

In case of any discrepancy between the English and the Chinese version, the Chinese version shall prevail



Stock Code: 4152

Taiwan Liposome Company, LTD.

Handbook for the 2016 Annual General Meeting of Shareholders (Translation)

Date: June 21, 2016

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

Dist., Taipei City

Taiwan Liposome Company, Ltd. (the “Company”)
Handbook for the 2016 Annual General Meeting of Shareholders (the “Handbook”)
Table of Contents

	<u>Page</u>
I. Meeting Procedures	2
II. Meeting Agenda	3
III. Reports	4
IV. Ratifications	5
V. Discussions	7
VI. Motions	7
VII. Adjournment	7
VIII. Schedules	
1. Business Report	8
2. Supervisor’s Review Report	12
3. Rules for Transfers of Treasury Stock to Employees 2015	
4. Independent Certified Public Accountant Report and Financial Statements	
5. Comparison of Current and Amended Articles of Incorporation of the Company	
6. Comparison of Current and Amended Rules for Director and Supervisor Elections	
IX. Annexes	
1. Rules and Procedures for Shareholders’ Meetings	
2. Articles of Incorporation of the Company	
3. Number and Percentage of the Company’s Shares Owned by its Directors and Supervisors	

I. Meeting Procedures

Taiwan Liposome Company, LTD.

Meeting Procedures for 2016 Annual General Meeting of Shareholders

I Call the Meeting to Order

II Chairperson Remarks

III Reports

IV Ratifications

V Discussions

VI Motions

VII Adjournment

II. Meeting Agenda

Taiwan Liposome Company, Ltd. Meeting Agenda for 2016 Annual General Meeting of Shareholders

- I. Date and Time: June 21, 2016 (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. Reports
 - Item No. 1: 2015 Business Report
 - Item No. 2: 2015 Supervisor's Review Report
 - Item No. 3: 2015 Treasury Stock Purchase Report
- VI. Ratifications
 - Item No. 1: Ratification of 2015 Financial Statements and Business Report
(Proposed by the Board of Directors)
 - Item No. 2: Ratification of the proposal to offset the deficit of 2015
(Proposed by the Board of Directors)
- VII. Discussions
 - Item No. 1: Discussion to amend the "Articles of Incorporation" of the Company (Proposed by the Board of Directors)
 - Item No. 2: Discussion to amend the "Rules for Director and Supervisor Elections" of the Company (Proposed by the Board of Directors)
- VIII. Motions
- IX. Adjournment

III. Reports

Item No. 1: 2015 Business Report

Explanation:

1. The accumulated deficit of the Company to be offset in the year ended December 31, 2015 is NT \$673,562,303, an amount representing half of the Company's paid-in capital.
2. 2015 Business Report can be found on page 8 of this Handbook under Schedule 1.

Item No. 2: 2015 Supervisor's Review Report

Explanation:

2015 Supervisor's Review Report can be found on page 12 of this Handbook under Schedule 2.

Item No. 3: 2015 Treasury Stock Purchase Report

Explanation:

1. The conditions of resolution and execution for treasury stock purchase are provided as below:

Phase	1 st
Date of Resolution of the Board of Directors	August 28, 2015
Purpose of Treasury Stock Purchase	Transfer to employees
Execution Period	From September 2, 2015 to October 30, 2015.
Category and Amount of Treasury Stock Purchase	276,000 shares of ordinary shares
The Ratio of the Amount of Treasury Stock to the Total Number of Outstanding Shares Issued by the Company	0.50%
The Total Purchase Price of Treasury Shares	NT \$36,918,216
The Average Purchase Price of per Treasury Share	NT \$133.76
Transfer Price per Treasury Share to Employees	NT \$133.76
Date of Treasury Share Transfer to Employees	March 17, 2016
Total Number of Treasury Shares Transfer to Employees	276,000 shares
Total Number of Shares Non-Transferred to Employees	0

2. The Rules for Transfers of Treasury Stock to Employees of 2015 of the Company can be found on page 12 of Chinese Handbook under Schedule 3.

