



USAS Building System (Shanghai) Co., Ltd.
美聯鋼結構建築系統(上海)股份有限公司

Terms of Reference of the Audit Committee of the Board of Directors

Chapter I General Provisions

Article 1

Pursuant to the Company Law of the People's Republic of China (hereinafter referred to as the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Hong Kong Listing Rules**”), the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules, A Guide for Effective Audit Committees published by the Hong Kong Institute of Certified Public Accountants and other relevant laws, regulations, regulatory documents as well as the Articles of Association of USAS Building System (Shanghai) Co., Ltd. (hereinafter referred to as the “**Articles of Association**”) applicable after the issuance of H shares, and in accordance with the resolution of the Board of Directors, USAS Building System (Shanghai) Co., Ltd. (美聯鋼結構建築系統(上海)股份有限公司) (hereinafter referred to as the “**Company**”) hereby establishes the Audit Committee of the Board of Directors and formulates the Terms of Reference of the Audit Committee of the Board of Directors of USAS Building System (Shanghai) Co., Ltd. (hereinafter referred to as the “**Terms of Reference**”) based on the actual conditions of the Company, in order to reinforce the decision-making function of the Board of Directors the Company, continuously improve the development of the Company's internal control systems, ensure the effective supervision and management of the Board of Directors, and constantly enhance its corporate governance structure.

Article 2

The Audit Committee of the Board of Directors, i.e. the Audit Committee of the Board of Directors as stipulated under the Company Law, is a specialized working body under the Board of Directors of the Company. Its main functions include reviewing the financial status of the Company, reviewing the financial information of the Company, making judgment on the truthfulness, completeness and accuracy of the financial information, and checking the implementation and effectiveness of the internal control systems. It is also mainly responsible for the communication between the Company and the external audit firms and the supervision and verification of such communication, supervising internal audit, evaluating and improving the internal control systems of the Company and making recommendations thereto and assessing the risks of, among others, the significant investment projects of the Company under operation. The Audit Committee of the Board of Directors shall report to the Board of Directors on its work.

Chapter II Composition**Article 3**

The Audit Committee shall consist of at least three directors, all of whom shall be non-executive directors with the majority being independent non-executive directors who shall not hold any positions within the Company, other than as directors, that may affect their independent and objective judgment. At least one member shall be an independent non-executive director with appropriate professional qualifications as stipulated under Rule 3.10(2) of the Hong Kong Listing Rules or appropriate accounting or related financial management expertise pursuant to Rule 3.10(2) mentioned above. The chairman (convener) shall be an independent non-executive director.

A partner of the current external audit firm engaged by the Company shall be prohibited from serving as a member of the Audit Committee within two years from the date on which such person ceased to be a partner of the audit firm or ceased to have any financial interest in the current external audit firm, whichever is later.

Article 4

The members shall be nominated by the chairman of the Board of Directors or more than one-third of all the directors or the Nomination Committee of the Board of Directors, and shall be elected by a majority of the Board of Directors. Upon approval of the proposal of election of members, the new members shall take office immediately after the conclusion of the meeting of the Board of Directors.

Article 5

The Audit Committee shall have one convener, being the chairman of the Committee, who shall be an independent non-executive director. The chairman shall be appointed by the Board of Directors and shall be responsible for presiding over the works of the Committee. When the chairman of the Committee is unable to or fails to perform his/her duties, an independent non-executive director shall be elected by more than half of the members to perform the chairman's duties.

Article 6

The term of office of the Audit Committee shall be the same as that of the directors of the Board of Directors. A member may serve consecutive terms if re-elected upon expiry of his/her term of office. During his/her term of office, if any member ceases to be a director of the Company, or any member with the capacity of an independent non-executive director ceases to have the independence as stipulated in the Articles of Association and the Hong Kong Listing Rules, his/her membership in the Committee shall lapse automatically. A member of the Audit Committee may submit his/her resignation report in writing to the Board of Directors prior to the expiry of his/her term of office to resign from his/her position as a member. The resignation report shall contain the reasons for resignation and matters which require the attention of the Board of Directors of the Company as necessary. After a member of the Audit Committee is disqualified to act or his/her resignation has been accepted, the Board of Directors shall fill in the vacancy in accordance with the laws, regulations, regulatory documents and Articles 3 to 5 above. The term of office for the member filling the vacancy shall expire upon the expiration of his/her term of office as a director or independent non-executive director. A member shall not, before the expiry of his/her term of office, be relieved of his/her duties without causes except for the situations that prevent such member from holding office as specified in the Company Law, the Articles of Association or the Hong Kong Listing Rules.

