

**TAIWAN LIPOSOME COMPANY, LTD. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS**

THREE MONTHS ENDED MARCH 31, 2019 AND 2018

For the convenience of readers and for information purpose only, the review report of independent accountants and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language review report of independent accountants and consolidated financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To Taiwan Liposome Company, Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Liposome Company, Ltd. and subsidiaries (the “Group”) as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

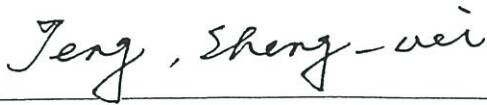
We conducted our reviews in accordance with the Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Group will require additional financing to fund future operations. Management’s plans in regard to this matter are also described in Note 1. Our conclusion is not modified in respect of this matter.



Teng, Sheng-Wei



Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan
May 8, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the review of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and review report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018
 (THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2019 AND 2018 ARE UNAUDITED BUT REVIEWED)
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Note	March 31, 2019		December 31, 2018		March 31, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 988,284	70	\$ 807,484	57	\$ 732,099	67
1136	Current financial assets at amortized cost	6(2)	-	-	307,150	22	-	-
1140	Current contract assets	6(19)	2,615	-	2,283	-	-	-
1170	Accounts receivable, net	6(3)	8,939	1	9,343	1	6,780	1
1200	Other receivables	6(20)	6,749	1	5,811	-	26,460	3
1220	Current income tax assets		695	-	113	-	414	-
1410	Prepayments	6(4)	<u>76,339</u>	<u>5</u>	<u>56,511</u>	<u>4</u>	<u>112,355</u>	<u>10</u>
11XX	Total current assets		<u>1,083,621</u>	<u>77</u>	<u>1,188,695</u>	<u>84</u>	<u>878,108</u>	<u>81</u>
Non-current assets								
1600	Property, plant and equipment	6(5) and 8	71,138	5	158,245	11	150,833	14
1755	Right-of-use assets	6(6)	142,302	10	-	-	-	-
1780	Intangible assets	6(7)	6,262	1	4,030	-	7,251	-
1840	Deferred income tax assets		81	-	79	-	81	-
1900	Other non-current assets	6(8)	<u>99,123</u>	<u>7</u>	<u>66,872</u>	<u>5</u>	<u>54,355</u>	<u>5</u>
15XX	Total non-current assets		<u>318,906</u>	<u>23</u>	<u>229,226</u>	<u>16</u>	<u>212,520</u>	<u>19</u>
1XXX	Total assets		<u>\$ 1,402,527</u>	<u>100</u>	<u>\$ 1,417,921</u>	<u>100</u>	<u>\$ 1,090,628</u>	<u>100</u>

(Continued)

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018
 (THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2019 AND 2018 ARE UNAUDITED BUT REVIEWED)
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Note	March 31, 2019		December 31, 2018		March 31, 2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Liabilities and equity							
Current liabilities							
2100	6(9)	\$ 46,000	3	\$ 46,000	3	\$ 46,000	4
2130	6(19)	-	-	-	-	5,847	1
2200	6(10)(27)	190,481	14	206,268	15	97,974	9
2280		68,047	5	-	-	-	-
2300	6(11)(12)	98,981	7	92,020	6	45,525	4
21XX		<u>403,509</u>	<u>29</u>	<u>344,288</u>	<u>24</u>	<u>195,346</u>	<u>18</u>
Non-current liabilities							
2527	6(19)	10,760	1	-	-	-	-
2540	6(11)	336,055	24	368,010	26	64,001	6
2550	6(15)	6,922	1	6,922	1	6,922	1
2580		74,485	5	-	-	-	-
2600	6(12)	5,502	-	29,505	2	5,103	-
25XX		<u>433,724</u>	<u>31</u>	<u>404,437</u>	<u>29</u>	<u>76,026</u>	<u>7</u>
2XXX		<u>837,233</u>	<u>60</u>	<u>748,725</u>	<u>53</u>	<u>271,372</u>	<u>25</u>
Equity							
Equity attributable to owners of parent							
Share capital							
3110	6(16)	640,451	46	640,451	45	561,990	51
Capital surplus							
3200	6(17)	957,008	68	952,364	67	1,327,512	122
Retained earnings							
3350	6(18)	(1,021,727)	(73)	(910,042)	(64)	(1,048,330)	(96)
Other equity							
3400		(10,438)	(1)	(13,577)	(1)	(21,916)	(2)
31XX		<u>565,294</u>	<u>40</u>	<u>669,196</u>	<u>47</u>	<u>819,256</u>	<u>75</u>
3XXX		<u>565,294</u>	<u>40</u>	<u>669,196</u>	<u>47</u>	<u>819,256</u>	<u>75</u>
Significant contingent liabilities and unrecognized contract commitments							
Significant events after reporting period							
3X2X		<u>\$ 1,402,527</u>	<u>100</u>	<u>\$ 1,417,921</u>	<u>100</u>	<u>\$ 1,090,628</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE AMOUNTS)
(UNAUDITED BUT REVIEWED)

	Items	Note	Three months ended March 31,			
			2019		2018	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(19)	\$ 157,765	100	\$ 14,091	100
	Operating expenses	6(13)(14)(23)(24)				
6200	General and administrative expenses		(40,777)	(26)	(33,909)	(241)
6300	Research and development expenses		(229,155)	(145)	(151,105)	(1072)
6000	Total operating expenses		(269,932)	(171)	(185,014)	(1313)
6900	Operating loss		(112,167)	(71)	(170,923)	(1213)
	Non-operating income and expenses					
7010	Other income	6(20)	7,511	5	4,541	32
7020	Other gains and losses	6(21)	(618)	(1)	(986)	7
7050	Finance costs	6(22)	(6,134)	(4)	(738)	(5)
7000	Total non-operating income and expenses		759	-	4,789	34
7900	Loss before income tax		(111,408)	(71)	(166,134)	(1179)
7950	Income tax expense	6(25)	(277)	-	(169)	(1)
8200	Net loss		(\$ 111,685)	(71)	(\$ 166,303)	(1180)
	Other comprehensive income (loss)					
	Items that may be subsequently reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		\$ 542	1	(\$ 1,634)	(12)
8300	Total other comprehensive income (loss)		\$ 542	1	(\$ 1,634)	(12)
8500	Total comprehensive loss		(\$ 111,143)	(70)	(\$ 167,937)	(1192)
	Loss attributable to:					
8610	Owners of the parent		(\$ 111,685)	(71)	(\$ 166,303)	(1180)
	Total comprehensive loss attributable to:					
8710	Owners of the parent		(\$ 111,143)	(70)	(\$ 167,937)	(1192)
	Loss per share of common share	6(26)				
9750	Basic loss per share (in dollars)		(\$ 1.76)		(\$ 2.99)	
9850	Diluted loss per share (in dollars)		(\$ 1.76)		(\$ 2.99)	

The accompanying notes are an integral part of these consolidated financial statements.

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

	Equity attributable to owners of the parent									
	Notes	Capital surplus					Other equity interest			Total equity
		Common shares	Additional paid-in capital	Treasury stocks	Share options	Restricted stocks	Accumulated deficit	Exchange difference on translation of foreign financial statements	Unearned compensation	
<u>2018</u>										
Balance at January 1, 2018		\$ 561,990	\$ 1,058,608	\$ 7,009	\$ 229,214	\$ 27,794	(\$ 874,086)	(\$ 1,712)	(\$ 21,533)	\$ 987,284
Effects of retrospective application of new standards		-	-	-	-	-	(7,941)	-	-	(7,941)
Balance at January 1, 2018 after adjustments		<u>561,990</u>	<u>1,058,608</u>	<u>7,009</u>	<u>229,214</u>	<u>27,794</u>	<u>(882,027)</u>	<u>(1,712)</u>	<u>(21,533)</u>	<u>979,343</u>
Net loss		-	-	-	-	-	(166,303)	-	-	(166,303)
Other comprehensive loss		-	-	-	-	-	(1,634)	-	-	(1,634)
Total comprehensive loss		-	-	-	-	-	(166,303)	(1,634)	-	(167,937)
Share-based payments	6(14)	-	-	-	4,887	-	-	-	2,963	7,850
Share options forfeited	6(14)(16)	-	8,420	-	(8,420)	-	-	-	-	-
Balance at March 31, 2018		<u>\$ 561,990</u>	<u>\$ 1,067,028</u>	<u>\$ 7,009</u>	<u>\$ 225,681</u>	<u>\$ 27,794</u>	<u>(\$ 1,048,330)</u>	<u>(\$ 3,346)</u>	<u>(\$ 18,570)</u>	<u>\$ 819,256</u>
<u>2019</u>										
Balance at January 1, 2019		\$ 640,451	\$ 732,816	\$ 7,009	\$ 186,849	\$ 25,690	(\$ 910,042)	(\$ 2,439)	(\$ 11,138)	\$ 669,196
Net loss		-	-	-	-	-	(111,685)	-	-	(111,685)
Other comprehensive income		-	-	-	-	-	542	-	-	542
Total comprehensive income (loss)		-	-	-	-	-	(111,685)	542	-	(111,143)
Share-based payments	6(14)	-	-	-	4,644	-	-	-	2,597	7,241
Share options forfeited	6(14)(16)	-	471	-	(471)	-	-	-	-	-
Balance at March 31, 2019		<u>\$ 640,451</u>	<u>\$ 733,287</u>	<u>\$ 7,009</u>	<u>\$ 191,022</u>	<u>\$ 25,690</u>	<u>(\$ 1,021,727)</u>	<u>(\$ 1,897)</u>	<u>(\$ 8,541)</u>	<u>\$ 565,294</u>

The accompanying notes are an integral part of these consolidated financial statements.

