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/BU [17] — Establish internal control measures to assess and mitigate risks inherent in the operational execution of various business processes

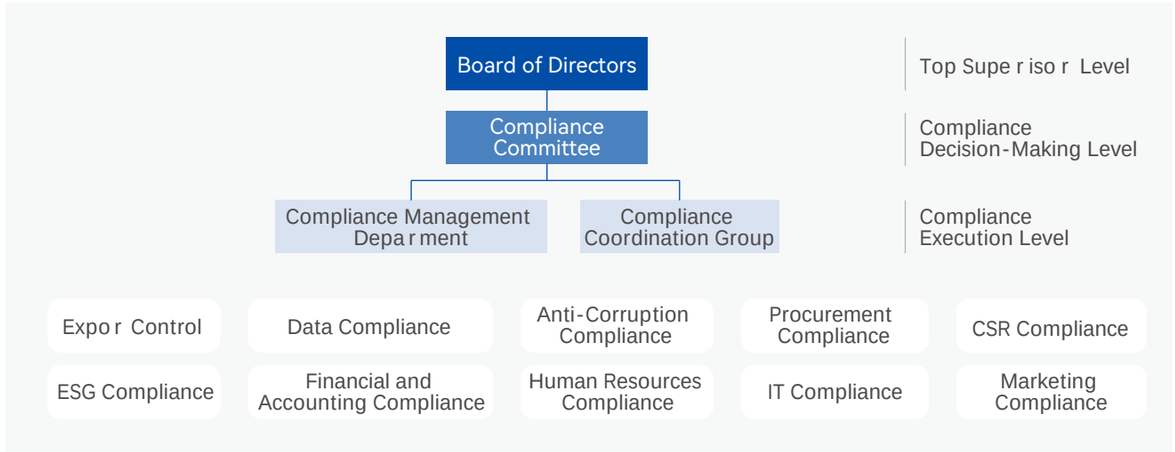
Second Defense Line Compliance Management Department — Establish a compliance management system, offer guidance on risk management frameworks, compliance strategies, and oversight of emergency drills, and design risk assessment and control measures

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



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

Global Business Conduct and Ethics Guidelines (COC)

Code of Ethics Procedures

- 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

Anti-Money Laundering Management Policy

- 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

Export Control and Economic Sanctions Compliance Guidelines

- Establish a compliance system covering the entire business process from R&D and design to delivery
- Ensure compliance with regulatory requirements across multiple jurisdictions

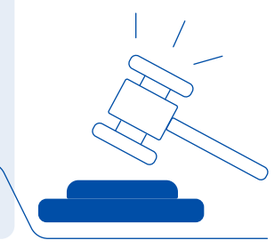
During the Reporting Period, Luxshare Precision:

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

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

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[17] BG/BU: Business Group / Business Unit