Article 7

Apart from the directors' remuneration and disbursements, the members of the Audit Committee shall not directly or indirectly charge the Company any consulting fee, advisory fee or other rewards as a member of the Audit Committee.

Chapter III Duties and Authorities

Article 8

The Audit Committee shall make available the Terms of Reference explaining its role and the authority delegated to it by the Board of Directors on the website of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Hong Kong Stock Exchange**”) and the website of the Company. The specific duties of the Audit Committee include:

- (I) to review annually the performance of the external audit firm, to submit a summary report of the audit work conducted by the external audit firm for the Company during the year to the Board of Directors, to make recommendations to the Board of Directors on the appointment, re-appointment, removal, audit service fee and terms of engagement of the external audit firm for the next year, as well as deal with any matters related to the resignation or dismissal of the external audit firm. Where the Board of Directors of the Company disagrees with the opinion of the Audit Committee on the selection, appointment, resignation or dismissal of the external audit firm, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and the reasons why the Board of Directors of the Company holds different opinions;

- (II) to act as the Company's representative in liaising with the external audit firm, to be responsible for the communication between the Company's internal audit department and external audit firm, including examining and monitoring of the independence and objectivity of the external audit firm, the effectiveness of the audit process in accordance with applicable standards; and, prior to the commencement of the audit, discuss with the external audit firm about the nature, scope and method of audit and the reporting obligations during the year, and negotiate with the external audit firm to determine the schedule of auditing the financial report of the year, as well as procure the external audit firm to submit audit reports within the agreed timelines, etc.. If more than one external audit firms are involved in the relevant work, the Audit Committee shall make sure they coordinate with each other;
- (III) to develop and implement, in accordance with the working needs, policy on the external audit firm (including its affiliates) for the provision of non-audit services. The Audit Committee shall report and make recommendations to the Board of Directors if any actions or improvements are considered necessary;

For this purpose, the affiliates of external audit firm shall include any entity that is under common control, management or ownership with the external audit firm engaged by the Company or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be a part of the external audit firm engaged by the Company nationally or internationally. The Audit Committee shall ensure that the provision of non-audit services by the external audit firm will not compromise its independence or objectivity. In terms of non-audit services, the Audit Committee shall consider the following matters:

1. in terms of skills and experience, whether the relevant external audit firm is suitable for providing non-audit services;
2. whether pre-cautions are taken to ensure that the external audit firm's objectivity and independence in auditing will not be influenced by their provision of such services;

3. the nature and relevant fee level of the non-audit services, as well as separate and lump sum fee of the services provided by such external audit firm; and
4. the standard for determining auditors' remuneration.

The Audit Committee shall report to the Board of Directors any matters where action or improvement is needed and make recommendations as to the steps to be taken;

- (IV) to develop and implement the Company's policy on the engagement of external audit firms to provide non-audit services, and to oversee the formulation and implementation of the Company's internal audit system, and report to the Board of Directors on any matters where action or improvement is needed and make recommendations.
- (V) to review the integrity, accuracy and fairness of the Company's financial statements, quarterly reports (if any), interim reports and annual reports and accounts, and to review significant financial reporting opinions contained therein, as well as to review the disclosure of the Company's financial information. Before submitting the relevant statements and reports to the Board of Directors, the review shall focus particularly on the following: any changes in accounting policies and estimates and practices of the Company during the reporting period; any issue involving significant judgments; issues on which significant adjustments were required by the external audit firm upon auditing of the accounts; the going concern assumptions of the Company or any qualified opinion as well as whether the financial accounting complies with accounting standards and provisions relating to financial reporting under the Company Law, the Hong Kong Listing Rules and other applicable laws and regulations;

Regarding the above items which require particular focus in the review process, members of the Audit Committee shall communicate with the Board of Directors, senior management and internal and external auditors in a timely manner. Members of the Audit Committee shall meet, at least twice a year, with the external audit firm without the attendance of any executive directors (except for those invited by the Audit Committee). Members of the Audit Committee shall study the material or unusual matters reflected or required to be reflected in the Company's reports and accounts, and give due consideration to matters raised by the accounting and financial department, regulatory department or auditors of the Company;

- (VI) to discuss questions and doubts raised by the external audit firm upon its review of the interim accounts and audit of the annual accounts of the Company and other matters that the external audit firm may wish to discuss (in the absence of management if necessary);
- (VII) to review the financial control, internal audit systems, internal control systems and risk management systems of the Company and provide opinions and recommendations for improvements, and also:
 - 1. to review the Company's financial and accounting policies and practices and any relevant changes;
 - 2. to monitor the preparation process of the periodic financial reports, including quarterly reports (if any), interim financial reports and annual financial reports, and review the periodic financial reports, financial results announcements and other relevant information;

