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Stock Code: 4152

Taiwan Liposome Company, LTD.

Handbook for the 2017 First Interim Meeting of Shareholders (Translation)

Date: October 31, 2017

Location: 2F., No.19-10, Sanchong Rd., Nangang Dist., Taipei City

**Taiwan Liposome Company, Ltd. (the “Company”)
Handbook for the 2017 First Interim Meeting of Shareholders (the Handbook”)
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I. Meeting Procedures

Taiwan Liposome Company, LTD.

Meeting Procedures for 2017 First Interim Meeting of Shareholders

I Call the Meeting to Order

II Chairperson Remarks

III Ratifications

IV Discussions

V Motions

VI Adjournment

II. Meeting Agenda

Taiwan Liposome Company, Ltd. Meeting Agenda for 2017 First Interim Meeting of Shareholders

- I. Date and Time: October 31, 2017 (Tuesday) at 9:00 a.m.
- II. Location: 2F., No.19-10, Sanchong Rd., Nangang Dist., Taipei City (Meeting Center, 2F., Building A, Nankang Software Park)
- III. Call the meeting to order (announce the number of shares represented by shareholders who are present at the meeting)
- IV. Chairperson remarks
- V. Ratifications
 - Item No. 1: Change of 2013 Capital Increase by Cash Contribution Plan
(Proposed by the Board of Directors)
- VI. Discussions
 - Item No. 1: Approval of Public Placement or Private Placement of Securities
(Proposed by the Board of Directors)
- VII. Motions
- VIII. Adjournment

III. Ratifications

Item No. 1: Change of 2013 Capital Increase by Cash Contribution Plan

(Proposed by the Board of Directors)

Explanation:

1. 2013 Capital Increase by Cash Contribution Plan of the Company (issuance of 10,000,000 common shares) was filed and effective on May 20, 2013 upon issuance of Financial Supervisory Commission's letter Jin-Guan-Zheng-Fa-Zi No. 1020015076 on May 21, 2013.
2. The 2013 Capital Increase by Cash Contribution of the Company has been completed on September 9, 2013, and the aggregate amounts of capital increased in which are NTD 2,980,000,000, which were expected to be devoted in R&D in the amount of NTD 1,980,000,000, and in purchase of machine equipment in the amount of NTD 1,000,000,000 respectively.
3. The aforementioned expense for R&D and purchase of machine equipment are required resources of developing new formulation drug and new dosage form drug. However, in consideration of the requirement of new formulation drug and new dosage form drug in related medical laws causing the R&D expenses more than expectation, it's proposed to reallocate whole resources of the plan.
4. In the amended plan, the R&D expenses, machine equipment purchase expenses, and business operation capital would be amended as NTD 2,417,503,000, NTD 262,497,000, and NTD 300,000,000 respectively. The purpose of change of the plan is for continuing to maintain the Company's R&D, and expanding the scope of development of new formulation drug and new dosage form drug. It is necessary to reallocate whole resources of the plan.
5. The Change of 2013 Capital Increase by Cash Contribution Plan Sheet and the summary of opinion of original lead underwriter can be found on pages 6 of this Handbook as Schedule 1.
6. The change of the plan has been approved by the Board of Directors of the Company on September 8, 2017, except that it will be announced pursuant to the competent authority's related regulations.

Resolution:

IV. Discussions

Item No. 1: Approval of Public Placement or Private Placement of Securities

(Proposed by the Board of Directors)

Explanation:

1. It's proposed that in order to meet the Company's need for long term development, and raise long term capital, the Company plans to take one of the following approaches or a combination of the following approaches: issuance of ordinary shares for cash to issue overseas depositary receipt and/or issuance domestic ordinary shares and/or privately placement of ordinary shares once or divide into multiple times at the proper timing and take into account the condition of the capital market and the actual fiscal need of the Company in accordance with relative laws and regulations and the Company's Articles of Incorporation.
2. The scope of this offering of securities shall be within the scope of 20,000,000 shares.
3. The main content of this proposal, including but not limited to, the number and amount of issuance, issue price, conditions of the issuance, manners of underwriting, rule of this issuance of securities, used of capital, expected progress, expected benefit, and any other matters related to this issuance, where there is change in laws and regulations, requests from competent authority, based on operation assessment or enactment or amendments responding to subjective environments afterwards, is fully authorized to the Board of Directors or the Chairperson to administer such matters.
4. The explanation with respect to the manner and content of this issuance can be found on pages 9 of this Handbook.