IV. Ratifications

Item No. 1: Ratification of 2015 Financial Statements and Business Report
(Proposed by the Board of Directors)

Explanation:

1. 2015 Individual and Consolidated Financial Statements have been audited by independent certified public accountants, Deng, Sheng-Wei and Tzeng, Huei-Chin, of PricewaterhouseCoopers Taiwan, and an audit report has been issued without reservations.
2. The aforementioned Financial Statements and Business Report, have been approved by the Company's Board of Directors and reviewed by the Company's supervisors, from which no inaccuracies were found. Thus the Board of Directors hereby submits the aforementioned Financial Statements and Business Reports to the shareholders' meeting for ratification.
3. Independent Certified Public Accounts' reports and other financial statements can be found on pages 14 to 28 of Chinese Handbook under Schedule 4. The Business Report can be found on page 8 of this Handbook under Schedule 1, and the Supervisor's Review Report can be found on page 12 of this Handbook under Schedule 2.

Resolution:

Item No. 2: Ratification of the proposal to offset the deficit of 2015 (Proposed by the Board of Directors)

Explanation:

1. The Company's 2015 financial statements, after audit by independent certified public accountants, showed a net loss of NT\$675,685,774 in 2015, and an accumulated loss of NT\$673,562,303 with adjustments. The Company plans to offset such loss against NT\$673,562,303 from its capital reserve, pursuant to which the accumulated loss will be NT\$0 after the offset. Please refer to the 2015 Deficit Offset Statement below for more details.
2. Due to the lack of retained earnings, the Company does not intend to distribute dividends and bonuses this year.

Taiwan Liposome Company, Ltd.
2015 Deficit Offset Statement

(In NTD)

Items	Amount	
	Subtotal	Total
Undistributed Earnings in the beginning of 2015	\$0	
2015 retained earnings adjustment	2,123,471	
Undistributed Earnings with adjustments	2,123,471	
2015 net income (deficit)	(675,685,774)	
Deficit to be offset at the end of 2015		(\$673,562,303)
Deficit Offset		
Capital reserve - common share premium	673,562,303	673,562,303
Accumulated loss at the end of 2015		0

Chairman of the Board:

Manager:

Head of the Accounting Dept.:

Resolution:

V. Discussions

Item No. 1: Discussion to amend the “Articles of Incorporation” of the Company
(Proposed by the Board of Directors)

Explanation:

1. The Company intends to amend part of the “Articles of Incorporation” of the Company to comply with Article 192-1 and 235-1 of Company Law, moreover, be in accordance with Ministry of Economic Affairs’ policy to integrate the business scope.
2. The comparison of the current and amended “Articles of Incorporation” of the Company can be found on page 29 of Chinese Handbook under Schedule 5.

Resolution:

Item No. 2: Discussion to amend “Rules for Director and Supervisor Elections”
of the Company (Proposed by the Board of Directors)

Explanation:

1. “Rules for Director and Supervisor Elections” of the Company was amended in order to comply with the changes to the law as a result of the Financial Supervisory Commission’s ruling dated January 27, 2015 (reference number: Chin- Guan- Cheng-Fa-Tzu No. 1030051379) and Company Law.
2. A comparison of the current and amended “Rules for Director and Supervision Elections” of the Company can be found on page 32 of Chinese Handbook under Schedule 6.

Resolution:

VI. Motions

VII. Adjournment

VIII. Schedules

Schedule 1

Business Report

Dear Shareholders:

1. The Company's business performance in 2015

The Company's business grew at a steady pace. This year, the Company has, in accordance with our business plan, achieved our operational objectives with the help of your continuous support.

(1) Results of Execution of 2015 Business Plan

The Company's 2015 operating revenue was NT\$59,771,000, a 37.69% decrease in the amount of NT\$36,151,000, compared to NT\$95,922,000 in 2014. The Company's total loss in 2015 was NT\$672,445,000, a 5.55% increase in the amount of NT\$35,357,000, compared to NT\$637,088,000 in 2014.

With continuously invests in research by the Company from the establishment of the Company till now, the core business of the Company has gradually moved to the back-end products development from the front-end scientific research. Including Lipo-Dox[®] and AmBiL[®] which have been included into the drug list of National Health Insurance, ProFlow[®] which has been permitted by FDA in Taiwan, AmBiL[®] which was applied for permit in Europe last year, Lipotecan[®]/TLC388 which is in the process of phase II clinical trial in Taiwan and China, Doxisome[®], which is in the process of bioequivalence trial in Europe, ProDex[™]/TLC399 which commenced the phase I/II clinical trial last year, and TLC599 which was permitted to phase I/II clinical trial by IND (Investigational New Drug), these achievements of the research mean that among 10 products of the Company, 7 products will gradually bear fruit. Moreover, ProDex[™]/TLC399, which can long-actively ease the eye diseases, obtained subsidy in the amount of NT\$17,600,000 from Business Technology Project of Ministry of Economic Affairs to conduct phase I/II clinical trial. All of these aforementioned facts display the R&D strength of the Company.

