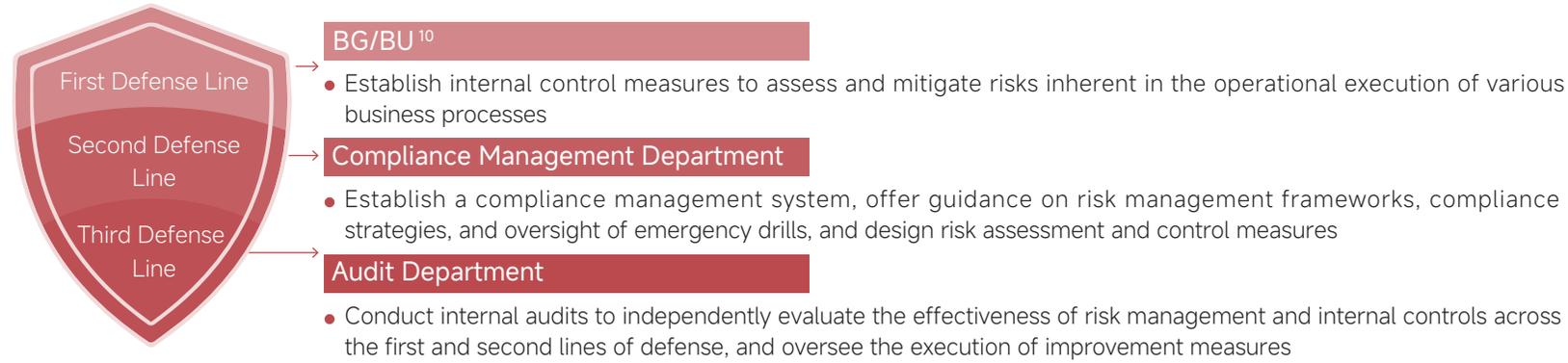


Risk Management

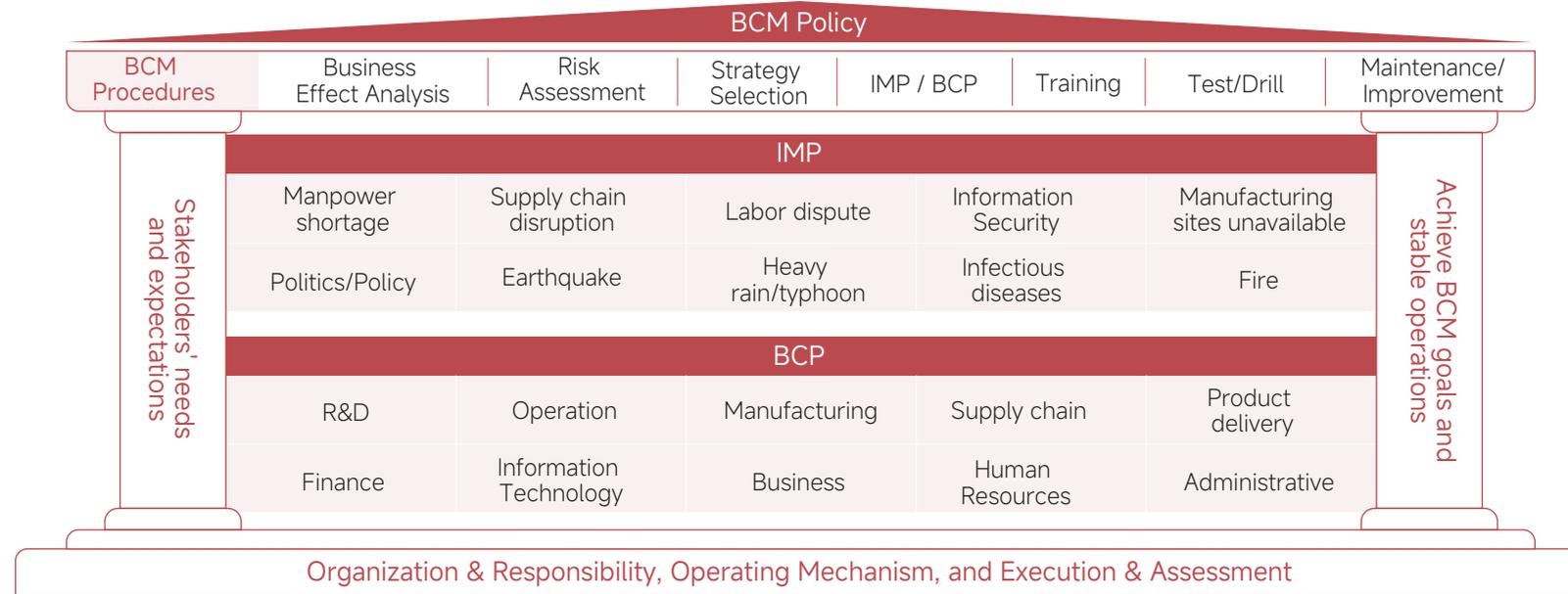
In accordance with the COSO framework, the Company adopted three defense lines for risk management and internal control.



Business Continuity

The Company has developed a comprehensive Business Continuity Management (BCM) system designed to ensure "operational stability". This system integrates the Incident Management Plan (IMP) and the Business Continuity Plan (BCP), serving as a key component of the second defense line. To guide the effective planning, implementation, and ongoing enhancement of the BCM system, the Company has created a *Business Continuity Management Manual* in accordance with the ISO 22301 Business Continuity Management Systems.

BCM System



¹⁰ BG/BU: Business Group/Business Unit

BCM Drills in 2024

| Manufacturing unavailable | Labor shortage | Infectious disease |
|--|---|---|
| <ul style="list-style-type: none"> Sudden flood disaster | <ul style="list-style-type: none"> Abnormal staff turnover | <ul style="list-style-type: none"> Public health emergencies |
| Information security <ul style="list-style-type: none"> Internal infrastructure network failure External operator network outage Water/gas supply interruption | | |
| <ul style="list-style-type: none"> Partial or complete server failure Critical data missing Suppliers' supply interruption Global material shortage | | |

Internal Audit

The Internal Audit Department, as the Company's internal independent audit institution, serving as the core of the third defense line. This department continuously oversees key risk domains, including social responsibility, financial transactions, procurement operations, asset management, sales activities, and information security, through regular inspections, audits, internal control evaluations, and specialized reviews. In 2024, we undertook targeted improvements to dozens of policies and systems, ensuring the robustness of the organization's internal control framework.

During the Reporting Period, Luxshare Precision:



Completed of internal audit tasks

25 times



Audit frequency and coverage: Each BG/BU is required to undergo at least **1** comprehensive audit every **2** years