Resolution:

V. Motions

VI. Adjournment

VII. Schedules

Schedule 1

Changes of 2013 Capital Increase by Cash Contribution Plan Sheet

\$: NTD

Items		Content
Board's Approval Date		September 8, 2017
Cause of Change		Both of expenses for R&D and purchased machine equipment are required for execution of development of new formulation drug and new dosage form drug. In consideration of the requirement of new formulation drug and new dosage form drug in related medical laws causing the R&D expenses more than expectation, the Company considers to reallocate whole resources, including reducing acquisition cost by improving the manufacturing process and outsourcing, thus increasing the expense for developing new dosage form drug to be promoted more easily and active component to relieving side-effect, and to add new operation business projects to strengthen the flexibility of capital.
Plan Items and Amount	Before Changes	The aggregate amounts are NTD 2,980,000,000, which were expected to be devoted in R&D of new formulation drug and new dosage form drug in the amount of NTD 1,980,000,000, and in purchase of machine equipment in the amount of NTD 1,000,000,000 respectively.
	After Changes	The aggregate amounts are NTD 2,980,000,000, which are expected to be devoted in R&D of new formulation drug and new dosage form drug in the amount of NTD 2,417,503,000, and in purchase of machine equipment in the amount of NTD 262,497,000, and in business operation capital in the amount of NTD 300,000,000 respectively.
	Difference	R&D expense: increase NTD 437,503,000; Purchase of machine equipment: decrease NTD 737,503,000; Business operation capital: increase NTD 300,000,000; Aggregate Amount: the same.
Expected Benefit	Before Changes	R&D Milestone: 1. TLC599, a new formulation drug or new dosage form drug of Non-Cancer Drug: application of drug registration in the U.S. 2. TLC198 (TLC590), a new formulation drug or new dosage

		<p>form drug of Non-Cancer Drug: application of drug registration in the US.</p> <p>3. TLC178, a new formulation drug or new dosage form drug of Cancer Drug: completion of phase II of clinical trial in the U.S.</p>
	After Changes	<p>Saving interest expense of NTD 6,300,000 and R&D Milestone:</p> <p>1. TLC599, a new formulation drug or new dosage form drug of Non-Cancer Drug: completion of animal clinical trial of arthritis drugs in the U.S.</p> <p>2. TLC198 (TLC590), a new formulation drug or new dosage form drug of Non-Cancer Drug: Phase I/II clinical trial to determine maximum tolerated dose for surgery.</p> <p>3. TLC178, a new formulation drug or new dosage form drug of Cancer Drug: Phase I/II(a) clinical trial to determine maximum tolerated dose for injection.</p>
	Difference	<p>1. Saving interest expense of NTD 6,300,000.</p> <p>2. R&D Milestone defers.</p>
	Influence on Shareholders' Equity	<p>New formulation drug or new dosage form drug are in demand but unsatisfied, among which TLC599 and TLC198 are potentially in great demand, and TLC178 is qualified to obtain the “certificate of priority review of rare pediatric disease”. Although the R&D expenses are higher than expectation and expected benefit are deferred due to the strict requirement of related laws and competent authority, in consideration of the benefit from the more appropriate dosage in which the Company involved, derivative market, improved manufacturing process, and maintenance on the Company’s R&D power, expansion of the R&D scope of new formulation drug or new dosage form drug, the reconfiguration of whole resource and the necessity of enhancement of capital flexibility. Therefore, the accumulative value attributed by the change of plan will eventually make up for or exceed the short term influence on shareholders’ equity.</p>
	Expected Timeline After Change	<p>R&D expenses: expected to be completed in the second quarter of 2019.</p> <p>Purchase of machine equipment: expected to be completed in the first quarter of 2019.</p>

