

Risk Control

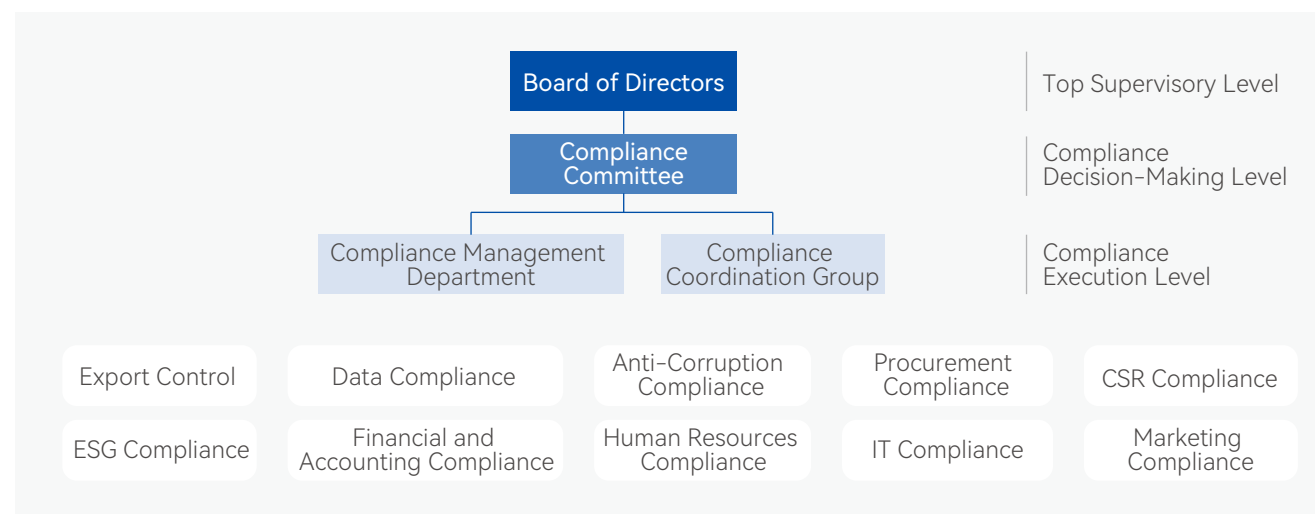
Guided by the COSO framework, the Company has established a three-line defense model for risk management and internal control.

- First Defense Line BG/BU¹⁷** Establish internal control measures to assess and mitigate risks inherent in the operational execution of various business processes
- Second Defense Line Compliance Management Department** Establish a compliance management system, offer guidance on risk management frameworks, compliance strategies, and oversight of emergency drills, and design risk assessment and control measures
- Third Defense Line Audit Department** Conduct internal audits to independently evaluate the effectiveness of risk management and internal controls across the first and second lines of defense, and oversee the execution of improvement measures

Compliant Operations

To ensure vertical integration, horizontal coordination, and closed-loop management of compliance governance, Luxshare Precision established a **Compliance Committee** this year. Under the supervision of the Board of Directors, the Committee formulates compliance strategies and overall plans, reviews and approves compliance policies and major compliance initiatives, regularly assesses compliance risks, and oversees the implementation of improvement measures.

Compliance Governance Structure



¹⁷ BG/BU: Business Group / Business Unit

We strictly comply with laws and regulations in the countries and regions where our business operates, including but not limited to those concerning anti-unfair competition, anti-money laundering, and trade compliance. We actively safeguard a fair market environment to ensure the Company's operational safety and compliance.

Key Compliance Management Initiatives

| Anti-Unfair Competition | |
|--|---|
| <i>Global Business Conduct and Ethics Guidelines (COC)</i> <i>Code of Ethics Procedures</i> | <ul style="list-style-type: none"> Strictly prohibit obtaining third-party trade secrets through illegal means Prevent the issuance of false or misleading advertisements Prohibit all acts that disrupt market order, such as collusive pricing |
| Anti-Money Laundering | |
| <i>Anti-Money Laundering Management Policy</i> | <ul style="list-style-type: none"> Strictly enforce partner identity verification and tiered management Implement transaction monitoring and reporting mechanisms to standardize information retention Strengthen supervision through specialized training and independent audits to establish closed-loop control |
| Trade Compliance | |
| <i>Export Control and Economic Sanctions Compliance Guidelines</i> | <ul style="list-style-type: none"> Establish a compliance system covering the entire business process from R&D and design to delivery Ensure compliance with regulatory requirements across multiple jurisdictions |

During the Reporting Period, Luxshare Precision:

0 Litigation case involving anti-unfair competition, anti-trust, or anti-monopoly issue

0 Material regulatory penalty or litigation case resulting from violations of export control regulations

In 2025, we focused on export compliance, cross-border data transfer, and anti-corruption system construction. We improved policies, strengthened process controls, and conducted specialized training to continuously enhance all employees' compliance awareness and execution capabilities. These efforts aim to effectively manage business risks, maintain market fairness, and lay a solid foundation for the Company's sustainable development.



Case | Compliance Awareness Training Conducted at the Vietnam Factory

In November, Luxshare Precision conducted compliance training at its Vietnam Factory, covering nearly 4,000 assigned personnel. This training program focused on three key areas: Vietnamese laws and regulations, anti-corruption and anti-bribery, and the corporate code of conduct. Through case studies, participants gained a deeper understanding of practical matters such as contracts, employment, residency, and business operations, ensuring compliance during overseas assignments and mitigating risk.



Compliance Training for Personnel Deployed to Vietnam

Business Continuity

To ensure stable and continuous operations, Luxshare Precision has established a Business Continuity Management (BCM) system based on emergency response plans for unexpected incidents and business continuity plans, with the goal of "operational stability". **The Company has formulated and implemented the Business Continuity Management Manual in accordance with ISO 22301 standards.** Regular multi-scenario Business Continuity Management (BCM) drills are conducted to ensure the continuous and effective response to potential operational interruption risks.

BCM Drill

| | | |
|--|--|--|
| <p> Manufacturing Unavailable</p> <ul style="list-style-type: none"> • Sudden flood disaster | <p> Infectious Diseases</p> <ul style="list-style-type: none"> • Public health emergency | |
| <p> Labor Shortage</p> <ul style="list-style-type: none"> • Abnormal staff turnover | <p> Supply Chain Disruption</p> <ul style="list-style-type: none"> • Supplier supply interruption • Global material shortage • External unscheduled power outages • Internal power equipment failure • Water/gas supply interruption | |
| <p> Information Security</p> <ul style="list-style-type: none"> • Internal device network failure • External operator network outage • Partial or complete server failure • Critical data missing | | |

Internal Audit

As an independent internal audit function, the Company's Internal Audit Department serves as the core of the third line of defense. Through regular inspections, audit reviews, and special examinations, it **ensures that each BG/BU undergoes at least one comprehensive audit every two years**, while continuously monitoring key risk items such as social responsibility, financial transactions, procurement operations, asset management, sales operations, and information security.

In 2025, the Company established and optimized management policies and operational guidelines for key areas including procurement, supply chain, finance, and intellectual property, while strengthening audit and evaluation mechanisms to comprehensively ensure the effectiveness of internal controls over business processes.



During the Reporting Period, Luxshare Precision:

Internal audit tasks completed

32 times