3. to discuss with the management and assess the effectiveness of the financial control, internal control and risk management systems, so as to ensure that the management has performed its duties in establishing an effective financial control, internal control and risk management systems; such discussions shall cover the adequacy of resources, employees' qualifications and experience in relation to the Company's accounting and financial reporting function, as well as the training program received by the relevant employees and the sufficiency of budget in relation to the accounting and financial reporting function. If the annual report contains any statement about the internal control systems of the Company, the Audit Committee shall review the statement before submitting to the Board of Directors for approval;
4. to study the important findings of the investigation regarding risk management and internal control matters on its own initiative or as assigned by the Board of Directors and the relevant measures adopted by the management;
5. to ensure co-ordination between the internal audit department of the Company and the external audit firm; and also to ensure that the internal audit department of the Company is adequately resourced and has appropriate authorities and standing within the Company, and to review and monitor the effectiveness of the audit department of the Company;
6. to review the operating, financial and accounting policies and practices of the Company and its subsidiaries (if applicable in the future);
7. to review the external audit firm's management letter, material queries raised by the external audit firm on accounting records, financial accounts or control systems, and the management's responses to such queries;

8. to set up, jointly with the Board of Directors, the Company's policies relating to the engagement of employees and former employees of the external audit firm and monitor the implementation of such policies. The Audit Committee shall consider whether the relevant circumstances would impair or seem to impair the external audit firm's judgment or independence regarding the audit;
9. to act as the key representative between the Company and the external audit firm and oversee their relationship;
10. to ensure the Board of Directors' timely response to the issues raised in the external audit firm's management letter;
11. to develop and review the policies and practices on corporate governance of the Company and make recommendations to the Board of Directors;
12. to review and monitor the training and continuous professional development of the directors and senior management;
13. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
14. to supervise the work of the internal audit department of the Company and provide opinions and recommendations on the appraisal and change of persons in charge of the internal audit department of the Company;
15. to supervise the staff of the Company as to potential or possible improprieties in financial reporting, internal control or other matters;
16. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
17. to report matters related to the above to the Board of Directors and to study other matters as arranged by the Board of Directors; and

18. to report to the Board of Directors on the matters as set out in provisions of the Corporate Governance Code under Appendix C1 to the Hong Kong Listing Rules.
- (VIII) the Audit Committee shall establish relevant procedures to ensure fair and independent investigation and resolution of the following matters:
1. to receive and deal with known complaints on accounting, internal control or audit of the Company, and guarantee confidentiality of such complaints;
 2. to receive and deal with complaints or anonymous whistleblowing made by employees on possible improprieties in accounting, audit, internal control or other matters, and guarantee confidentiality of such complaints or whistleblowing. To review the procedures that the Company's employees 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 actions by the Company;
- (IX) to advise and ensure that the Board of Directors takes effective remedial measures for the Company's failure to comply with the requirements of the Hong Kong Listing Rules regarding the establishment of an audit committee.
- (X) to complete other tasks assigned by the Board of Directors.
- (XI) to perform other duties imposed by the laws, regulations, regulatory documents, regulatory authorities including the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong, as well as the Articles of Association and the rules of procedures of the Board of Directors.

The senior management and relevant departments of the Company shall be cooperative and supportive to the Audit Committee and shall actively provide the relevant information. The finance department shall regularly and faithfully provide financial and accounting information including financial reports and capital operation reports to the Audit Committee, report significant business operating activities in a timely manner, actively cooperate with the Audit Committee in its work, and listen carefully to the recommendations provided, and requests made, by the Audit Committee.

Article 9

The Audit Committee shall be accountable to the Board of Directors and proposals of the Committee shall be submitted to the Board of Directors regularly for its consideration and decision. The Audit Committee shall cooperate with the Supervisory Committee in supervising audit activities.

Article 10

The major functions and powers of the chairman of the Audit Committee are:

- (I) to convene and preside over the meetings of the Audit Committee;
- (II) to preside over the daily work of the Audit Committee;
- (III) to review and sign the reports of the Audit Committee and other important documents;
- (IV) to inspect the implementation of the resolutions and recommendations of the Audit Committee;
- (V) to report to the Board of Directors on behalf of the Audit Committee;
- (VI) to perform such other duties as shall be performed by the chairman of the Audit Committee.