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

	<u>Notes</u>	<u>Three months ended March 31,</u>	
		<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 111,408)	(\$ 166,134)
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(14)	7,241	7,850
Depreciation	6(5)(6)(23)	18,752	9,572
Amortization	6(7)(23)	1,779	2,716
Interest expense	6(22)	6,134	738
Interest income	6(20)	(2,457)	(554)
Prepayments for equipment being transferred to other expenses	6(27)	-	780
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(332)	-
Accounts receivable, net		404	1,842
Other receivables		(842)	(6,805)
Prepayments		(20,410)	(12,480)
Changes in operating liabilities			
Current contract liabilities		-	(2,094)
Other payables		(17,001)	(24,424)
Other current liabilities		(79)	(464)
Non-current contract liabilities		10,760	-
Other non-current liabilities		(2)	1
Cash outflow generated from operations		(107,461)	(189,456)
Interest received		2,361	625
Interest paid		(4,101)	(745)
Income tax paid		(277)	(83)
Net cash flows used in operating activities		(109,478)	(189,659)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at amortized cost		308,505	-
Acquisition of property, plant and equipment	6(27)	(31,074)	(13,691)
Acquisition of intangible assets	6(27)	(1,110)	(1,030)
Increase in refundable deposits		(28)	-
Net cash flows from/ (used in) investing activities		276,293	(14,721)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payments of long-term borrowings	6(28)	(2,176)	(1,700)
Payments of finance lease liabilities	6(28)	-	(12,000)
Proceeds from finance lease arrangements	6(28)	30,000	-
Payments of lease liabilities	6(28)	(14,367)	-
Net cash flows from/ (used in) financing activities		13,457	(13,700)
Effect from foreign currency exchange		528	(1,534)
Net increase/ (decrease) in cash and cash equivalents		180,800	(219,614)
Cash and cash equivalents at beginning of period		807,484	951,713
Cash and cash equivalents at end of period		<u>\$ 988,284</u>	<u>\$ 732,099</u>

The accompanying notes are an integral part of these consolidated financial statements.

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED BUT REVIEWED)

1. HISTORY AND ORGANIZATION

Taiwan Liposome Company, Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and was listed on the Taipei Exchange on December 21, 2012. In November 2018, the Company’s American Depositary Shares (“ADSs”) was listed on the Nasdaq Global Market. The Company and its subsidiaries (collectively referred herein as the “Group”) are mainly engaged in the development and commercialization of pharmaceutical products based on its proprietary lipid-assembled drug delivery platform technologies.

The Company’s financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has financed its operations to date primarily through the issuance of common shares. The Company has incurred net losses of \$111,685 for the three months ended March 31, 2019. As of March 31, 2019, the Company had an accumulated deficit of \$1,021,727. The Company has reported a net loss in all fiscal periods since inception and expects to incur substantial and increased expenses to expand its development activities and advance its clinical programs. The Company expects to continue to generate operating losses in the foreseeable future.

As of March 31, 2019, the Company had cash and cash equivalents of \$988,284, including the funding from a loan and security agreement of \$369,840 (US\$12,000 thousand) that has a maturity date in June 2020. As disclosed in Note 6(11), the Group is required to maintain certain financial covenants quarterly and annually as agreed by both parties, and the bank can inspect at any time when necessary.

As the Company is in the research and development phase, the Company may seek future funding based on the need of capital. The Company is able to exercise discretion and flexibility to deploy its capital resources in the progress of the research and development according to the schedule of fund raising. Based on the Company’s business plans, management believes that its cash and cash equivalents are sufficient to fund its operating expenses and capital expenditure requirements and meet its obligations for at least the next twelve months from March 31, 2019. However, the future viability of the Company beyond that date is dependent on its ability to raise additional capital to finance its operations. The Company will seek additional funding through public offerings. If the Company is unable to obtain sufficient funds on acceptable terms when needed, the Company could be required to delay, limit or reduce certain of its research and development programs, which could have effects on the Company’s business prospects. The Company’s business plans, consider, among others, the cost management, the issuance of its common stock, and renewal of its banking facilities with the financial institutions.

Although management continues to pursue these plans, there can be no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on May 8, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“IASB”)</u>
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

IFRS 16, ‘Leases’

(a) IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

(b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the “modified retrospective approach”) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group recognized ‘right-of-use asset’ and ‘lease liability’ by approximately \$73,021, which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’, while the Group recognized ‘right-of-use asset’ by approximately

\$46,970 and 'lease liability' by approximately \$48,000, which had previously been classified as 'finance leases' under the principles of IAS 17, 'Leases'. Based on the above adjustment, 'right-of-use asset' increased by \$119,991 and 'lease liability' by \$121,021 on January 1, 2019.

In addition, operating cash flows will increase and financing cash flows decrease by approximately \$6,867 as repayment of the principal portion of the non-finance lease liabilities will be classified as cash flows from financing activities, where previously it was classified as operating cash outflows.

(c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

iii. The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

(d) The Group calculated the present value of lease liabilities by using the incremental borrowing interest rate ranging from 1.85% to 4.10%.

(e) The reconciliation between operating lease commitments for the remaining lease payments under IAS 17 and lease liabilities recognized as of January 1, 2019 measured at the present value of the remaining lease payments, discontinued using the lessee's incremental borrowing rate is as follows:

Operating lease commitments disclosed by applying IAS 17 as of December 31, 2018	\$ 78,102
Add: Lease payable recognized under finance lease by applying IAS 17 as of December 31, 2018	48,781
Less: Short-term leases	(1,624)
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$ 125,259</u>
Incremental borrowing interest rate at the date of initial application	<u>1.85%~4.10%</u>
Lease liabilities recognized as of January 1, 2019 by applying IFRS 16	<u>\$ 121,021</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2018, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

(2) Basis of preparation

- A. Except for defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, these consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
Basis for preparation of consolidated financial statements is the same as those disclosed to the consolidated financial statements as of and for the year ended December 31, 2018.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		
			March 31, 2019	December 31, 2018	March 31, 2018
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, Inc.	Research on new anti-cancer drugs and biotechnology services	100	100	100
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, B.V.	Technical authorization and product development	100	100	100
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, (H.K.) Limited	Biotechnology services and reinvestment	100	100	100
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals Pty Ltd.	Technical authorization and product development	100	100	100
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, Japan Co., Ltd.	Technical authorization and product development	100	100	100
TLC Biopharmaceuticals, (H.K.) Limited	TLC Biopharmaceuticals (Shanghai) Limited	Consulting and technical service of medication	100	100	100

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Leasing agreement (lessee)-right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

The right-of-use asset is measured subsequently using the cost model and is depreciated from the

commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(5) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly

(6) Income tax.

A. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

5. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Cash on hand	\$ 56	\$ 56	\$ 89
Checking and demand deposits	803,308	807,428	477,610
Time deposits	<u>184,920</u>	<u>-</u>	<u>254,400</u>
	<u>\$ 988,284</u>	<u>\$ 807,484</u>	<u>\$ 732,099</u>

The Group transacts with a variety of financial institutions with good credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(2) Financial assets at amortized cost

<u>Items</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Current items:			
Time deposits with maturity over three months	<u>\$ -</u>	<u>\$ 307,150</u>	<u>\$ -</u>

Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	<u>\$ 787</u>	<u>\$ -</u>

(3) Accounts receivable

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Accounts receivable	\$ 27,071	\$ 27,475	\$ 24,912
Less : Allowance for doubtful accounts	(18,132)	(18,132)	(18,132)
	<u>\$ 8,939</u>	<u>\$ 9,343</u>	<u>\$ 6,780</u>

A. The Group does not hold any collateral as security.

B. The ageing analysis of accounts receivable is as follows:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Not past due	\$ 8,939	\$ 9,343	\$ 6,780
Up to 30 days	-	-	-
31 to 90 days	-	-	-
91 to 180 days	-	-	-
Over 181 days	<u>18,132</u>	<u>18,132</u>	<u>18,132</u>
	<u>\$ 27,071</u>	<u>\$ 27,475</u>	<u>\$ 24,912</u>

The above ageing analysis was based on past due date.