	<p>Business operation: expected to be completed in the third quarter of 2017.</p>
<p>Summary of Opinion of Original Lead Underwriter</p>	<p>The original plan of the Company could not be executed on the schedule due to the market environment, change of laws, and the strict requirement of the competent authority. In consideration of the best interest of the shareholders, the Company adjusts the direction of R&D of the related drugs, and devoted items of capital, and the execution of the capital plan has been changed and approved by the Board of Directors, to allocate NTD300,000,000 in business operation from the unused capital of NTD1,213,247,000. As such, the Company may allocate their capital more flexibly, and its potential demand of financing would be reduced, further to save the interest expense, and take positive effect to the Company. The remaining NTD 913,247,000 will be devoted in R&D to raise the Company’s competitiveness and profitability, and reduce the risks of R&D and business operation. In addition, aside from the great potential demand of TLC599 and TLC198, TLC178 is qualified to obtain the “certificate of priority review of rare pediatric disease”. Such certificate has the qualification of six months priority review and high market value. Therefore, there should be an expectation that the Company may make profit upon completion of the plan.</p>

Explanation for the Means and Contents of the Offering of Securities

1. In order to meet the Company's need for long term development, raise long term capital, increase the Company's channel and flexibility to raise fund, and increase competitiveness of the Company, the Company plans to take one of the following approaches or a combination of the following approaches: issuance of ordinary shares for cash to issue overseas depositary receipt and/or issuance of ordinary shares for cash and/or private placement of ordinary shares once or divide into multiple times within the scope of 20,000,000 shares at the proper timing and take into account the condition of the capital market and the actual fiscal need of the Company in accordance with relative laws and regulations and the Company's Articles of Incorporation.
2. Issuance of ordinary shares for cash to issue overseas depositary receipt:
 - (1) The issue price for the issuance of ordinary shares for cash to issue overseas depositary receipt, according to "Voluntary Code of Practice of Taiwan Securities Association Sales Agency Member Guiding Issuing Company to Raise and Issue Securities" (the "Voluntary Code of Practice"), is prohibited to be less than 90 percent of the average price of the simple arithmetic average of closing price for either the 1, 3, or 5 business days before the pricing date deducted shares dividends (or capital reduction) and cash dividends. However, if domestic relative laws and regulations were amended, the Board of Directors can adjust manners and percentage of pricing in correspondence with the laws and regulations.

In order to gain the acceptance of foreign investors, the Chairman of the Board is authorized within the aforementioned scope to set actual issue price in collaboration with securities underwriter according to international customs and related book building situation, so the manner to set issue price should be reasonable.

In addition, the manner to determine the issue price for overseas depositary receipts is based on fair trading market price of ordinary share formed in the business place of domestic securities firm. The original shareholders can still purchase ordinary shares with pricing that is close to the issue price for overseas depositary receipts, and is therefore free from assuming the risk of exchange and liquidity. If the Company issue ordinary shares for issuing overseas depositary receipt in maximum 20,000,000 shares, the highest rate of dilution of shareholder's right calculated by raised shares is 35.90%

However, when the benefits for this capital increase emerged, the Company's competitiveness can be increased, all shareholders can share the benefit, so

there should not be material negative effect to original shareholder's right.