In addition to the steady achievements in R&D scope, the Company entered into a collaboration relationship with Main Life Corporation Ltd., antibiotic drugs leader in Hong Kong and Macau, to expand the licensed scope of AmBiL[®] to Hong Kong and Macau district following

Europe, USA, Taiwan, and South Korea. Furthermore, Due to the facts that original application documents of AmBiL[®] conform to the international requirements, the Company can directly apply for and sell in these two districts to increase revenue sources without exceptional cost.

With respect to the operation of the Company, the Company was ranked in the top 5% of the listed company at Taipei Exchange via the 1st corporation governance evaluation system, and awarded the highest rank A++ of the 12th information disclosure evaluation system in listed companies, which is instituted by Taiwan Stock Exchange Corporation and Taipei Exchange on the purpose of elevating the business disclosure and protect the investors' rights. There are 797 listed companies at Taiwan Stock Exchange and 596 listed companies at Taipei Exchange to engage in this evaluation, but only 60 listed companies at Taiwan Stock Exchange and 13 listed companies at Taipei Exchange awarded A++ rank. Therefore, aforementioned excellent grade indicates the effort of the Company in the company governance and information disclosure, and high emphasis on all shareholders of the Company.

(2) Research and Development in 2015

Progresses of the Company's drug R&D activities in 2015 are summarized as follows:

- A. The drug for arthritis treatment, TLC599, was permitted to conduct phase I/II clinical trial by IND (Investigational New Drug).
- B. Patent application for the "Ophthalmic Drug Delivery System Containing Phospholipid and Cholesterol" technology, which is used in ProDex[™], the drug for long-lasting eye treatment, was approved in the China and New Zealand after being approved in the U.S.;
- C. ProDex[™] obtained subsidy in the amount of NT\$17,600,000 from Business Technology Project of Ministry of Economic Affairs to conduct phase I/II clinical trial.
- D. With respect to the AmBiL[®], the anti-mycete drug, the Company entered into a sales collaboration agreement with Main Life Corporation Ltd.

2. Outline of 2016 Business Plan

(1) Business Strategies

The Company will continue to focus on the R&D of Lipid-based Drug Delivery System (LDDS) and dosage form designs. The Company's emphasis will be on the development of the new dosage form designs, in

order to accelerate the R&D progress and reduce costs and risks. If any results of such R&D activities are patentable, the Company will file patent applications for them to ensure its profitability.

Besides, the Company will, following the pattern of its cooperation with Ablynx, combine the LDDS technology with technologies or drugs developed by other companies to create a platform for drug development, bringing it one step closer to its goal of being a “Bio Design House.”

(2) Key production and distribution strategies

A. Business plan and production and distribution strategies

- a. Come up with turnkey solutions to increase the scale of its production and work with domestic and foreign GMP manufacturers with respect to such production.
- b. Enhance human resources management in each of the Company’s subsidiaries. Make use of the resources available to the Company so as to allow the Company to become familiarized with local laws and regulations, which will improve its position when submitting MAAs to local governments and applying for government subsidies. The subsidiaries received by the Company should help the Company form a closer relationship with its local business partners, from which the Company can better identify local market trends.
- c. Enlarge the production and distribution cooperation network through different product distribution strategies in order to reduce the operating risks.

B. Research and product development strategies

- a. Focus on developing and commercializing LDDS.
- b. The Company will be able to attract pharmaceutical companies to enter into technical collaboration arrangements with the results of its product development. More collaboration opportunities for the Company mean the Company can observe relevant markets more closely and as a result develop products that cater to each market. Through this collaboration scheme, the costs can be shared with cooperation partner(s) at the early stages of R&D, and the access of the product to the relevant markets is also secured with such scheme, which will significantly reduce R&D costs and risks. By cooperating with international pharmaceutical companies, the Company will be able to increase its R&D capacity.

- c. Through technical collaboration, the Company should be able to improve its technology to develop derivative drugs by combining the Company's know-how with that of other companies.

3. Key Strategies for Future Development

The Company's goal is to become a "Bio Design House", and the Company strives to improve the toxic and non-water-dissolvable issues of its drugs through drug delivery systems and dosage form designs, so as to break the bottleneck during the new drug development process and prolong the life cycle of existing products.

