

Bioteque Corporation

Supervision Procedures for Subsidiaries

I. Purpose of Formulation

To implement the supervision of the company's subsidiaries and ensure the establishment of sound business management systems. This will ensure that financial and business operations are conducted in accordance with internal control systems and that relevant information is regularly or immediately reported to the company.

II. Legal Basis

These supervision procedures are formulated in accordance with the "Guidelines for the Establishment of Internal Control Systems for Public Companies" issued by the Financial Supervisory Commission (FSC).

III. Applicable Entities

1. All subsidiaries invested by the company are subject to these procedures.
2. The definition of subsidiaries is based on relevant international accounting standards (including subsidiaries, sub-subsidiaries, privately held companies, and overseas subsidiaries).

IV. Scope of Supervisory Control

1. Management Supervision

(1) Organization

- A. **Board of Directors:** The number of members on the subsidiary's board of directors shall be established according to local laws and appointed by the parent company's board of directors. Any changes shall be similarly managed.
- B. **Management:** Subsidiary managers shall be appointed by the subsidiary's board of directors.
- C. **Departmental Structure:** The establishment of departments shall be based on the subsidiary's scale and needs. Department heads shall report directly to the subsidiary's general manager.

(2) Sales and Marketing Policies

A. Business Segmentation

- a. The business activities of the parent company and subsidiaries shall follow the principle of complementary or non-conflicting sales and production.
- b. In the same region, unless the market is clearly segmented, each business shall generally be handled by a single company.
- c. The parent company and its subsidiaries should regularly review principles of resource sharing and mutual support, ensuring no conflicts in business operations, overlapping target markets, and proper positioning.

B. Order Handling

Subsidiaries generally handle their own orders, with the parent company providing assistance when necessary. However, if a subsidiary is primarily an OEM, processing plant, or overseas production base for the parent company, order handling shall primarily be done by the parent company, though the subsidiary may handle orders if there is surplus capacity, inventory, or product types outside the parent company's main sales offerings.

C. Inventory Management

Subsidiaries should aim to reduce inventory levels and maintain good inventory turnover. Relevant management rules are as follows:

- a. Product warehouses should maintain good records and accurately document inventory.
- b. An annual inventory count should be conducted in accordance with the requirements for auditing financial statements, with a report issued. For any abnormal gains or losses in inventory or obsolete stock, explanations and action plans should be provided.

D. Receivables and Payables

- a. Subsidiaries should follow the parent company's payment terms or local commercial practices when dealing with customers.
- b. Transactions between the parent company and subsidiaries should follow general business practices. If no comparable transactions are available, prices should be based on production costs, selling expenses, and reasonable profits. In the case of procurement, costs should be calculated and adjusted for handling and resale. Receivables from subsidiaries are due 120 days after delivery. Special considerations for price or payment term adjustments may be made based on business needs, but must be approved by the parent company's board.
- c. Mutual receivables and payables between the parent and subsidiary should generally be offset.

E. Accounting Processing

Subsidiary accounting personnel must follow the parent company's accounting principles and policies, unless local laws dictate otherwise.

(3) Significant Financial and Business Matters

A. Business Plans and Budgets

- a. Each year, subsidiaries should prepare an annual budget, including a review of the current year's performance and plans for the next year regarding sales, production, staffing, equipment, and cost estimates.
- b. Subsidiaries' business objectives and operational strategies should align with the parent company's overall strategy. Specific plans should support the parent company's goals.
- c. Subsidiaries' finance departments should submit quarterly budget execution reports.
- d. Budget execution results should be an important factor in evaluating management performance.

B. Major Equipment Investment and Reinvestment

- a. Investment decisions should be focused on fields related to the subsidiary's industry, market, products, R&D, and talent, with clear financial planning to avoid impacting operational capital.
- b. Subsidiaries must follow the FSC's "Public Company Guidelines for Acquiring or Disposing of Assets" and "Asset Disposal Procedures." Major investments over NT\$300 million or 20% of the parent company's paid-in capital should be reported to the parent company.

C. Lending and Guarantees

If subsidiaries intend to lend funds or offer guarantees, they must establish procedures for "Fund Lending" and "Endorsement and Guarantee" following FSC guidelines and report to the parent company before proceeding.

