives of the external auditors and a representative from Fidelity's internal audit department shall be invited to attend meetings. Other individuals may be invited to attend. All independent Directors have the right to attend meetings.

3. Meetings

- 3.1 The Committee shall meet at least three times a year and at such other times as the Chairman of the Committee, the external or internal auditors or any Committee member shall require.

- 3.2 At least annually, the Committee, failing whom the Chairman of the Audit Committee, should communicate with external and internal auditors without management present to discuss the remit and issues arising from the audit.

- 3.3 The Company's auditors shall be advised of the timing of Committee meetings and shall be invited to attend such meetings as appropriate. The Committee shall have access to the
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auditors if it so requires. The Committee shall also have direct access to the management company's compliance officer, internal auditor and other key business heads as deemed necessary.

3.4 Meeting papers should be sent in full to all Committee members and at least three days before the intended date of a meeting of the Committee (or such other period as agreed by its members)

4. Secretary

4.1 The Company Secretary shall be the secretary of the Committee and shall, unless and to the extent from time to time determined by the Committee, attend all meetings of the Committee. Minutes of the Committee shall be circulated to the Board.

4.2 Full minutes of the Committee meetings shall be kept by the Secretary and draft and final versions of the minutes of the Committee shall be sent to all Committee members for their comment and records respectively, in both cases within reasonable time after such meetings. Minutes shall also be circulated to the Board for noting.

5. Authority

5.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to obtain, at the Company's expense, outside legal or other independent professional advice on any matters within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. It is also authorised to seek any information it requires from any member of the Manager's staff in order to perform its duties and call on any member of the Manager's staff to be questioned by the Committee as and when required.

6. Duties

The Committee's duties shall be to:-

6.1 monitor the integrity of the Company's financial statements, annual reports and accounts, half yearly reports and any formal announcements and, if prepared for publication, quarterly reports, reviewing significant financial reporting judgements contained therein. The Committee shall focus particularly on:

- (i) any change in accounting policies and practices;
- (ii) major judgemental areas;
- (iii) significant adjustments resulting from audit;
- (iv) the going concern assumptions and any qualifications;
- (v) compliance with accounting standards
- (vi) compliance with relevant listing rules and other legal requirements.

6.2 in respect to 6.1 above;

- (i) liaise with the Board, the senior management of the Company and the person
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appointed as the Company's qualified accountant;

- (ii) meet at least once a year, with the Company's auditors; and
 - (iii) consider any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors.
- 6.3 receive a report from the management company confirming that it has conducted the Company's affairs in compliance with the regulations applying to it, together with information regarding any unusual transactions or complaints relating to savings schemes or similar products.
- 6.4 to review the effectiveness of the Company's financial controls, internal control systems and risk management systems.
- 6.5 discuss with the management of the Company any matters in relation to the Company's internal control systems and ensure that the management of the Company has discharged its duties in establishing and maintaining an effective internal control system.
- 6.6 consider any findings of major investigations of internal control and matters as delegated by the Board or on its own initiative the response of the management of the Company.
- 6.7 where an internal audit function exists, ensure co-ordination between the internal and external auditor's, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor the effectiveness of the internal audit function.
- 6.8 review the group's financial and accounting policies and practices.
- 6.9 review the external auditor's management letter, any material queries raised by the auditor to the management of the Company in respect of the accounting records, financial accounts or systems of control and the response of the management of the Company.
- 6.10 ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- 6.11 make recommendations to the Board for it to put to the Shareholders for their approval in general meeting in relation to the appointment, reappointment or removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor and any questions of resignation or dismissal of that auditor.
- 6.12 review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements, to consider the risks associated with audit firms withdrawing from the market and approve terms and remuneration, including reviewing the engagement letter at start of each audit and the scope of the audit. The Committee should discuss with the auditor the
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nature and scope of the audit and reporting obligations before the audit commences.

- 6.13 develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.
- 6.14 discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved.
- 6.15 report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.
- 6.16 consider any other topic, as defined by the Board.

7. Disagreement as to external auditors

- 7.1 In the event the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee shall provide statements explaining its recommendations to the Company and also reasons why the Board has taken a different view for inclusion in the Corporate Governance Report.

8. Reporting Responsibilities

- 8.1 The role of the Committee is for the Board to decide. The results of work carried out for the Board should be reported to and considered by the Board. The Committee should identify matters where action or improvement is needed and recommend to the Board the steps which should be taken.
- 8.2 The Committee shall report back to the Board and keep the Board fully informed of its decisions and make whatever recommendations to the Board it deems appropriate, unless prohibited by applicable law or regulations.
- 8.3 Minutes should be made available to all Board members and will be discussed at the next Board meeting.

9. Resources

- 9.1 The Committee should have access to sufficient resources and the services of the Secretariat.
- 9.2 Papers and adequate information enabling the Committee to make informed decisions should be available to the Committee in a timely manner. The information supplied must be complete and reliable. Where a Committee member requires more information than is volunteering, the relevant member should make additional necessary enquiries
- 9.3 Funds will be made available for professional advice (see 5.1 above).