The Company will not only emphasize on developing products of its own, but will also assist international pharmaceutical companies with the problems they encounter in developing new drugs, provide assistance to these companies with research on particular drugs or technology, and collaborate with them in developing new products. Through these technical collaborative relationships with international companies, the Company will be able to improve its technology for the good of the patients who are suffering from related illness.

4. Influences by External Competitive Environment, Regulatory Environment and Macro Business Environment

In recent years, many large pharmaceutical companies faced the "Patent Cliff", which means that these companies suffer tremendous loss due to the expiration of the protection afforded by patents. To balance such loss, these large companies devoted its resourced to developing new patented drugs to offset the deficit. However, in recent years the costs for developing new drugs increased annually while the success rate failed to meet expectations. In view of this phenomenon, "new dosage forms and new formulas," developed from changing the formulation and dosage of existing drugs, have captured large companies' attention due to low development risk, the less time needed for development, clear existing market, and the eligibility for patent protection for most of these improved dosage forms and formulas. For these reasons, these types of drugs and technology are very likely to be the trend in the pharmaceutical industry.

Taiwan Liposome Company, Ltd.

Chairman of the Board: Hung, Keelung

General Manager: Yeh, Chih-Hung

Head of the Accounting Dept.: Lin, Ju- Yun

Taiwan Liposome Company, Ltd.
Supervisor's Review Report

To All Shareholders of Taiwan Liposome Company, Ltd.:

The Board of Directors has prepared and submitted the Company's 2015 Business Report, Individual Financial Statements, Consolidated Financial Statements and Proposal to offset the deficit of 2015 to the Company's Supervisor(s) for his or her review, of which the Individual Financial Statements and Consolidated Financial Statements were audited by independent certified public accountants, Deng, Sheng-Wei and Tzeng, Huei-Chin, of PricewaterhouseCoopers Taiwan, pursuant to which an audit report has been prepared. According to such audit report, the abovementioned documents are sufficient to properly demonstrate the Company's financial position, financial performances and the volume of cash flow. I have reviewed each of the aforementioned documents and have not found any inaccuracies. Therefore, I hereby submit this report in compliance with Article 14 of the Securities and Exchange Act and Article 219 of the Company Act.

Date: February 25, 2016

Taiwan Liposome Company, Ltd.

Supervisor: Huang, Chin-Fen

Taiwan Liposome Company, Ltd.
Supervisor's Review Report

To All Shareholders of Taiwan Liposome Company, Ltd.:

The Board of Directors has prepared and submitted the Company's 2015 Business Report, Individual Financial Statements, Consolidated Financial Statements and Proposal to offset the deficit of 2015 to the Company's Supervisor(s) for his or her review, of which the Individual Financial Statements and Consolidated Financial Statements were audited by independent certified public accountants, Deng, Sheng-Wei and Tzeng, Huei-Chin, of PricewaterhouseCoopers Taiwan, pursuant to which an audit report has been prepared. According to such audit report, the abovementioned documents are sufficient to properly demonstrate the Company's financial position, financial performances and the volume of cash flow. I have reviewed each of the aforementioned documents and have not found any inaccuracies. Therefore, I hereby submit this report in compliance with Article 14 of the Securities and Exchange Act and Article 219 of the Company Act.

Date: February 25, 2016

Taiwan Liposome Company, Ltd.

Supervisor: Chen, Chih-Chiang

Taiwan Liposome Company, Ltd.
Supervisor's Review Report

To All Shareholders of Taiwan Liposome Company, Ltd.:

The Board of Directors has prepared and submitted the Company's 2015 Business Report, Individual Financial Statements, Consolidated Financial Statements and Proposal to offset the deficit of 2015 to the Company's Supervisor(s) for his or her review, of which the Individual Financial Statements and Consolidated Financial Statements were audited by independent certified public accountants, Deng, Sheng-Wei and Tzeng, Huei-Chin, of PricewaterhouseCoopers Taiwan, pursuant to which an audit report has been prepared. According to such audit report, the abovementioned documents are sufficient to properly demonstrate of the Company's financial position, financial performances and the volume of cash flow. I have reviewed each of the aforementioned documents and have not found any inaccuracies. Therefore, I hereby submit this report in compliance with Article 14 of the Securities and Exchange Act and Article 219 of the Company Act.

Date: February 25, 2016

Taiwan Liposome Company, Ltd.

Supervisor: Yang, Ta-Kuan