C. Information relating to credit risk is provided in Note 12(2).

(4) Prepayments

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Net input VAT	\$ 40,864	\$ 40,614	\$ 37,248
Prepaid insurance expenses	28,133	1,568	1,535
Prepaid expense for medical research	2,135	3	482
Prepaid handling charges	2,095	1,294	1,044
Prepaid repair expense	1,441	1,580	743
Prepaid rent	698	487	567
Prepaid service charges	11	-	61,398
Others	<u>962</u>	<u>10,965</u>	<u>9,338</u>
	<u>\$ 76,339</u>	<u>\$ 56,511</u>	<u>\$ 112,355</u>

(5) Property, plant and equipment

A. The details of property, plant and equipment are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Leasehold assets</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2019</u>							
Cost	\$ 14,962	\$ 29,532	\$ 82,584	\$ 19,878	\$ 50,013	\$ 77,208	\$ 274,177
Accumulated depreciation	<u>-</u>	<u>(6,016)</u>	<u>(29,653)</u>	<u>(13,822)</u>	<u>(3,043)</u>	<u>(63,398)</u>	<u>(115,932)</u>
	<u>\$ 14,962</u>	<u>\$ 23,516</u>	<u>\$ 52,931</u>	<u>\$ 6,056</u>	<u>\$ 46,970</u>	<u>\$ 13,810</u>	<u>\$ 158,245</u>
<u>2019</u>							
Opening net book amount	\$ 14,962	\$ 23,516	\$ 52,931	\$ 6,056	\$ 46,970	\$ 13,810	\$ 158,245
Additions	-	-	2,737	-	-	99	2,836
Reclassifications (Note 1)	-	-	(36,315)	-	(46,970)	-	(83,285)
Transfers (Note 2)	-	-	71	-	-	-	71
Depreciation charges	-	(164)	(1,430)	(812)	-	(4,349)	(6,755)
Net exchange differences	<u>-</u>	<u>-</u>	<u>7</u>	<u>6</u>	<u>-</u>	<u>13</u>	<u>26</u>
Closing net book amount	<u>\$ 14,962</u>	<u>\$ 23,352</u>	<u>\$ 18,001</u>	<u>\$ 5,250</u>	<u>\$ -</u>	<u>\$ 9,573</u>	<u>\$ 71,138</u>
<u>At March 31, 2019</u>							
Cost	\$ 14,962	\$ 29,532	\$ 45,432	\$ 19,890	\$ -	\$ 77,330	\$ 187,146
Accumulated depreciation	<u>-</u>	<u>(6,180)</u>	<u>(27,431)</u>	<u>(14,640)</u>	<u>-</u>	<u>(67,757)</u>	<u>(116,008)</u>
	<u>\$ 14,962</u>	<u>\$ 23,352</u>	<u>\$ 18,001</u>	<u>\$ 5,250</u>	<u>\$ -</u>	<u>\$ 9,573</u>	<u>\$ 71,138</u>

	<u>Land</u>	<u>Buildings</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Leasehold assets</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2018</u>							
Cost	\$ 14,962	\$ 29,532	\$ 40,708	\$ 18,329	\$ 98,170	\$ 73,014	\$ 274,715
Accumulated depreciation	-	(5,360)	(25,771)	(12,277)	(23,681)	(53,791)	(120,880)
	<u>\$ 14,962</u>	<u>\$ 24,172</u>	<u>\$ 14,937</u>	<u>\$ 6,052</u>	<u>\$ 74,489</u>	<u>\$ 19,223</u>	<u>\$ 153,835</u>
<u>2018</u>							
Opening net book amount	\$ 14,962	\$ 24,172	\$ 14,937	\$ 6,052	\$ 74,489	\$ 19,223	\$ 153,835
Additions	-	-	1,968	352	-	4,189	6,509
Transfers (Note 2)	-	-	143	-	-	-	143
Depreciation charges	-	(164)	(1,249)	(743)	(5,154)	(2,262)	(9,572)
Net exchange differences	-	-	(68)	1	-	(15)	(82)
Closing net book amount	<u>\$ 14,962</u>	<u>\$ 24,008</u>	<u>\$ 15,731</u>	<u>\$ 5,662</u>	<u>\$ 69,335</u>	<u>\$ 21,135</u>	<u>\$ 150,833</u>
<u>At March 31, 2018</u>							
Cost	\$ 14,962	\$ 29,532	\$ 42,608	\$ 18,569	\$ 98,170	\$ 77,138	\$ 280,979
Accumulated depreciation	-	(5,524)	(26,877)	(12,907)	(28,835)	(56,003)	(130,146)
	<u>\$ 14,962</u>	<u>\$ 24,008</u>	<u>\$ 15,731</u>	<u>\$ 5,662</u>	<u>\$ 69,335</u>	<u>\$ 21,135</u>	<u>\$ 150,833</u>

Note 1: Information about the reclassification from leasehold assets to right-of-use assets for the initial application of IFRS 16 at January 1, 2019, is provided in Note 6(6).

Note 2: Transferred from prepayments for equipment (shown as “Other non-current assets”).

- B. Information about the investing activities that were partially paid by cash is provided in Note 6(27).
- C. Information about the leasehold assets for March 31, 2018 is provided in Note 6(12).
- D. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(6) Leasing arrangements-lessee

Effective 2019

A. The Group leases various assets including buildings and testing equipment. Lease agreements are typically made for periods of 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2019</u>	<u>Three months ended March 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Buildings	\$ 64,269	\$ 6,746
Testing equipment	78,033	5,252
	<u>\$ 142,302</u>	<u>\$ 11,998</u>

C. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Three months ended March 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 277
Expense on short-term lease contracts	442
Expense on leases of low-value assets	67

D. For the three months ended March 31, 2019, the Group's total cash outflow for leases were \$14,367.

(7) Intangible assets

A. The details of intangible assets are as follows:

	<u>Professional technology</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 49,290	\$ 27,058	\$ 76,348
Accumulated amortization	(49,290)	(23,028)	(72,318)
	<u>\$ -</u>	<u>\$ 4,030</u>	<u>\$ 4,030</u>
<u>2019</u>			
Opening net book amount	\$ -	\$ 4,030	\$ 4,030
Additions	-	3,768	3,768
Transfers (Note)	-	243	243
Amortization charges	-	(1,779)	(1,779)
Closing net book amount	<u>\$ -</u>	<u>\$ 6,262</u>	<u>\$ 6,262</u>
<u>At March 31, 2019</u>			
Cost	\$ 49,290	\$ 31,069	\$ 80,359
Accumulated amortization	(49,290)	(24,807)	(74,097)
	<u>\$ -</u>	<u>\$ 6,262</u>	<u>\$ 6,262</u>
	<u>Professional technology</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 49,114	\$ 23,522	\$ 72,636
Accumulated amortization	(46,315)	(17,684)	(63,999)
	<u>\$ 2,799</u>	<u>\$ 5,838</u>	<u>\$ 8,637</u>
<u>2018</u>			
Opening net book amount	\$ 2,799	\$ 5,838	\$ 8,637
Additions	-	1,333	1,333
Amortization charges	(1,258)	(1,458)	(2,716)
Net exchange differences	(3)	-	(3)
Closing net book amount	<u>\$ 1,538</u>	<u>\$ 5,713</u>	<u>\$ 7,251</u>
<u>At March 31, 2018</u>			
Cost	\$ 49,048	\$ 24,855	\$ 73,903
Accumulated amortization	(47,510)	(19,142)	(66,652)
	<u>\$ 1,538</u>	<u>\$ 5,713</u>	<u>\$ 7,251</u>

(Note): Transferred from prepayments for equipment (shown as “Other non-current assets”).

