Independent Directors and the Internal Audit Supervisor Communication

Communication Methods

1. **Written Reports**: Monthly audit reports and follow-up reports are submitted to each independent director by the end of the following month after being approved by the Chairman.
2. **Audit Committee Reports**: The internal audit supervisor reports audit matters and any identified internal control deficiencies to the independent directors at the Audit Committee meeting at least quarterly and receives their instructions.
3. **Email and Telephone Communication**: Audit-related matters are communicated, or responses to independent directors' inquiries regarding audit matters are provided, via email or telephone on an as-needed basis.
4. **Video Conferences**: Regular video conferences are held via Microsoft Teams to facilitate communication between independent directors and the internal audit supervisor, enabling independent directors to gain a deeper understanding of the company's audit activities.

Summary of Past Communications

- **2026.03.12:** Audit Committee, the internal audit supervisor reported on audit activities from October to December 2025, no comments.
- **2026.05.07:** Audit Committee, the internal audit supervisor reported on audit activities from January to March 2026, no comments.
- **2026.08.12:** Audit Committee, the internal audit supervisor reported on audit activities from April to June 2026, no comments.
- **2026.11.09**: Audit Committee, the internal audit supervisor reported on audit activities from July to September 2026, no comments.
- **2026.11.23**: Video Conference, the internal audit supervisor presented the Internal Audit Office Business Report, in response to questions raised during the meeting regarding the expected credit loss provisions for overdue accounts receivable of ZSH and PHP, as well as the policy for writing off bad debts, the Internal Audit Office provided supplementary explanations to all independent directors via email on November 23, 2026.

Independent Directors and Certified Public Accountant Communication

Date: January 13, 2026 (Tuesday)
Venue: Company Conference Room (via Video Conference)

I. Presentation of Audit Planning by the Auditors

Representatives from Deloitte & Touche CPA Firm, Mr. Kent Chang and Mr. Kenny Hung, presented the overall audit plan and strategic focus for **the audit of the consolidated financial statements for the year ended December 31, 2025**, as follows:

1. **Audit Scope and Basis**
    - In accordance with the engagement letter, the auditors will perform the audit of the standalone and consolidated financial statements for 2025, audit the corporate income tax return, audit the prior year's unappropriated earnings filing, review the transfer pricing documentation for related party transactions, and review the consolidated financial statements for the first to third quarters.
    - The audit will be conducted in accordance with the *Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants* and *Generally Accepted Auditing Standards (GAAS)* to obtain reasonable assurance that the financial statements are free from material misstatement.
2. **Audit Timetable and Group Audit**
    - The auditors have planned the annual audit timetable, including audit planning, substantive procedures for significant risks, interim audit, year-end audit, and communication of audit results.
    - The group audit covers the PHT Group and the Zerova Group. The PHT Group will be subject to further audit procedures performed by Deloitte & Touche, while the Zerova Group will be audited by PwC Taiwan. The group auditor will oversee and review the related audit work.
3. **Significant Accounting Matters**
    - Significant accounting policies include inventory valuation and the allowance for doubtful accounts.
    - Significant accounting estimates involve revenue recognition.
    - Significant events or transactions include the disposal of Spring City Resort in 2024, the liquidation of NL, and matters related to the Japan plant. The auditors will continue to review the related transactions and financial statement disclosures.

4. **Significant Risks and Key Audit Matters (KAMs)**
    - The identified significant risk is revenue recognition, involving the risk of overstatement of revenue and fraud, and the auditors will test the design and operating effectiveness of the relevant internal controls.
    - The Key Audit Matter for 2025 is the authenticity of sales in the Power Supply Business Unit. The auditors will perform internal control testing, inspect selected sales documents and correspondence, confirm transactions, and review significant sales returns subsequent to year-end to verify the authenticity of sales transactions.
    - The audit will also address the risk of management override of controls through testing journal entries and other adjustments, reviewing significant accounting estimates, and evaluating the rationale and business purpose of significant transactions.

II. Auditor Independence and Quality Management

1. **Statement of Independence**
    - Deloitte confirmed that personnel subject to independence requirements have complied with the independence requirements under the *Code of Professional Ethics for Certified Public Accountants*, and that all relationships and other matters that may affect auditor independence, including relevant safeguards, have been communicated to those charged with governance.
2. **Pre-Approval Mechanism for Non-Assurance Services**
    - In accordance with the *International Ethics Standards Board for Accountants (IESBA) Code*, audit firms and their global network member firms are required to conduct an independence assessment and communicate with those charged with governance (TCWG) and obtain pre-approval before providing non-assurance services.
    - The auditors explained the Company's pre-approval policy and procedures for non-assurance services. Routine services included in the pre-approved categories may be reviewed and monitored by designated management personnel and periodically reported to the Audit Committee. Services not included in the pre-approved categories must be individually approved by the Audit Committee prior to engagement to safeguard auditor independence.
3. **Audit Quality Management System and Quality Indicators (AQI)**
    - Deloitte has established a System of Quality Management in accordance with *International Standard on Quality Management 1 (ISQM 1)* and related quality management requirements, adopting a risk-based approach to designing, implementing, and monitoring quality management measures to

ensure audit quality.

- Audit Quality Indicators (AQI) were presented to the Audit Committee across five key dimensions: Professionalism, Quality Control, Independence, Supervision, and Innovation. The information included audit experience, training hours, audit engagement resources, Engagement Quality Control Review (EQCR), non-audit services, and external inspection results, for the governance body's reference in evaluating audit quality.

III. Key Discussion Points

1. The auditors presented the audit scope, audit strategy, materiality determination, and audit timetable for 2025, and explained the group audit arrangements, component audits, and related oversight and review procedures.
2. The auditors explained that revenue recognition is identified as a significant risk and a Key Audit Matter for the year, primarily considering revenue fluctuations in the Power Supply Business Unit, changes in customer structure, and operating conditions, which may involve risks of overstatement of sales revenue and accounts receivable. These risks will be addressed through relevant audit procedures.
3. The auditors reminded the Company to prepare for the adoption of IFRS 18, *Presentation and Disclosure in Financial Statements*, which is scheduled to be applicable in Taiwan in 2028. The standard will introduce changes to the classification and presentation of the income statement. The auditors recommended that the Company assess the potential impact on financial reporting processes, systems, and management reporting in advance.
4. The auditors explained the pre-approval policy and procedures for non-assurance services and provided the AQI report to the Audit Committee for its understanding of the firm's and audit team's quality management and audit quality information.

IV. Resolutions and Conclusions

The meeting concluded with the following:

- The 2025 audit plan, audit scope, significant risks, and related communication matters were duly presented.
- The Audit Committee acknowledged the auditors' audit strategy and related audit procedures and agreed that the auditors would proceed with the audit in accordance with the planned approach.
- Management is reminded to continue monitoring significant accounting matters, risks related to revenue recognition, and preparations for the adoption of IFRS 18, and to follow the pre-approval policy for non-assurance services to safeguard auditor independence and audit quality.