D. Major Property Acquisitions or Disposals

Subsidiaries must follow their internal "Asset Acquisition or Disposal Procedures" when handling major transactions. If the transaction amount exceeds NT\$300 million or 20% of the parent company's paid-in capital, it must be reported to the parent company.

(4) Application of International Financial Reporting Standards (IFRS) and Process Management for Accounting Professional Judgment, Accounting Policies, and Estimate Changes

A. Application of International Financial Reporting Standards (IFRS)

When each subsidiary first adopts and responds to changes in public

announcements, it should proceed according to the "Management Operations for the Application of International Financial Reporting Standards" in their internal control system and must obtain prior approval from the parent company before applying.

B. Accounting Professional Judgment, Accounting Policies, and Estimate Changes

When each subsidiary handles changes in accounting, it should proceed according to the "Management Operations for Accounting Professional Judgment, Accounting Policies, and Estimate Changes" in their internal control system and must obtain prior approval from the parent company before making any changes.

2. Supervision of Financial and Business Information

(1) Establishment of Independent Financial and Business Information Systems

- A. Except for companies with an investment purpose, each subsidiary should establish an independent financial system to provide and review monthly management reports, as well as to complete financial and tax filings in accordance with local government regulations. Additionally, they should establish an independent business information system to manage customer data, order handling, product and raw material pricing, etc.
- B. The parent company and each subsidiary should regularly hold financial and business meetings to discuss the reasonableness and feasibility of achieving goals, production and sales coordination, and resource utilization.
- C. The parent company and each subsidiary should establish channels for electronic document exchange.
- D. If any subsidiary has matters that need to be disclosed or reported according to the "Public Company Guidelines for Acquiring or Disposing of Assets" or the "Public Company Fund Lending and Endorsement Guarantee Guidelines," or any significant matters that could impact shareholder equity or securities prices as stipulated in Article 36 of the Securities and Exchange Act, the subsidiary should report these to the parent company within the event's occurrence. By the 5th of each month, the subsidiary should report any asset acquisitions or disposals of NT\$300 million or more, or similar transactions, including derivative transactions, fund lending, or endorsement guarantees by the end of the previous month. These should be summarized and notified to the parent company for disclosure.
- E. If a subsidiary has any significant information that must be disclosed according to the "Taiwan OTC Securities Exchange Major Information Verification and Public Disclosure Procedures" for over-the-counter (OTC) companies, the subsidiary must notify the parent company, which will then handle the disclosure.

(2) Providing Management Reports

Subsidiaries should submit monthly sales reports by the 5th of each month, quarterly consolidated financial reports, and annual financial reports for audit and preparation of consolidated statements.

(2) Providing Management Reports

- A. To assist with the parent company's monthly revenue announcements, each subsidiary should report its revenue to the parent company by the 5th of each month. Additionally, to assist the parent company in preparing quarterly consolidated financial reports and annual financial statements, each subsidiary should complete its self-settlement for the previous quarter within 10 days after the quarter ends. The annual financial statements, audited by a certified public accountant, should be completed by February at the latest to meet the parent company's audit needs and to prepare the consolidated financial statements.
 - B. Subsidiaries should provide monthly reports on fund lending and endorsement guarantees, securities, and derivative investments by the 5th of each month, and provide the main reports by the 10th of each month.
 - C. Subsidiaries should promptly provide any additional management reports requested by the parent company.
3. **Supervision of Audit Management**
- (1) **Establishment of Audit Units and Systems**
 - A. Subsidiaries of the parent company should establish internal control systems and internal audit systems based on the nature of their main business.
 - B. Except for companies with an investment purpose, each subsidiary should establish an internal control system and self-inspection procedures.
 - C. Whether a subsidiary should establish an independent audit unit will be determined by the parent company. If no independent audit unit is set up, the parent company should assign a dedicated person in the general manager's office to be responsible for audit matters.
 - D. The appointment and qualifications of the audit supervisor and audit personnel in the subsidiary should be handled in accordance with Article 11 of the "Public Company Internal Control System Guidelines" and the Taiwan Financial Supervisory Commission's regulations (Taiwan Securities Audit No. 0910006134). However, non-public companies are not required to perform disclosure procedures

V. Implementation and Amendments

These procedures shall be implemented after being approved by the Board of Directors, and the same process shall be followed for amendments.

Date of Formulation: August 18, 2004

First Revision Date: March 9, 2012

Second Revision Date: March 15, 2019