B. Information about the investing activities that were partially paid by cash is provided in Note 6(27).

C. The details of the amortization charges of intangible assets (recorded in “Operating expenses”) are as follows:

	Three months ended March 31,	
	2019	2018
General and administrative expenses	\$ 769	\$ 886
Research and development expenses	1,010	1,830
	<u>\$ 1,779</u>	<u>\$ 2,716</u>

(8) Other non-current assets

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Refundable deposits	\$ 26,457	\$ 18,930	\$ 27,173
Prepaid expense for medical research-non-current	20,000	20,000	20,000
Prepayments for equipment	<u>52,666</u>	<u>27,942</u>	<u>7,182</u>
	<u>\$ 99,123</u>	<u>\$ 66,872</u>	<u>\$ 54,355</u>

(9) Short-term borrowings

<u>Type of borrowing</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Bank unsecured borrowings	<u>\$ 46,000</u>	<u>\$ 46,000</u>	<u>\$ 46,000</u>
Interest rate	<u>1.95%~2.10%</u>	<u>1.95%~2.10%</u>	<u>1.95%~2.10%</u>
Credit line	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest expense recognized in profit or loss amounted to \$232 and \$235 for the three months ended March 31, 2019 and 2018, respectively.

(10) Other payables

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Research expenses	\$ 104,210	\$ 97,930	\$ 20,409
Service expenses	33,888	48,137	32,750
Salaries and bonuses	22,881	31,049	25,090
Medical research expenses	5,471	2,707	8,083
Payables on machinery, equipment and intangible assets	3,135	3,677	303
Labor and health insurance	1,936	2,191	2,603
Repair expenses	508	676	567
Other accrued expenses	<u>18,452</u>	<u>19,901</u>	<u>8,169</u>
	<u>\$ 190,481</u>	<u>\$ 206,268</u>	<u>\$ 97,974</u>

(11) Long-term borrowings

<u>Type of loans</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>March 31, 2019</u>
Taiwan Cooperative Bank -secured borrowings	Note 1	1.85%	Note 4	\$ 36,801
Taiwan Cooperative Bank -secured borrowings	Note 2	1.85%	Note 4	27,200
Cathay Bank -secured borrowings	Note 3	5.50%	Note 4	<u>369,840</u>
				433,841
Less: Current portion (Shown as “Other current liabilities”)				(<u>97,786</u>)
				<u>\$ 336,055</u>

<u>Type of loans</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Taiwan Cooperative Bank -secured borrowings	Note 1	1.85%	Note 4	\$ 37,277
Taiwan Cooperative Bank -secured borrowings	Note 2	1.85%	Note 4	28,900
Cathay Bank -secured borrowings	Note 3	5.25%	Note 4	<u>368,580</u>
				434,757
Less: Current portion (Shown as “Other current liabilities”)				(<u>66,747</u>)
				<u>\$ 368,010</u>

<u>Type of loans</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>March 31, 2018</u>
Taiwan Cooperative Bank -secured borrowings	Note 1	1.85%	Note 4	\$ 37,750
Taiwan Cooperative Bank -secured borrowings	Note 2	1.85%	Note 4	<u>30,600</u>
				68,350
Less: Current portion (Shown as “Other current liabilities”)				(<u>4,349</u>)
				<u>\$ 64,001</u>

Note 1: The Company entered into a long-term loan contract with Taiwan Cooperative Bank on September 1, 2015 in the amount of \$37,750. The contract period is from September 2015 to September 2035. The interest is payable monthly for the first 3 years and payable monthly along with the same amount of principal starting from the fourth year.

Note 2: The Company entered into a mid-term loan contract with Taiwan Cooperative Bank on

September 4, 2015 in the amount of \$34,000. The contract period is from September 2015 to September 2022. The interest is payable monthly for the first 2 years and payable semi-annually along with 5% of the principal starting from September 2017. The remaining 50% of principal is required to be repaid in September 2022.

Note 3: The Company and its subsidiary, TLC Biopharmaceuticals, Inc. (“TLC US”) entered into a mid-term loan and security agreement with Cathay Bank on December 27, 2018 in the amount of US\$12 million. The contract period is from December 2018 to June 2020. The interest is payable monthly for the first six months and payable monthly along with the same amount of principal starting from July 2019.

Note 4: Information about the collateral provided for the loans is provide in Note 8.

- A. According to the above two bank loan contracts with Taiwan Cooperative Bank, the Company is restricted from paying cash dividends or other distributions on the common shares and Taiwan Cooperative Bank retains the right in requesting the Company to raise paid-in capital or to improve financial structure if certain conditions are met.
- B. According to the above bank loan contract with Cathay Bank, if the Company and its subsidiary violate any of the following covenants, Cathay Bank has the right to ask the Company and its subsidiary to repay early the outstanding loan:
 - (i) The Group must maintain an adjusted quick ratio (“Adjusted Quick Ratio”) of at least a minimum of 2.25 to 1.00 and (ii) the Group must maintain an adjusted tangible net worth (“Adjusted Tangible Net Worth”) of no less than US\$12 million as per its quarterly and yearly consolidated financial statements.

“Adjusted Quick Ratio” means a ratio of cash and cash equivalents plus net trade receivables to the amount of principal payments owing to Cathay Bank under this contract for the next 12 months plus all other current liabilities. “Adjusted Tangible Net Worth” means the differences between the value of the capital stock, partnership interests, or limited liability company interests of the Company and TLC US (and their respective subsidiaries), minus intangible assets, plus deferred revenue.

The Company was in compliance with all of the loan covenants as of March 31, 2019. Accordingly, the outstanding debt balance for this loan has been classified as non-current liability at March 31, 2019.

On April 25, 2019, the Company entered into an amendment to the loan and security agreement with Cathay Bank, pursuant to which the applicability of the above-mentioned loan covenants was deferred until September 30, 2019 (and tested as of the last day of each quarter going forward).

The loan and security agreement with Cathay Bank also prohibits the Company from paying cash

dividends or making distributions on account of the Company's capital stock without the consent of Cathay Bank, subject to certain exceptions.

- As of March 31, 2019, December 31, 2018 and March 31, 2018, the undrawn loan facilities amounted to \$8,799, \$6,623 and \$4,450, respectively. The information about the Group's liquidity risk is provided in Note 12(2)C(c).

(12) Finance lease liabilities

Prior to 2019

The Group leases testing equipment under finance leases. Future minimum lease payments and their present values as of December 31, 2018 and March 31, 2018 are as follows:

	<u>December 31, 2018</u>		
	<u>Total finance lease liabilities</u>	<u>Future finance charges</u>	<u>Present value of finance lease liabilities</u>
<u>Current</u>			
Not later than one year (Note)	\$ 24,583	(\$ 583)	\$ 24,000
<u>Non-current</u>			
Later than one year but not later than two years (Note)	<u>24,198</u>	<u>(198)</u>	<u>24,000</u>
	<u>\$ 48,781</u>	<u>(\$ 781)</u>	<u>\$ 48,000</u>
	<u>March 31, 2018</u>		
	<u>Total finance lease liabilities</u>	<u>Future finance charges</u>	<u>Present value of finance lease liabilities</u>
<u>Current</u>			
Not later than one year (Note)	<u>\$ 40,285</u>	<u>(\$ 285)</u>	<u>\$ 40,000</u>

Note: Shown as "Other current liabilities" and "Other non-current liabilities", respectively.

(13) Pensions

A. Defined benefit plan

- The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund

committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned methods to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover for the deficit by next March.

- (b) For the aforementioned pension plan, the Group recognized pension costs of \$45 and \$47 for the three months ended March 31, 2019 and 2018, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 is \$194.

B. Defined contribution plans

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the three months ended March 31, 2019 and 2018 are \$2,019 and \$2,194, respectively.

- C. The subsidiaries have defined contribution plans in accordance with the local regulations, and contributions are based on a certain percentage of employees’ salaries and wages. Other than the yearly contributions, the subsidiaries have no further obligations. The pension costs of the subsidiaries for the three months ended March 31, 2019 and 2018 are \$333 and \$371, respectively.

(14) Share-based payment

A. For the three months ended March 31, 2019 and 2018, the Company's equity-settled share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	2013.11.14	883.0	5 years	Gradually vested after 2 years service (Note 1)
"	2014.03.20	153.0	5 years	Gradually vested after 2 years service (Note 1)
"	2014.08.15	82.3	5 years	Gradually vested after 2 years service (Note 1)
"	2015.02.26	1,102.0	5 years	Gradually vested after 2 years service (Note 1)
"	2015.04.30	16.0	5 years	Gradually vested after 2 years service (Note 1)
"	2015.05.04	35.0	5 years	Gradually vested after 2 years service (Note 1)
"	2015.07.30	50.0	5 years	Gradually vested after 2 years service (Note 1)
"	2015.10.29	180.0	5 years	Gradually vested after 2 years service (Note 1)
"	2016.02.25	1,391.0	5 years	Gradually vested after 2 years service (Note 1)
"	2016.08.11	140.0	5 years	Gradually vested after 2 years service (Note 1)
"	2016.11.03	73.0	5 years	Gradually vested after 2 years service (Note 1)
"	2018.06.29	1,320.0	5 years	Gradually vested after 2 years service (Note 1)
"	2018.07.02	65.0	5 years	Gradually vested after 2 years service (Note 1)
"	2019.03.07	115.0	5 years	Gradually vested after 2 years service (Note 1)
Restricted stocks to employees (Note 2)	2017.11.16	500.0	3 years	(Note 3)
"	2018.07.02	50.0	3 years	(Note 3)

(Note 1) Employees with 2 year service are entitled to 50%; after the 2 year service, the ratio will increase by 1/48 every month for the following 24 months; and employees with 4 year service are entitled to 100%.