10. Communication with Shareholders

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- 10.1 Terms of reference should be available to Shareholders. A separate section in the Annual Report should describe the work of the Committee in discharging its responsibilities.
- 10.2 The Committee Chairman or in the absence of the Chairman, another Committee member, or failing which, his duly appointed alternate should be present at the AGM to answer questions through the Company Chairman on the Annual Report and the matters within the Committee's remit.
11. Terms of reference available
- 11.1 The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board.
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Terms of Reference for the Nomination & Remuneration Committee

1. Function

- 1.1 The function of the Nomination and Remuneration Committee is to ensure the Company discloses information relating to its directors' remuneration, nomination and other related matters and to ensure that the Company has a formal, considered and transparent nomination and remuneration policy.
- 1.2 As part of this function the Committee is to review the Company's remuneration and nomination systems and report to the Board.

2. Membership

- 2.1 The Committee may comprise all the directors of the Company. A majority of the members of the Committee shall be independent non-executive directors.
- 2.2 The Chairman of the Board shall act as the Chairman of the Committee.
- 2.3 The Company Secretary shall act as the Secretary of the Committee.

3. Meetings

- 3.1 The Committee shall meet annually and at such other times as the Chairman of the Committee shall require.
- 3.2 The quorum for the meetings shall be two independent directors.
- 3.3 Minutes of the Committee meetings shall be kept and copies of the minutes of the meetings will be circulated to all directors.
- 3.4 Meeting papers should be sent in full to all Committee members and at least three days before the intended date of a meeting of the Committee (or such other period as agreed by its members).

4. Authority

- 4.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to obtain, at the Company's expense, outside or other independent professional advice on any matters within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. It is also authorised to seek any information it requires from any members of the Manager's staff in order to perform its duties and call on any member of the Manager's staff to be questioned by the Committee when required.

5. Duties

The Committee shall:-

- 5.1 make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.
- 5.2 delegate responsibility to determine the specific remuneration packages of all directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration.
- 5.3 review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.
- 5.4 review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.
- 5.5 review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.
- 5.6 ensure that no director or any of his associates is involved in deciding his own remuneration.
- 5.7 advise the shareholders on how to vote with respect to any service contracts of the directors that require shareholders' approval under the Hong Kong Listing Rules.
- 5.8 review regularly the Board structure, size and composition (including the skills, knowledge and experience) required of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary.
- 5.9 be responsible for identifying and nominating candidates for the approval of the board to fill Board vacancies as and when they arise.
- 5.10 recommend whether directors who are retiring by rotation should be put forward for re-election and successive planning for directors.

- 5.11 assess the independence of independent non-executive directors.
- 5.12 review the remuneration report which is included in the annual report.
- 5.13 consult the chairman of the Board and/or the chief executive officer about their proposals relating to the remuneration of the other executive directors and have access to professional advice considered necessary.

6. Reporting Responsibilities

- 6.1 The Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless prohibited by applicable law or regulations.
- 6.2 Adequate information enabling the Committee to make informed decisions should be made available to the Company in a timely manner. The information supplied must be complete and reliable. Where a Committee member requires more information than is volunteered, the relevant member should make additional necessary enquiries. Each member of the Committee shall have separate and independent access to the management of the Company.

7. Resources

- 7.1 The Committee should be provided with sufficient resources to discharge its duties.
- 7.2 Finds will be made available for professional advice (see 3.1 above).

8. Communication with Shareholders

- 8.1 The Committee Chairman, or in his absence, another Committee member, or failing which, his duly appointed alternate, should be present at the AGM to answer questions through the Company Chairman on the Annual Report and the matters within the Committee's remit.

9. Terms of reference available

- 9.1 The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board.

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Terms of Reference for the Management Engagement Committee

1. Function

The Management Engagement Committee (the “Committee”) is appointed by the Board to review the performance of the Manager and to ensure that the Company's management contract is competitive and reasonable for the Company's shareholders.

2. Duties

The Committee shall:-

- (a) review the overall performance of the Manager;
- (b) recommend to the Board the continued appointment of the Manager, if it is in the interests of the Company's shareholders to do so;
- (c) review the terms of the management contract between the Company and its Manager and ensure that the terms are competitive, fair and reasonable for the Company's shareholders;
- (d) review and make recommendations to the Board on any proposed amendment to or material breach of the management contract.

3. Membership

The Committee shall consist of all the independent non-executive Directors of the Company. The Chairman of the Committee shall be appointed by the Board. In the absence of the Committee Chairman the remaining members present shall elect one of their number to chair the meeting.

4. Quorum

The quorum necessary for the transaction of business shall be two Committee members.

5. Meetings

The Committee shall meet not less than once a year and at such other times as the Chairman of the Committee shall require.

6. Secretary

The Company Secretary shall be the secretary of the Committee.

7. Reporting requirements

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

8. Authority

The Committee is authorised by the Board to obtain outside legal or other independent professional advice on any matters within its terms of reference at the Company's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.