

ESR CAYMAN LIMITED
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1821)

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

ESTABLISHMENT

1. The audit committee (the “**Audit Committee**”) of ESR Cayman Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) was established by the resolution of the board (the “**Board**”) of directors (the “**Directors**”) of the Company passed on May 20, 2019.

PURPOSE

2. The purpose of the Audit Committee is to review and supervise the financial reporting process and the internal control system of the Company and its subsidiaries, manage risk, perform internal audit, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board.

MEMBERSHIP

3. The members of the Audit Committee (the “**Members**”) shall be appointed by the Board. The Audit Committee shall comprise a minimum of three Members consisting of non-executive Directors only and a majority of which must be independent non-executive Directors. The Audit Committee shall have at least one independent non-executive Director who has the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. The chairman of the Audit Committee must be an independent non-executive Director (the “**Chairman**”).
4. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of two year from the date of his ceasing: (i) to be a partner of the firm; or (ii) to have any financial interest in the firm, whichever is the later.

MEETINGS

5. The Audit Committee shall meet at least twice annually or more frequently if circumstances require. The Board, any Member and/or the external auditors may request a meeting if they consider that one is necessary.
6. The Chief Financial Officer of the Company, the head of internal audit of the Company and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least once a year the Audit Committee shall meet with the external and internal auditors separately without the executive Directors or management of the Company (the “**Management**”) present.

7. The Chairman (or in his or her absence, a Member designated by the Chairman) shall preside at all meetings of the Audit Committee. The Chairman shall be responsible for leading the Audit Committee, including scheduling meetings, preparing agendas and making regular reports to the Board.
8. The company secretary of the Company shall be the secretary (the “**Secretary**”) of the meetings of the Audit Committee.
9. An agenda and other relevant documents should be sent in full to all Members in a timely manner and at least three days before the intended date of a meeting of the Audit Committee (or such other period as may be agreed by its Members).
10. Meetings of the Audit Committee may follow the same procedures as those for meetings of the Board under the relevant provisions in the articles of association of the Company, as amended from time to time.
11. Minutes of meetings of the Audit Committee shall be prepared by the Secretary and sent to all Members as soon as practicable and within a reasonable time after the conclusion of the meeting. Minutes of meetings of the Audit Committee shall record the names of the Members present at each meeting of the Audit Committee, as well as in sufficient detail the matters considered by the Audit Committee and decisions reached, including any concerns raised by Members or dissenting views expressed. The minutes shall also be made available for inspection on reasonable notice by any Director.

AUTHORITY

12. The Audit Committee is authorised to perform and/or investigate any activity within these terms of reference, including without limitation the inspection of all accounts, books and records of the Company.
13. The Audit Committee shall be provided with sufficient resources to perform its duties, including but not limited to obtaining independent professional advice and assistance from internal or external legal, accounting or other advisers at the expense of the Company. The Audit Committee shall be responsible for establishing the selection criteria, selecting, appointing and setting the terms of engagement for any external party who advises the Audit Committee.
14. The Audit Committee shall have full access to Management and may invite members of Management or others to attend its meetings. All employees of the Company are directed to cooperate with any information request made by the Audit Committee.

DUTIES

15. The duties of the Audit Committee shall include the following:

Relationship with the Company's auditors

- 15.1 to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and consider any questions of its resignation or dismissal;
- 15.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. Where an external auditor also provides non-audit service, the Audit Committee should consider (a) the nature of the non-audit service; (b) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit; and (c) the aggregate fees paid to the external auditors and a breakdown of the fees paid for audit and non-audit services for the financial year. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 15.3 to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- 15.4 to monitor the integrity of the Company's financial statements and annual reports and accounts, half yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from the audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and

- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;

15.5 regarding paragraph 15.4 above:

- (a) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
- (b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the Company's financial reporting system, risk management and internal control systems

- 15.6 to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- 15.7 to discuss the risk management and internal control systems with the Management to ensure that the Management has performed its duty by having effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 15.8 to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the Management's response to these findings;
- 15.9 where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has the appropriate standing within the Company, and to review and monitor its effectiveness;
- 15.10 to review the Group's financial and accounting policies and practices;
- 15.11 to review the external auditor's management letter, any material queries raised by the auditor to the Management about accounting records, financial accounts or systems of control and the Management's response;
- 15.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 15.13 to report to the Board on the matters in the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules);

Others

- 15.14 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 15.15 to act as the key representative body for overseeing the Company's relationship with the external auditor;
- 15.16 to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company;
- 15.17 to review ongoing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company;
- 15.18 to review from time to time as appropriate these Terms of Reference and the effectiveness of the Committee and recommend to the Board any necessary changes;
- 15.19 to report to the Board on the matters set out in these Terms of Reference and where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement, the Audit Committee shall make recommendations to the Board to address the issue or to make improvements;
- 15.20 to monitor Management's progress on implementing any new key financial reporting standards; and
- 15.21 to consider such other matters as the Board may from time to time determine.

REPORTING PROCEDURES

- 16. The Audit Committee shall report to the Board on a regular basis. At least annually, the Audit Committee shall present a report to the Board which addresses the work and findings of the Audit Committee during the year.
- 17. The Chairman or his duly appointed delegate shall attend the Company's annual general meetings and respond to any questions from the shareholders of the Company on the Audit Committee's activities.
- 18. The Audit Committee shall make available these terms of reference on request and by inclusion on the websites of the Company and The Stock Exchange of Hong Kong Limited in order to explain its role and authority delegated to it by the Board.

Hong Kong, October 31, 2019