(Note 2) The restricted stocks issued by the Company cannot be transferred within the vesting

period, but voting rights and dividend rights are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period.

(Note 3) For the employees who are currently working in the Company and whose services have reached 1 year, 2 years and 3 years without violating the terms of employment agreements entered between the Company and employees, they are entitled to 20%, 30% and 50%, respectively.

B. Details of the share-based payment arrangements are as follows:

(a) Employee stock options

Stock options	2019		2018	
	No. of units (in thousands)	Weighted- average exercise price (in dollars)	No. of units (in thousands)	Weighted- average exercise price (in dollars)
Options outstanding at beginning of the period	3,729	\$ 152	3,513	\$ 239
Options granted	115	97	-	-
Options expired	(119)	272	-	-
Options forfeited	(84)	163	(129)	287
Options outstanding at end of the period	<u>3,641</u>	147	<u>3,384</u>	237
Options exercisable at end of the period	<u>1,916</u>	184	<u>2,409</u>	263
Options permitted but not yet granted at end of the period	<u>300</u>		<u>-</u>	

(b) Restricted stocks to employees

	2019	2018
	Shares (in thousands)	Shares (in thousands)
At January 1	422	500
Expired during the period (Note)	(8)	-
At March 31	<u>414</u>	<u>500</u>

(Note): Please refer to Note 6(16)D.

C. No employee stock options were exercised for the three months ended March 31, 2019 and 2018.

D. The expiry date and exercise price of stock options outstanding at the balance sheet dates are as follows:

March 31, 2019						
			Options outstanding at end of period		Options exercisable at end of period	
Exercise price (in dollars)	Quantity (in thousands)	Remaining contractual life (years)	Exercise price (in dollars)	Quantity (in thousands)	Exercise price (in dollars)	
\$ 191.7	52.0	0.37	\$ 191.7	52.0	\$ 191.7	
227.3	814.0	0.91	227.3	814.0	227.3	
208.4	8.0	1.08	208.4	8.0	208.4	
208.4	35.0	1.09	208.4	34.0	208.4	
140.8	37.0	1.33	140.8	35.0	140.8	
134.7	136.0	1.58	134.7	117.0	134.7	
150.5	1,015.0	1.90	150.5	809.0	150.5	
123.7	21.0	2.36	123.7	18.0	123.7	
118.0	50.0	2.59	118.0	29.0	118.0	
99.2	1,295.0	4.24	99.2	-	-	
101.2	63.0	4.25	101.2	-	-	
97.4	115.0	4.93	97.4	-	-	
	<u>3,641.0</u>			<u>1,916.0</u>		

December 31, 2018						
			Options outstanding at end of year		Options exercisable at end of year	
Exercise price (in dollars)	Quantity (in thousands)	Remaining contractual life (years)	Exercise price (in dollars)	Quantity (in thousands)	Exercise price (in dollars)	
\$ 249.7	119.0	0.22	\$ 249.7	119.0	\$ 249.7	
191.7	52.0	0.62	191.7	52.0	191.7	
227.3	820.0	1.16	227.3	787.0	227.3	
208.4	15.0	1.33	208.4	14.0	208.4	
208.4	35.0	1.34	208.4	31.0	208.4	
140.8	38.0	1.58	140.8	33.0	140.8	
134.7	138.0	1.83	134.7	109.0	134.7	
150.5	1,063.0	2.15	150.5	758.0	150.5	
123.7	28.0	2.61	123.7	16.0	123.7	
118.0	61.0	2.84	118.0	38.0	118.0	
99.2	1,295.0	4.49	99.2	-	-	
101.2	65.0	4.50	101.2	-	-	
	<u>3,729.0</u>			<u>1,957.0</u>		

March 31, 2018						
			Options outstanding at end of period		Options exercisable at end of period	
Exercise price (in dollars)	Quantity (in thousands)	Remaining contractual life (years)	Exercise price (in dollars)	Quantity (in thousands)	Exercise price (in dollars)	
\$ 379.0	784.0	0.62	\$ 379.0	784.0	\$ 379.0	
272.0	131.0	0.97	272.0	131.0	272.0	
206.0	52.0	1.37	206.0	46.6	206.0	
246.5	912.0	1.91	246.5	704.6	246.5	
225.0	16.0	2.08	225.0	11.7	225.0	
225.0	35.0	2.09	225.0	24.8	225.0	
148.0	38.0	2.33	148.0	25.3	148.0	
141.0	138.0	2.58	141.0	83.4	141.0	
159.0	1,144.0	2.90	159.0	597.6	159.0	
128.5	61.0	3.36	128.5	-	-	
122.0	73.0	3.59	122.0	-	-	
	<u>3,384.0</u>			<u>2,409.0</u>		

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Employee stock options</u>	
Grant date	<u>March 7, 2019</u>
Dividend yield	-
Expected volatility	41.76%~42.66%
Risk-free interest rate	0.62%~0.65%
Expected life (years)	3.5~4.5
Per share exercise price (in dollars)	\$97.4
Weighted average stock options fair value (in dollars)	\$31~\$35

F. Expenses incurred on share-based payment transactions are shown below:

	<u>Three months ended March 31,</u>		
	<u>2019</u>	<u>2018</u>	
Equity-settled	<u>\$ 7,241</u>	<u>\$ 7,850</u>	
(15) <u>Provisions (decommissioning liabilities)</u>			
	<u>2019</u>	<u>2018</u>	
At January 1/ March 31	<u>\$ 6,922</u>	<u>\$ 6,922</u>	
Analysis of total provisions is shown below:			
	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Non-current	<u>\$ 6,922</u>	<u>\$ 6,922</u>	<u>\$ 6,922</u>

In accordance with the requirements specified in the agreements, the Group bears the obligation for the costs of dismantling, removing the asset and restoring the site of its rented office in the future. A provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the provision will be used in 2 to 4 years.

(16) Common shares

A. As of March 31, 2019, the Company's authorized capital was \$2,000,000, and the paid-in capital was \$640,451 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's common shares outstanding are as follows (Unit: thousand shares):

	<u>2019</u>	<u>2018</u>
At January 1	64,045	56,199
Restricted stocks retrieved from employees to be canceled	(<u>8</u>)	<u>-</u>
At March 31	<u>64,037</u>	<u>56,199</u>

- B. To increase the Company's working capital, the shareholders at their extraordinary stockholders' meeting on March 10, 2011 adopted a resolution to raise additional cash through private placement with the effective date set on March 25, 2011. The maximum number of shares to be issued through the private placement was 4,711 thousand shares at a subscription price of \$42.45 (in dollars) per share. The amount of capital raised through the private placement was \$200,000 which had been registered. Pursuant to the Securities and Exchange Act of the ROC, the common shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have applied for retroactive handling of public issuance procedures. Other than these restrictions, the rights and obligations of the common shares raised through the private placement are the same as other issued common shares.
- C. In February 2018, the Company filed the registration statement on Form F-1, with the U.S. Securities and Exchange Commission ("SEC") for the initial public offering in the United States of its American Depositary Shares ("ADSs") representing common shares. The registration statement for listing its ADSs in the Nasdaq Global Market was declared effective by the SEC on November 21, 2018, and the Company's ADSs began trading on the Nasdaq Global Market under the Ticker symbol "TLC".

The actual units of ADSs for this offering were 3,915,550, and each ADS represents two of the Company's common shares, which in the aggregate represents 7,831,100 common shares. The offering price per ADS was US\$5.80 (in dollars), equivalent to a price per common share of \$89.32 (in dollars).

The terms of ADS are as follows:

(a) Voting rights

ADSs holders may, pursuant to the Depositary Agreement and the relevant laws and regulations of the R.O.C., exercise the voting rights pertaining to the underlying common shares represented by the ADSs.