Chapter IV Working Procedures

Article 11

The audit department, which is responsible for the Company's internal audit, is under the direct supervision of the Audit Committee, and is the daily working body of the Audit Committee.

Article 12

The audit department is in charge of the preliminary preparation for the decision-making of the Audit Committee. It provides the following written materials of the Company:

- (I) relevant financial reports of the Company;
- (II) the work reports of internal and external audit firms;
- (III) external audit contracts and relevant work reports;
- (IV) disclosure of information to the public by the Company;
- (V) the Company's related party (connected) transactions agreements, audit reports on major related party (connected) transactions and feedback on the investigation of related (connected) persons;
- (VI) other relevant matters;
- (VII) financial and legal information about major investment projects;
- (VIII) relevant work reports on the Company's internal control systems and its implementation;
- (IX) other relevant information.

The Audit Committee performs the main duties under Article 8 of the Terms of Reference based on the information provided by the daily working body.

Article 13

The working manner of the Audit Committee:

- (I) During the meetings of the Audit Committee, the Audit Committee discusses the work plans for internal audit, listens to the work reports made by the Company's finance department, comments on the reports provided by the audit department, and reviews the quarterly (if any), interim and annual financial reports of the Company, etc. The Audit Committee may make decisions based on the opinions of experts from the professional institutions and submit the matters that require to be decided by the Board of Directors to the Board of Directors, which mainly include:

1. the evaluation of work conducted by the external audit firm, the appointment and removal of the external audit firm, approval of the remuneration and appointment terms applicable to the external audit firm;
 2. whether the Company's internal control systems and internal audit systems have been effectively implemented, and whether the Company's financial reports are complete and true;
 3. whether the financial reports and information disclosed to the public by the Company are objective and true, and whether the material related party (connected) transactions of the Company are in compliance with the provisions of the relevant laws and rules;
 4. evaluation of the work of the Company's financial department, the audit department and the respective persons in charge;
 5. other relevant matters;
- (II) the appropriateness of the accounting policies adopted by the Company, and whether they are in compliance with the requirements of the relevant prevailing laws, regulations and rules;
1. to negotiate and determine the schedule of the audit work of the financial year with the external audit firm which is responsible for the audit of the Company's financial report of that year (hereinafter referred to as the "**Annual Audit CPA**") in a timely manner after the end of the financial year;
 2. to procure the submission of the audit reports by the Annual Audit CPA within the agreed time limit;
 3. to review the financial accounting statements prepared by the Company before the Annual Audit CPA commences its work;
 4. to review the financial accounting statements of the Company after the Annual Audit CPA issued its preliminary audit opinion;

5. to convene meetings of the Audit Committee to review the financial reports, make recommendations for the re-appointment or replacement of the Annual Audit CPA for the following year, and compile a report summarizing the audit work on the Company engaged by the Annual Audit CPA for the current year.

Chapter V Rules of Procedure

Article 14

Meetings of the Audit Committee shall be convened and presided over by the chairman of the Committee. A meeting of the Audit Committee shall be convened prior to the publication of the Company's interim financial reports and annual financial reports, with a notice sent to all members 3 days before the meeting. If the chairman is unable to attend such meeting, he/she may appoint any other member to preside over the meeting. Upon the unanimous consent of all members, the aforementioned notice period may be waived.

If any of the following circumstances occur, a member of the Committee may propose to convene an extraordinary meeting, and the chairman shall convene such extraordinary meeting within 10 days upon receipt of the proposal:

- (I) when the Board of Directors deems it necessary;
- (II) when the Audit Committee deems it necessary;
- (III) when it is proposed by more than two members of the Committee.

The chairman of the Audit Committee may convene the extraordinary meetings at his/her own discretion or at the request of the independent accountant or internal auditor. The extraordinary meeting may also be convened upon the proposal submitted by more than half of the members of the Committee or proposed by the chairman of the Board of Directors.

Article 15

The meetings of the Audit Committee shall be convened by the chairman of the Committee. Notices of meetings, signed by the chairman of the Committee, and materials for meetings shall be delivered to all members of the Committee three days prior to the meeting. Upon unanimous consent of all members of the Committee, the requirement for such prior notice period may be exempted.

