

**ASIA DRAGON TRUST PLC**  
**AUDIT & RISK COMMITTEE TERMS OF REFERENCE**

<b>MEMBERSHIP</b>	<p>Members of the Committee, including the Chairman, shall be appointed by the Board, on the recommendation of the Nominations Committee.</p> <p>All members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the investment trust sector. It is expected that all members of the Board shall be members of the Committee except the Chairman of the Board who shall not be a member of the Committee but shall attend meetings if requested.</p> <p>The quorum necessary for the transaction of business shall be two members.</p>
<b>MEMBERSHIP</b>	<p>The Committee shall comprise at least three members. Members of the Committee, including the Chairman, shall be appointed by the Board, on the recommendation of the Nominations Committee.</p> <p>All members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the investment trust sector. The Chairman of the Board shall not be a member of the Committee but shall attend meetings if requested.</p> <p>The quorum necessary for the transaction of business shall be two members.</p>
<b>SECRETARY</b>	<p>The Company secretary shall act as Secretary of the Committee.</p>
<b>MEETINGS</b>	<p>The Committee shall meet at least two times a year at appropriate times in the reporting and audit cycle and otherwise as required.</p> <p>The Committee Chairman should attend the annual general meeting prepared to answer shareholder questions on the Committee's activities.</p> <p>Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as employees of the Manager, may be invited to attend all or part of any meeting as and when appropriate. The external auditor will be invited to attend meetings of the Committee on a regular basis.</p> <p>The minutes of meetings of the Committee shall be included with the agenda of the next Committee Meeting. Once approved, minutes should be circulated to all other members of the Board (unless it would be inappropriate to do so).</p>
<b>DUTIES AND RESPONSIBILITIES</b>	<p><b>Financial Reporting</b></p> <p>The Committee shall:</p> <ol style="list-style-type: none"> <li>1. monitor the integrity of the financial statements of the company including its annual and half-yearly reports and any other formal announcements relating to its financial performance, including a review of the significant financial reporting issues and judgements which they contain.</li> <li>2. review and challenge where necessary:- <ul style="list-style-type: none"> <li>• the consistency of, and any changes to, accounting policies both on a year on year basis and across the group/company;</li> <li>• the methods used to account for significant or unusual transactions where different approaches are possible;</li> <li>• whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;</li> <li>• the basis of the going concern and long term viability assumptions;</li> <li>• the clarity and completeness of disclosure made in the company's financial reports and the context in which statements are made; and</li> </ul> </li> </ol>

	<ul style="list-style-type: none"> <li>• all material information presented with the financial statements, such as the strategic report and corporate governance statement (insofar as it relates to the audit and risk management);</li> </ul> <ol style="list-style-type: none"> <li>3. assess whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy; and</li> <li>4. assess the integrity of the Company's viability statement in the annual report which determines whether the Board has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due. The Committee should specify the recommended period to be covered and why they consider that period to be appropriate.</li> </ol>
	<p><b>Risk Management and Internal controls</b></p> <p>The Committee shall:</p> <ol style="list-style-type: none"> <li>1. keep under review the adequacy and effectiveness of the company's internal control and risk management systems including the operations and effectiveness of the key service providers to the company;</li> <li>2. review and approve the statements to be included in the annual report concerning risk management and internal controls;</li> <li>3. undertake a robust assessment of the principal and emerging risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity and to describe how these risks are being managed or mitigated.</li> </ol>
	<p><b>Risk and Compliance, whistleblowing and fraud</b></p> <p>The Committee shall:</p> <ol style="list-style-type: none"> <li>1. review the effectiveness of the Manager's arrangements for its employees and contractors to raise concerns, in confidence, about the possible wrong doings in financial reporting or other matters (whistle-blowing policy). The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;</li> <li>2. review the Manager's procedures for detecting fraud and anti-financial crime policies;</li> <li>3. review the Manager's procedures for the prevention of bribery; and</li> <li>4. review six-monthly reports from the Manager's risk and compliance function and monitor the effectiveness of the Manager's risk and compliance function.</li> </ol>
	<p><b>Internal audit</b></p> <p>The Committee shall:</p> <ol style="list-style-type: none"> <li>1. monitor and review the effectiveness of the Manager's internal audit function in the context of the company's overall risk management system;</li> <li>2. consider and approve the remit of the Manager's internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also consider whether the function has adequate standing within the Manager's organisation and is free from management or other restrictions;</li> <li>3. review six-monthly reports from the Manager's internal audit function and monitor the Manager's responsiveness to the findings and recommendations of their internal auditor; and</li> <li>4. meet a senior member of the Manager's internal audit department at least once a year to discuss their remit and any issues arising from the internal audits carried out. In addition, the Manager's head of internal audit shall be given the right of direct access to the chairman of the Board and to the Committee.</li> </ol>
	<p><b>External Audit</b></p>

	<p>The Committee shall:</p> <ol style="list-style-type: none"> <li>1. consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor.</li> <li>2. consider at least once every ten years if the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.</li> <li>3. oversee the relationship with the external auditor including (but not limited to): <ul style="list-style-type: none"> <li>• recommendations on their remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;</li> <li>• approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;</li> <li>• assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of non-audit services;</li> <li>• satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);</li> <li>• monitoring the external auditor's compliance with relevant ethical and professional guidance, including the rotation of audit partner, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements; and</li> <li>• assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures.</li> </ul> </li> <li>4. meet regularly with the external auditor, with at least one meeting being held once a year, without employees of the Manager being present, to discuss the auditor's remit and any issues arising from the audit;</li> <li>5. review and approve the annual audit plan and ensure it is consistent with the scope of the audit engagement;</li> <li>6. review the findings of the audit with the external auditor. This shall include, but not be limited to, the following: <ul style="list-style-type: none"> <li>• a discussion on any major issues which arose during the audit</li> <li>• any accounting and audit judgements</li> <li>• levels of errors identified during the audit</li> <li>• the effectiveness of the audit</li> </ul> </li> <li>7. review any representation letter(s) requested by the external auditor before they are signed on behalf of the Company;</li> <li>8. review the Audit Highlights Memorandum and the Manager's response to the external auditor's findings and recommendations; and</li> <li>9. develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.</li> </ol>
<b>REPORTING</b>	<p>The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.</p>

	<p>The Committee shall produce a report on its activities to be included in the Company's annual report which should include:</p> <ul style="list-style-type: none"> <li>• the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor;</li> <li>• an explanation of how the Committee has addressed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; and</li> <li>• an explanation of how auditor independence and objectivity is safeguarded.</li> </ul>
<b>OTHER MATTERS</b>	<p>The Committee shall:</p> <ul style="list-style-type: none"> <li>• have access to sufficient resources to carry out its duties, including access to the company secretariat for assistance as required;</li> <li>• be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;</li> <li>• give due consideration to applicable laws and regulations, including the provisions of corporate governance codes and the UKLA's Listing Rules;</li> <li>• oversee any investigation of activities which are within its terms of reference; and</li> <li>• arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.</li> </ul>
<b>AUTHORITY</b>	<p>The Committee is authorised in order to perform its duties:</p> <ul style="list-style-type: none"> <li>• to seek any information it requires from any representative of the Manager and to request the Manager's attendance at a meeting of the Committee as and when required;</li> <li>• to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference; and</li> <li>• to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.</li> </ul>