(b) Dividends, stock warrants and other rights

ADSs holders and common shareholders are all entitled to receive dividends. The Depositary may issue new ADSs in proportion to ADSs holding ratios or raise the number of shares of common stock represented by each unit of ADSs or sell stock dividends on behalf of ADSs

holders and distribute proceeds to them in proportion to their ADSs holding ratios.

D. Employee restricted stocks

- (a) As 25,000 shares of employee restricted stocks granted to certain employees in June and July 2018 did not meet the vesting conditions in accordance with the terms of restricted stocks, the Board of Director has resolved on August 1, 2018 to buy back the restricted stocks to retire for capital reduction. The registration was completed on August 29, 2018.
- (b) As 10,000 shares of employee restricted stocks granted to certain employees in November 2018 did not meet the vesting conditions in accordance with the terms of restricted stocks, the Board of Directors has resolved on October 31, 2018 to buy back the restricted stocks to retire for capital reduction. The registration was complete on January 3, 2019.
- (c) The stockholders at their annually stockholders' meeting on May 31, 2017 adopted a resolution to issue employee restricted stocks (see Note 6(13)) with the effective date set on November 16, 2017 and July 2, 2018. The subscription price is \$10 (in dollars) per share. The employee restricted stocks issued are subject to certain restrictions on selling, pledging as collateral, transfer, donation or other methods to dispose before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued common shares.
- (d) As 8,000 shares of employee restricted stocks granted to certain employees in February 2019 did not meet the vesting conditions in accordance with the terms of restricted stocks, the Board of Director has resolved on May 8, 2019 to buy back the restricted stocks, but the registration has not been completed.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common shares and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(18) Accumulated deficit

- A. Under the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:
 - (a) Payment of taxes and duties;
 - (b) Cover prior years' accumulated deficit, if any;
 - (c) After deducting items a and b, set aside 10% of the remaining amount as legal reserve;
 - (d) Appropriate or reverse special reserve in accordance with the relevant laws and regulations, if necessary; and

(e) After deducting items a to d, the remainder, if any, to be retained or to be appropriated shall be resolved by the shareholders at the shareholders' meeting.

B. The Company's dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 10% of the total dividends distributed.

C. Under the R.O.C. Company Act, when the accumulated deficit exceeds 50% of the capital, the directors should convene a meeting of the shareholders and report the situation.

D. The shareholders during their meeting on June 26, 2018 adopted a resolution to use capital surplus amounting to \$874,086 to cover accumulated deficit.

Information on the above as proposed by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. As of March 31, 2019, the Company had an accumulated deficit. Therefore, the earnings distribution information disclosure is not applicable.

F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(24).

(19) Operating revenue

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue from contracts with customers	\$ <u>157,765</u>	\$ <u>14,091</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following types:

<u>Three months ended March 31, 2019</u>	<u>Royalty revenue</u>	<u>Authorization collaboration and development revenue</u>	<u>Total</u>
Timing of revenue recognition			
At a point in time	\$ 14,593	\$ 142,840	\$ 157,433
Over time	-	332	332
Total	<u>\$ 14,593</u>	<u>\$ 143,172</u>	<u>\$ 157,765</u>

Three months ended March 31, 2018	Royalty revenue	Authorization collaboration and development revenue	Total
Timing of revenue recognition			
At a point in time	\$ 11,997	\$ -	\$ 11,997
Over time	<u>-</u>	<u>2,094</u>	<u>2,094</u>
Total	<u>\$ 11,997</u>	<u>\$ 2,094</u>	<u>\$ 14,091</u>

B. Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Contract assets – authorization collaboration and development revenue	<u>\$ 2,615</u>	<u>\$ 2,283</u>	<u>\$ -</u>
Current contract liabilities – authorization collaboration and development revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,847</u>
Non-current contract liabilities – authorization collaboration and development revenue	<u>\$ 10,760</u>	<u>\$ -</u>	<u>\$ -</u>

(a) Revenue recognized that was included in the contract liability balance at the beginning of the periods:

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue recognized that was included in the contract liability balance at the beginning of the period	<u>\$ -</u>	<u>\$ 2,094</u>

(b) Unfulfilled long-term authorization collaboration and development contracts

Aggregate amount of the transaction price allocated to long-term authorization collaboration and development contracts that are partially unsatisfied as of March 31, 2019 amounted to \$47,826. Considering the progress of research and development, management expects that the transaction price allocated to the unsatisfied contracts amounting to \$47,826 as of March 31, 2019 will be recognized as revenue in the next three years, which is subject to the management's plan in terms of completion of clinical and bioequivalence study.

C. Authorization collaboration and development revenue is the revenue arising from authorization collaboration and development of generic drugs. The details are as follows:

(a) In December 2013, the Company entered into a license and collaboration agreement with Sandoz AG. ("Sandoz") for the development and commercialization of products in Europe and in the USA. Under the terms of the agreement, the Company received an upfront, non-refundable payment of US\$100 thousand in January 2014, and aggregated milestone payments of US\$2,275 thousand related to the Europe submission in March 2014, April 2014,

and January 2015, respectively.

Once the new drug is launched in the market, a royalty fee will be received by the Company, which is equal to an agreed upon percentage of net sales. The Company is also eligible to receive performance-based milestone payment upon entering the local market in Europe and in the USA, and upon achieving a certain net sales volume and market position within five years.

- (b) In March 2019, the Company entered into a commercialization agreement with Hong Kong Sansheng Medical Limited (“3SBio”) to commercialize two liposomal products utilizing the Company’s NanoX technology platform in mainland China. Under the terms of the agreement, the Company received an upfront, non-refundable payment in March 2019, and the Company will receive certain payments upon reaching each milestone specified in the agreement totaling US\$25,000 thousand. Once the new drug is launched in the market, a royalty fee equal to an agreed upon percentage of net sales will be received by the Company.

D. The details of royalty revenue are as follows:

- (a) The Company granted TTY Biopharm Company Limited (“TTY”) the exclusive right in Taiwan to produce and promote LIPO-DOX, a medicinal product developed by the Company. Under the contract, royalty payments are based on 12% of the net product sales.
- (b) The Company authorizes Yung Shin Pharm. Ind. Co., Ltd. (“YSP”) the exclusive right in Taiwan to produce and promote generic drugs. Under the contract, the Company will receive a royalty payment based on a certain percentage of the net sales.

(20) Other income

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	\$ 2,457	\$ 554
Government subsidy income (Note)	95	424
Others	<u>4,959</u>	<u>3,563</u>
	<u>\$ 7,511</u>	<u>\$ 4,541</u>

Note : The Company has entered into contracts of “A phase IIa trial of lipid-based investigational drug TLC399 in the subjects with macular edema due to retinal vein occlusion in the United States” and “A phase I/II trial of lipid-based, sustained release investigational drug TLC399 (ProDex®) for treating macular edema due to retinal vein occlusion” with the Institute for Information Industry in 2017 and 2014, respectively. The Company has accrued government subsidy income in accordance with the progress of the plan. The aforesaid subsidy plan has recognized income of \$95 and \$424 for the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019, the Company has not received the government subsidy of \$2,756 (shown as “Other receivables”).

(21) Other gains and losses

	Three months ended March 31,	
	2019	2018
Net currency exchange (loss) gain	(\$ 565)	\$ 986
Other losses	(53)	-
	<u>(\$ 618)</u>	<u>\$ 986</u>

(22) Finance costs

	Three months ended March 31,	
	2019	2018
Bank borrowings	\$ 5,857	\$ 557
Finance lease liabilities	-	181
Lease liabilities	277	-
	<u>\$ 6,134</u>	<u>\$ 738</u>

(23) Expenses by nature (Shown as “Operating expenses”)

	Three months ended March 31,	
	2019	2018
Employee benefit expenses	<u>\$ 88,255</u>	<u>\$ 75,307</u>
Depreciation charges	<u>\$ 18,752</u>	<u>\$ 9,572</u>
Amortization charges	<u>\$ 1,779</u>	<u>\$ 2,716</u>

(24) Employee benefit expenses

	Three months ended March 31,	
	2019	2018
Wages and salaries	\$ 71,501	\$ 56,978
Share-based payment compensation costs	7,241	7,850
Labor and health insurance fees	4,961	4,801
Pension costs	2,397	2,612
Other personnel expenses	2,155	3,066
	<u>\$ 88,255</u>	<u>\$ 75,307</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated deficit, shall be distributed as employees’ compensation and directors’ remuneration. The ratio shall be 2%~8% for employees’ compensation and shall not be higher than 2% for directors’ remuneration.
- B. Through March 31, 2019, the Company had accumulated deficits and did not accrue employees’ compensation and directors’ remuneration.