- (2) For the purpose of issuance of ordinary shares for issuing overseas depositary receipt, the Company will reserve 15% of new shares for subscription by employees of the Company in accordance with Article 267 of the Company Act. The remaining 85% new shares will be proposed to be publicly offered in general meeting of shareholders in accordance with Article 28-1 of the Securities Exchange Act as the original security of issuing overseas depositary receipt, and the original shareholders waive their pre-emptive right. The shares that the employees waive their right to subscribe or undersubscription, the Chairman of the Board shall be authorized to seek specific persons to subscribe, or add in as the original security to issue overseas depositary receipt in consideration of market needs.
 - (3) In correspondence with the issuance of ordinary shares for issuing overseas depositary receipt, the Chairman of the Board or persons designated by the Chairperson of the Board is authorized to acknowledge all documents regarding the issuance of ordinary shares for issuing overseas depositary receipt and administer matters related to the issuance of new shares in representation of the Company.
3. To execute the plan to issue ordinary shares domestically, it is proposed to the shareholder's meeting to resolve that the Chairman of the Board is authorized to choose one of the following manner to underwrite:
 - (1) If conducting allocation of securities by book building
 - A. Other than reservation of 15% of new shares for subscription by employees of the Company in accordance with Article 267 of the Company Act, the remaining 85% shares shall be allocated to make book building placement, and the original shareholders waive their pre-emptive right in accordance with Article 28-1 of the Securities Exchange Act. Where the shares that the employees waive their right to subscribe or undersubscription, the Chairman of the Board shall be authorized to seek specific persons to subscribe.
 - B. The actual issue price of the issuance of shares is authorized to the Chairman of the Board to collaborate with the lead securities underwriter to determine in consideration of the all-around situation of the placement, situations of the issuing market and relative laws and regulations after the expiry of period for book building allocation. The determination of the issue price, according to Voluntary Code of Practice shall not be less than 90 percent of the average price of the simple arithmetic average of closing price for either the 1, 3, or 5 business days before the pricing date deducted

shares dividends (or capital reduction) and cash dividends while reporting to the Financial Supervisory Commission, submitting book building placement agreement to the Taiwan Securities Association, and submitting underwriting contract to the Taiwan Securities Association. However, if Taiwan's relative laws and regulations were amended, the Board of Directors can adjust manners and percentage of pricing in correspondence with the laws and regulations.

(2) If conducting public subscription

- A. The Company shall reserve 15% of total amount of new shares for subscription by employees of the Company in accordance with Article 267 of the Company Act, and allocate 10% of total amount of new shares to be publicly underwritten. The remaining 75% shall be severally subscribed by original shareholders according to the names and percentage of shares written in the Register of Shareholders on the base date of the subscription. The odd lots that the original shareholder subscribed less than 1 share can be directly administered by the shareholder to be combined through the agent for shares affairs of the Company within 5 days from the base date for subscription. The portion that the odd lots that is less than 1 share after combination, the original shareholders, employees and publicly underwrites waive to subscribe or the amount of subscription is not enough and combination is not submitted during the period, the Chairperson of the Board is planned to be authorized to seek specific persons to subscribe with issuing price.
- B. The pricing for the cash increase of capital is authorized to the Chairperson of the Board to determine collaborate with underwriter according to the market condition. In accordance with paragraph 1 of Article 6 of the Voluntary Code of Practice, the scope of discretion shall be the simple arithmetic average of closing price for either the 1, 3, or 5 business days before the pricing date minus distribution of shares dividends (or capital reduction) and 70% to 100% of the average price after excluding dividend. However, if domestic relative laws and regulations were amended, the Board of Directors can adjust means and percentage of pricing in correspondence with the laws and regulations.

4. Issuance of ordinary shares for cash in the private placement:

According to paragraph 6 of Article 43-6 of the Securities Exchange Act and Directions for Public Companies Conducting Private Placements of Securities, the private placement shall be conducted once within 1 year from

the date of the shareholder's resolution.

- (1) The basis and rationality for the determination of price in private placement
 - A. The reference price is determined to be the higher of the outcome of the following basis of calculation:
 - a. The average price of the simple arithmetic average of closing price for either the 1, 3, or 5 business days before the pricing date, after adjustment for any distribution of shares dividends, cash dividends or capital reduction.
 - b. The average price of the simple arithmetic average of closing price for the 30 business days before the price determination date, after adjustment for any distribution of shares dividends, cash dividends, or capital reduction.
 - B. The issue price for each private placement shares, is based on no less than 80% of the reference price. Upon the Board of Directors is authorized by the shareholder's meeting after resolving the private placement of ordinary shares, the actual private placement price is determined by no less than 80% of the reference price.
 - C. The aforementioned determinations of issue price should be reasonable for there are regulations restricting the transfer of private placed securities, and it is determined referencing relative laws and regulations and closing price of ordinary shares.
 - D. Pricing date is determined by the Board of Directors after the resolution of shareholder's meeting based on the situations of seeking specific persons afterwards.
- (2) The manner, purpose and necessity for the determination of specific persons

According to Article 43-6 of the Securities Exchange Act, the election of specific persons is limited to natural persons, legal persons and funds that fit the conditions set by the competent authority. Because of the business characteristic that the time to develop drugs is long and the expense is high, it is necessary to pour in funds from natural persons, legal persons and funds that fit the conditions.

