

GROUNDHOG INC.

**Procedures for Transactions with
Group Enterprises, Specific Companies,
and Related Parties**

Last Amendment Date: July 18, 2023

Notice To Readers

This English version is a machine-translated of Chinese version and is not an official document of Groundhog Inc. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Article 1 Purpose

These Procedures are established to ensure the financial, accounting, and business independence between the Company and its group enterprises, specific companies, and related parties, so as to safeguard the Company's rights and protect shareholders' interests.

Article 2 Scope

Any transactions between the Company and its group enterprises, specific companies, and related parties, including the transfer of resources or obligations whether with or without consideration, shall fall within the scope of these procedures.

Article 3 Definitions

- 3.1 Group Enterprises: As defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings" and Article 1 of the "Supplementary Provisions for OTC Listing Applications of Group Enterprises by the Taipei Exchange."
- 3.2 Related Parties: As defined in the accounting standards issued by the "Accounting Research and Development Foundation of the Republic of China."
- 3.3 Specific Companies: As defined in Paragraph 3, Article 3 of the "Regulations Governing the Establishment and Exercise of Powers of Independent Directors by Public Companies."
- 3.4 Entities that meet the descriptions in Items 1 and 2 above but can prove, with supporting evidence, that no control or subordinate relationship exists, shall not be subject to these procedures.

Article 4 Policy Statements

4.1 Types of Transactions:

Transactions between the Company and its group enterprises, specific companies, and related parties include:

1. Sales of goods
2. Purchases of goods
3. Property transactions and long-term equity investments
4. Financing arrangements
5. Endorsements and guarantees
6. Other transactions deemed necessary

4.2 Transaction Approval

For significant transactions between the Company and group enterprises, specific companies, and related parties, excluding routine purchase/sale transactions, prior approval from the Board of Directors is required. If necessary, the Chairperson may make a provisional decision and seek ratification from the Board afterward.

4.3 Compliance Requirements

1. Sales of goods: Handled in accordance with the Company's internal control system for the Sales and Collection Cycle.
2. Purchases of goods: Handled in accordance with the Procurement and Payment Cycle.
3. Property transactions: Handled in accordance with the Property, Plant and Equipment Cycle; significant transactions shall follow the Company's Procedures for Acquisition or Disposal of Assets.
4. Long-term equity investments: Handled in accordance with the Investment Cycle; significant transactions shall follow the Procedures for Acquisition or Disposal of Assets.
5. Financing arrangements: Handled in accordance with the Company's Procedures for Lending Funds to Others.
6. Endorsements and guarantees: Handled in accordance with the

Company's Management Guidelines for Endorsements and Guarantees.

7. Other transactions: Processed on a case-by-case basis.

4.4 Business transactions with group enterprises, specific companies, and related parties shall comply with the Company's internal control system. Transaction terms, including pricing and payment conditions, shall be clearly specified. The purpose, price, terms, substance, form, and processing procedures of such transactions must not differ significantly from normal market transactions with non-related parties, nor appear unreasonable.

4.5 The Company shall maintain independence from group enterprises, specific companies, and related parties. Transactions shall not violate ordinary business practices nor involve improper transfer of benefits.

4.6 The Accounting Department shall prepare a "Summary Report of Related Party Transactions" each month as the basis for reconciliation and settlement of intercompany transactions, and submit it to the responsible supervisor for approval.

4.7 Disclosure Requirements for Financial Statements:

When the Company engages in significant transactions with related parties, the following information shall be disclosed in the notes to the financial statements:

1. The names of the related parties.
2. The relationships with the related parties.
3. The following significant transactions with each related party, including the transaction prices and payment terms, as well as other relevant information that helps users understand the effects of related-party transactions on the financial statements:
 - (1) Purchase amounts or the percentage of total purchases.
 - (2) Sales amounts or the percentage of total sales.
 - (3) Amounts of property transactions and the resulting gains or losses.

- (4) Ending balances of notes receivable and accounts receivable, or their percentage of total notes/accounts receivable.
- (5) Ending balances of notes payable and accounts payable, or their percentage of total notes/accounts payable.
- (6) Highest balance of funds loaned to or borrowed from related parties, interest rate ranges, ending balances, and total interest for the period.
- (7) Ending balances of notes, endorsements, guarantees, collateral, or credit guarantees provided to or obtained from related parties.
- (8) Other transactions that have a significant impact on the current period's profit or loss and financial position, such as major agency arrangements, provision or receipt of services, leasing transactions, franchise arrangements, research project transfers, management service agreements, etc.

4.8 Presentation of Disclosures

If a related party's transaction amount or ending balance reaches 10% or more of the Company's total for that category, it shall be presented individually; otherwise, items may be aggregated.

4.9 Disclosure for Consolidated Financial Statements

If related party transactions are eliminated in consolidated financial statements, such transactions may be exempt from disclosure.

4.10 Duties of the Audit Committee

The Company's Audit Committee may verify the existence of related parties, specified companies, and group entities, and may conduct audit procedures at any time with respect to the following transactions:

1. Whether the purchase, sales, and property transaction amounts and terms with related parties, specified companies, and group entities are the same as those for transactions with non-related parties, specified companies, and group entities; and if not, whether such differences are reasonable.
2. Whether transactions with related parties, specified companies, and

group entities have been properly approved, and for those subject to transaction limits, whether the transaction amounts fall within the approved limits.

3. Whether the related-party transaction information and other required disclosures presented in the financial statements comply with regulations and are consistent with the accounting records. When conducting the above audit procedures, the Audit Committee may assign the Company's internal auditors or engage the CPA responsible for auditing the financial statements to perform ongoing reviews. If any violation of regulations or apparent irregularity is identified, the Audit Committee shall notify the Board of Directors, request an explanation, and require necessary improvements.

Article 5 Implementation and Amendments

These procedures shall be implemented upon approval by the Board of Directors. Amendments shall follow the same process.