Information about the appropriation of employees’ compensation and directors’ remuneration by

the Company as resolved by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Components of income tax expense:

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Current income tax:		
Current income tax on profits for the period	\$ -	\$ 13
Prior year income tax underestimation	<u>277</u>	<u>156</u>
Income tax expense	<u>\$ 277</u>	<u>\$ 169</u>

B. The Company’s income tax returns through 2017 have been assessed and approved by the Tax Authority.

(26) Loss per share

	<u>Three months ended March 31, 2019</u>		
	<u>Amount</u>	<u>Weighted average</u>	<u>Loss per share</u>
	<u>after tax</u>	<u>number of common</u>	<u>(in dollars)</u>
		<u>shares outstanding</u>	
		<u>(in thousands of shares)</u>	
<u>Basic loss per share</u>			
Loss attributable to common shareholders of the Company	(\$ 111,685)	63,623	(\$ <u>1.76</u>)
Dilutive effect of common shares equivalents:			
Employees’ stock options	-	(Note)	
Restricted stocks	<u>-</u>	<u>(Note)</u>	
<u>Diluted loss per share</u>			
Loss attributable to common shareholders of the Company plus assumed conversion of all dilutive potential common shares	(\$ <u>111,685</u>)	<u>63,623</u>	(\$ <u>1.76</u>)

Three months ended March 31, 2018			
	Amount after tax	Weighted average number of common shares outstanding (in thousands of shares)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to common shareholders of the Company	(\$ 166,303)	55,699	(\$ <u>2.99</u>)
Dilutive effect of common shares equivalents:			
Employees' stock options	-	(Note)	
Restricted stocks	-	(Note)	
<u>Diluted loss per share</u>			
Loss attributable to common shareholders of the Company plus assumed conversion of all dilutive potential common shares	(\$ <u>166,303</u>)	<u>55,699</u>	(\$ <u>2.99</u>)

Note: Employee stock options and employee restricted stocks have no dilutive effect due to the fact that the Company was in loss position for both periods presented.

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	Three months ended March 31,	
	2019	2018
Acquisition of property, plant and equipment (including transfers)	\$ 2,907	\$ 6,652
Add: Opening balance of payables on machinery, equipment and intangible assets	3,303	-
Ending balance of prepayments for equipment	52,666	7,182
Opening balance of prepayments for equipment being transferred to other expenses	-	780
Opening balance of prepayments for equipment being transferred to intangible assets	243	-
Less: Ending balance of payables on machinery, equipment and intangible assets	(103)	-
Opening balance of prepayments for equipment	(<u>27,942</u>)	(<u>923</u>)
Cash paid	<u>\$ 31,074</u>	<u>\$ 13,691</u>

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Acquisition of intangible assets (including transfers)	\$ 4,011	\$ 1,333
Add: Opening balance of payables on machinery, equipment and intangible assets	374	-
Less: Ending balance of payables on machinery, equipment and intangible assets	(3,032)	(303)
Opening balance of prepayments for equipment being transferred to intangible assets	(243)	-
Cash paid	<u>\$ 1,110</u>	<u>\$ 1,030</u>

(28) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liabilities -2019 Finance lease liabilities - 2018 (including current portion)</u>	<u>Liabilities from financing activities</u>
At January 1, 2019	\$ 46,000	\$ 434,757	\$ 48,000	\$ 528,757
Changes in cash flow from financing activities	-	(2,176)	15,633	13,457
Changes in other non-cash items (Note)	-	-	78,899	78,899
Net exchange differences	-	1,260	-	1,260
At March 31, 2019	<u>\$ 46,000</u>	<u>\$ 433,841</u>	<u>\$ 142,532</u>	<u>\$ 622,373</u>

	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Finance lease liabilities (including current portion)</u>	<u>Liabilities from financing activities</u>
At January 1, 2018	\$ 46,000	\$ 70,050	\$ 52,000	\$ 168,050
Changes in cash flow from financing activities	-	(1,700)	(12,000)	(13,700)
At March 31, 2018	<u>\$ 46,000</u>	<u>\$ 68,350</u>	<u>\$ 40,000</u>	<u>\$ 154,350</u>

Note: The changes in other non-cash items are due to the initial application of IFRS 16 at January 1, 2019. Please refer to Note 6(6).

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Keelung Hong	The Group's Chairman
George Yeh	The Group's General Manager

(2) Significant transactions and balances with related parties

- A. The Company's Chairman provided guarantees for the Company's long-term and short-term borrowings with Taiwan Cooperative Bank.
- B. The Company's Chairman and General Manager provided guarantees for the Company's short-

term borrowings with E.SUN Commercial Bank.

C. The Company's Chairman provided guarantees to Taiwan Cooperative Bank for the Company's government grant in relation to the research and development program from the Institute of Information Industry.

As of March 31, 2019, December 31, 2018, and March 31, 2018, details of loans are described in Notes 6(9) and 6(11).

(3) Key management personnel compensation

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 9,422	\$ 9,383
Post-employment benefits	135	108
Share-based payment	<u>1,644</u>	<u>1,453</u>
	<u>\$ 11,201</u>	<u>\$ 10,944</u>

8. PLEDGED ASSETS

(1)

<u>Assets pledged</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>	<u>Pledge purpose</u>
Shown as "Property, plant and equipment"				
Land	\$ 14,962	\$ 14,962	\$ 14,962	Note
Buildings	<u>23,352</u>	<u>23,516</u>	<u>24,008</u>	Note
	<u>\$ 38,314</u>	<u>\$ 38,478</u>	<u>\$ 38,970</u>	

Note: Provided as collateral for long-term borrowings with Taiwan Cooperative Bank.

(2) Pursuant to the loan and security agreement entered between Cathay Bank and the Company and its subsidiary, TLC US, on December 27, 2018, except for the Intellectual Property, including trademarks, patents, copyrights, servicemarks, technology, trade secrets, and etc., defined in the loan and security agreement, all other personal property, including tangible and intangible assets, of the Company and TLC US are pledged as collateral for borrowings. Cathay Bank constitutes a first priority security interest in the personal property of the Company and TLC US located in the United States and does not constitute a first priority security interest in the personal property of the Company located outside of the United States.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT

COMMITMENTS

(1) Contingencies

Under certain special generic product agreements, the Company is required to have a certain market supply capacity before the launch of the products in the market. Otherwise, the Company is obligated to pay a certain amount as compensation.

(2) Commitments

In addition to the commitments mentioned in Note 6(11)A and B, the Group's significant commitments are as follows:

A. Capital expenditures contracted for at the balance sheet date but not yet incurred and are cancelable without cause are as follows:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Property, plant and equipment	\$ <u>11,109</u>	\$ <u>11,037</u>	\$ <u>28,159</u>

B. Operating lease commitments

Prior to 2019

The Group leases offices with lease terms between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease terms at market rate. The future aggregate minimum lease payments are as follows:

	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Not later than one year	\$ 31,787	\$ 32,390
Later than one year but not later than five years	<u>46,315</u>	<u>68,431</u>
	<u>\$ 78,102</u>	<u>\$ 100,821</u>

C. The Company has outstanding commitments on purchase agreements for the research and manufacturing of medicines which are cancelable without cause as follows:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
	\$ <u>154,868</u>	\$ <u>120,707</u>	\$ <u>45,195</u>

D. The Company has outstanding commitments on research and development which are cancelable without cause as follows:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
	\$ <u>808,963</u>	\$ <u>603,178</u>	\$ <u>590,081</u>

E. The Company has signed a licensing agreement for technology transition with TWI Pharmaceuticals, Inc. with maximum royalty charges of US\$5,000 thousand according to the R&D achievement. Once the new drug is launched in the market, the Company will pay a royalty fee based on a certain percentage of the net product sales.

F. The Company's subsidiary entered into a synthesis technology of novel camptothecin derivative transfer agreement with Sutter West Bay Hospitals (SWBH, formerly known as California Pacific Medical Center). Under the agreement, SWBH charges the Company's subsidiary a patent usage fee of US\$10 thousand per annum, royalty fees up to US\$300 thousand according to the R&D achievement and royalty fees to a certain percentage of relevant product sales volume. Through March 31, 2019, the Company's subsidiary had paid US\$100 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Company's shareholders during its annual meeting on April 24, 2019 adopted a resolution to raise additional fund by issuing common shares through American Depositary Shares or the domestic capital market. The maximum additional shares that may be issued is 30,000 thousand shares.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to improve the Group's capital structure, the Group may issue new shares or sell assets to reduce debt ratio. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital.