- (3) The reason of necessity to administer private placement
 - A. The reasons why not to conduct a public offering: There are regulations that restricts the transfer of private placement shares to ensure that natural persons, legal persons and funds that fit the conditions set by the competent authority will hold the shares more

than 3 years, and comparatively private placement is more efficient and convenient, so the Company conduct a private placement instead of public offering to issue ordinary shares for cash.

- B. The authorized amount of private placement is no more than 20,000,000 shares.
 - C. The use of the fund and expected benefits: This plan is designated for the long term development of the Company, debts repayment, operation fund increase, reinvest, merger and acquisition, premises buildings and equipment replacement, and other single or multiple use. It is predicted that the technical platform and international competitiveness can be enhanced, research and design efficiency can be elevated, and financial structure can be strengthened.
 - D. Last year's private placement did not lead to the change of management right, private placement this time should not lead to massive change in management right.
- (4) The rights and obligations of the private placement ordinary shares are the same with the original shares of the Company; however, according to relative regulations of the Securities Exchange act, unless meets the transfer conditions set forth in Article 43-8 of the Securities Exchange act, private placement shares cannot be resold within 3 years from closing date. The supplementary procedures for public offering and application for listing for this private placement shares shall be completed 3 years after the closing date.
- (5) The main content of this private placement, except the percentage of private placement pricing, including but not limited to the number of shares issued, issuing price, raised amount, conditions of the issuance, pricing date and other matters related to the issuance, is planned to request the shareholder's meeting to authorize the Board of Directors to determine in light of the market condition by then and the operation need of the Company according to the relevant regulations of the competent authority. Where there is change in laws and regulations, requests from competent authority, based on operation assessment or enactment or amendments responding to subjective environments afterwards, the general meeting of shareholders is requested to fully authorize the Board of Directors to administer such matters.
5. The funds raised in this plan is designated for the long term development of the Company, debts repayment, operation fund increase, reinvest, merger and acquisition, premises buildings and equipment replacement, and other single or multiple use, and is predicted to finish execution within 5 years after completion of fund raising. The execution of this capital increase plan is

predicted to be able to strengthen the competitiveness of the Company, enhance research and development synergy that has positive benefit for shareholder's right.

6. The ordinary shares issued for issuing overseas depositary receipt and/or ordinary shares issued domestically for cash will be listed on Taipei Exchange. After issuance, the rights and obligations of the shares shall be the same with original shares.
7. Where the main contents of this capital increase by cash domestically, including but not limited to, numbers of share to be issued, conditions of issuance, devoted items of the capital plan, expected schedule, expected benefit, and other related events not mentioned in this approval, are required to be enacted or amended due to the change of laws and regulations, request of the competent authorities, the requirement of the business environment, it's proposed to authorize to the Chairman of the Board of Directors to do every required acts. It's proposed to authorize to the Chairman of the Board of Directors to decide the base date of price, issued price, the base date of subscription, the base date of capital increase, and other events related to the issuance of shares.
8. It's proposed to authorize the Chairman of the Board of Directors to decide, adjust, and enact all items, and do all acts related to main contents of this issuance of ordinary shares for cash to sponsor the issuance of overseas depositary receipt responding to the needs of the Company and the situation of business environment, including but not limited to, numbers of share to be issued, issued price, conditions of issuance, methods of underwriting, regulations of issuance, items of the plan, expected schedule, expected benefit, and other events not mentioned in this approval. Where such events are required to be enacted or amended due to request of the competent authorities or the requirement of the business environment, it's proposed to authorize to the Chairman of the Board of Directors to do all required acts as well.
9. Where there are matters not clarified in this resolution, the Board of Directors and/or Chairman of the Board of Directors shall be fully authorized to administer in accordance with relative laws and regulations.