- Article 16** The meetings of the Audit Committee shall be presided over by the chairman of the Committee; if the chairman of the Committee is unable to attend, he/she may entrust another independent non-executive director to preside over the meeting. The convening of extraordinary meetings shall not be subject to the above time limit for notice.
- Article 17** Meetings of the Audit Committee shall be held only when attended by more than two-thirds of its members, one of whom must be an independent non-executive director. If a member is unable to attend a meeting, he/she may entrust, in writing, another member to attend and vote on his/her behalf. The power of attorney shall set out the name of the proxy, the subject and scope of authorization and the validity period of the power of attorney, and shall be signed or officially sealed by the appointer and submitted to the presider of the meeting no later than the commencement of voting.
- The resolutions made at the meeting shall be approved by a majority of all members, and the relevant resolutions or opinions shall be signed by the participating members of the Audit Committee. Each member shall have one vote and may vote “for”, “against” or “abstain” from voting on a given matter. Where the respective votes for and against a resolution are equal in number, the chairman of the Committee shall have a casting vote.
- Article 18** Meetings of the Audit Committee may be held by on-site meetings, teleconferences, video conferences, circulation of documents, facsimile, mails or other appropriate means.
- Article 19** The person in charge of the audit department may attend the meetings of the Audit Committee, and where necessary, directors, supervisors and senior management of the Company may be invited to attend such meetings. However, such persons who are not the members of the Committee shall not have the right to vote on the resolutions at the meeting.

- Article 20** The Company shall provide the Audit Committee with sufficient resources to perform its duties. The Audit Committee's working expenses shall be covered by the budget of the Company. The Audit Committee may, when performing its duties and if necessary, engage lawyers, certified public accountants, certified auditors and other professionals to provide professional advices on its decision-making and the reasonable expenses incurred therefrom shall be borne by the Company.
- Article 21** The convening procedures, voting method and resolutions passed at the meetings of the Audit Committee shall comply with the relevant laws, regulations, the Articles of Association, the Hong Kong Listing Rules and the provisions of the Terms of Reference.
- Article 22** The Audit Committee shall keep detailed and complete minutes of its meetings. Attending members shall sign the minutes of the meeting, and the minutes of the meetings that shall be kept by the secretary to the Board of Directors of the Company for at least 10 years during the existence of the Company. Draft and final versions of the minutes of meetings shall be circulated to all members of the Audit Committee within a reasonable time after the conclusion of each Audit Committee meetings. The draft versions are for their comment and the final versions are for their record. Upon signing by members of the Audit Committee who were present at the meetings, the minutes shall be submitted to all members of the Board of Directors for circulation. Resolutions of the Audit Committee shall come into force after being signed by the attending members, and no amendment or modification shall be made to any resolutions of the Committee that have come into force unless in accordance with the legal procedures required by laws, regulations, the Articles of Association and the Terms of Reference. Resolutions passed by the meeting of the Committee and the voting results shall be reported in writing to the Board of Directors.
- Article 23** The minutes of the Audit Committee meetings shall at least include the followings: the date, venue and name of convener of the meeting; the names of the attendees with specific notes on whether a proxy is entrusted for the meeting; the meeting agenda; the key points of the members' speeches; the voting method and poll results of each resolution or proposal; other matters need to be indicated and recorded in the meeting minutes.

Article 24 Members present at meetings and other persons attending such meetings shall perform a duty of confidentiality regarding matters discussed at such meetings. No unauthorized disclosure of such information shall be allowed, unless otherwise stipulated under relevant laws, regulations and/or by regulatory authorities.

Chapter VI Supplementary Provisions

Article 25 The terms “more than” and “within” as referred to herein shall include the number itself, while the term “majority” does not include the number itself.

Article 26 The Terms of Reference have been considered and approved by the Board of Directors, and shall come into force and be implemented from the day on which the overseas listed foreign shares (H Shares) in Company’s public offering are listed and traded on the Hong Kong Stock Exchange. The Terms of Reference shall be amended and interpreted by the Board of Directors.

Article 27 Any matters not covered herein shall be implemented in accordance with the provisions of relevant laws, regulations, departmental rules, the Hong Kong Listing Rules and other regulatory rules of the place(s) where the shares of the Company are listed and the Articles of Association. Where the Terms of Reference conflicts with the provisions of relevant laws, regulations, departmental rules, the Hong Kong Listing Rules and other regulatory rules of the place(s) where the shares of the Company are listed or the Articles of Association, such relevant laws, regulations, departmental rules, the Hong Kong Listing Rules and relevant regulatory rules of the place(s) where the shares of the Company are listed and the Articles of Association shall prevail, and the Terms of Reference shall be amended accordingly as soon as practicable and submitted to the Board of Directors for consideration and approval. These Terms of Reference are written in Chinese. In the event of any inconsistency with their English versions, the Chinese version shall prevail.

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