As of March 31, 2019, December 31, 2018, and March 31, 2018, the Group's gearing ratios are as follows:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Total debt	\$ <u>837,233</u>	\$ <u>748,725</u>	\$ <u>271,372</u>
Total capital	<u>640,451</u>	<u>640,451</u>	<u>561,990</u>
Debt ratio	<u>130.73%</u>	<u>116.91%</u>	<u>48.29%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
<u>Financial assets</u>			
Financial assets at amortized cost/loans and receivables			
Cash and cash equivalents	\$ 988,284	\$ 807,484	\$ 732,099
Current financial assets at amortized cost	-	307,150	-
Accounts receivable, net	8,939	9,343	6,780
Other receivables	6,749	5,811	26,460
Refundable deposits	<u>26,457</u>	<u>18,930</u>	<u>27,173</u>
	<u>\$ 1,030,429</u>	<u>\$ 1,148,718</u>	<u>\$ 792,512</u>

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 46,000	\$ 46,000	\$ 46,000
Other payables	190,481	206,268	97,974
Finance lease liabilities (including current portion)	-	48,000	40,000
Lease liabilities (including current portion)	142,532	-	-
Long-term borrowings (including current portion)	<u>433,841</u>	<u>434,757</u>	<u>68,350</u>
	<u>\$ 812,854</u>	<u>\$ 735,025</u>	<u>\$ 252,324</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group adopts overall risk management program and control system to identify all financial risks and seeks to control and balance potential adverse effects from those aforesaid financial risks.
- (b) The goal of market risk management is to appropriately consider the impacts of economic environment, competition and market value risk in order to achieve the best risk position, to maintain appropriate liquidity position and to centrally manage all market risks.
- (c) To meet its risk management objectives, the Group's procedures of hedge focus on market risk and cash flow interest rate risk.

C. Significant financial risks and degree of financial risks

(a) Market risk

i. Foreign exchange risk

- (i) The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; the subsidiaries' functional currencies: USD, EUR, HKD, RMB, AUD and JPY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	March 31, 2019		
	Foreign currency amount <u>(in thousands)</u>	Exchange rate	Book value (NTD) <u>(in thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 22,399	30.820	\$ 690,337
<u>Non-monetary items</u>			
USD : NTD	1,569	30.820	48,357
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	17,031	30.820	524,895
AUD : NTD	1,666	21.855	36,410
(Foreign currency: functional currency)	December 31, 2018		
	Foreign currency amount <u>(in thousands)</u>	Exchange rate	Book value (NTD) <u>(in thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 29,933	30.715	\$ 919,392
<u>Non-monetary items</u>			
USD : NTD	1,529	30.715	46,963
AUD : NTD	1,754	21.665	38,000
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	17,886	30.715	549,368
AUD : NTD	2,544	21.665	55,116

March 31, 2018			
(Foreign currency: functional currency)	Foreign currency amount <u>(in thousands)</u>	Exchange rate	Book value (NTD) <u>(in thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 575	29.105	\$ 16,735
<u>Non-monetary items</u>			
USD : NTD	1,440	29,105	41,921
AUD : NTD	1,087	22.345	24,285
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1,450	29.105	42,202

(ii) Analysis of foreign currency market risk arising from significant foreign exchange variation:

Three months ended March 31, 2019			
Sensitivity analysis			
(Foreign currency: functional currency)	<u>Extent of variation</u>	Effect on profit or loss <u>(in thousands)</u>	Effect on other comprehensive income <u>(in thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 6,903	\$ -
<u>Non-monetary items</u>			
USD : NTD	1%	-	484
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	5,249	-
AUD : NTD	1%	364	-

Three months ended March 31, 2018			
<u>Sensitivity analysis</u>			
(Foreign currency: functional currency)	<u>Extent of variation</u>	<u>Effect on profit or loss (in thousands)</u>	<u>Effect on other comprehensive income (in thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 167	\$ -
<u>Non-monetary items</u>			
USD : NTD	1%	-	419
AUD : NTD	1%	-	243
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	422	-

(iii) The unrealized exchange gain arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2019 and 2018 are \$159 and \$422, respectively.

ii. Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at floating interest rates expose the Group to cash flow interest rate risk. During the three months ended March 31, 2019 and 2018, the Group's borrowings at floating interest rate were denominated in the NT dollars.

At March 31, 2019 and 2018, if interest rate had been 0.2% higher/lower with all other conditions held constant, net loss for the three months ended March 31, 2019 and 2018, would have been by \$240 and \$57 higher/lower, respectively. The main factor is that the floating-rate borrowings resulted in changes in interest expense.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from cash and deposits with banks and financial institutions, as well as default by the customers on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only financial institutions with a good credit rating are accepted. According to the Group's credit policy, each entity in the Group is responsible for managing and analyzing the credit risk for each of their new customers before entering into license contracts. Internal risk control assesses the credit quality of the customers, taking into account their financial positions, past experience and other factors.

- iii. The default occurs when the contract payments are past due based on the agreed terms.
 - iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments.
 - v. The Group classifies customers' accounts receivable in accordance with credit rating of customers. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.
 - vi. The Group wrote off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
 - vii. The Group assesses the expected credit losses based on the payment terms stipulated in the contracts with the customers. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables. Except for loss allowance of \$18,132 established based on the delay payment of the balances due from one customer, the Group has not identified impairments on the trade receivables. The Group has therefore concluded that the expected loss rates for the trade receivables and contract assets is very low, and the loss allowance for the trade receivables and contract assets recognized is immaterial as of March 31, 2019 and 2018, respectively. As of March 31, 2019 and 2018, the balance of allowance for doubtful accounts was both \$18,132.
 - viii. As of March 31, 2019, December 31, 2018 and March 31, 2018, with no collateral held or other credit enhancements, maximum exposure to credit risk in respect of the Group's accounts receivable and contract assets was \$11,554, \$11,626 and \$6,780, respectively.
- (c) Liquidity risk
- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Additionally, the Group closely monitors the execution and covenants compliance of the loan and security agreement and initiates discussing with the banks as needed.
 - ii. The table below analyzes the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	March 31, 2019				
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	\$ 46,526	\$ -	\$ -	\$ -	\$ -
Other payables	190,481	-	-	-	-
Lease liabilities (including current portion)	72,677	55,103	15,585	2,455	-
Long-term borrowings (including current portion)	117,164	287,327	6,352	22,337	29,781

	December 31, 2018				
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	\$ 46,761	\$ -	\$ -	\$ -	\$ -
Other payables	206,268	-	-	-	-
Finance lease liabilities (including current portion)	24,583	24,198	-	-	-
Long-term borrowings (including current portion)	82,864	322,928	8,351	24,210	30,429

	March 31, 2018				
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	\$ 46,338	\$ -	\$ -	\$ -	\$ -
Other payables	97,974	-	-	-	-
Finance lease liabilities (including current portion)	40,285	-	-	-	-
Long-term borrowings (including current portion)	5,594	6,477	6,414	26,099	32,371

(3) Fair value information

- A. The Group had no financial instruments measured at fair value, using certain valuation methods, as of March 31, 2019, December 31, 2018, and March 31, 2018.
- B. Management considers that the carrying amounts of financial assets and liabilities not measured at fair value are approximate to their fair values, including cash and cash equivalents, financial assets at amortized cost, receivables, refundable deposits, short-term borrowings, long-term borrowings (including current portion), payables, finance lease liabilities (including current portion), and lease liabilities (including current and non-current).

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates

and joint ventures): None.

D. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20% of paid-in capital or more: None.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

I. Derivative financial instruments undertaken during the three months ended March 31, 2019: None.

J. Significant inter-company transactions during the three months ended March 31, 2019: Please refer to table 1.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in mainland China): Please refer to table 2.

(3) Information on investments in mainland China

A. Basic information: Please refer to table 3.

B. Significant transactions conducted with investees in mainland China directly or indirectly through other companies in the third areas: Please refer to table 1.

14. SEGMENT INFORMATION

(1) General information

The Group's major business is research and development for new medicine and operates only in one single industry. The Chief Operating Decision-Maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Information about segment profit or loss, assets and liabilities

The Group has only one reportable operating segment, and therefore, the reportable segment information is the same as the financial statements.

(3) Reconciliation for segment income (loss)

The segment income (loss) reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. There is no reconciliation because the report provided to the chief operating decision-maker for business decisions has no difference to the segment income (loss) information.

Taiwan Liposome Company, Ltd. and Subsidiaries
Significant inter-company transactions
Three months ended March 31, 2019

Table 1

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
					Amount (Note 5)	Transaction terms	
1	TLC Biopharmaceuticals, Inc.	Taiwan Liposome Company, Ltd.	2	Operating revenue	\$ 16,528	(Note 4)	10.48%
2	TLC Biopharmaceuticals, Pty Ltd.	Taiwan Liposome Company, Ltd.	2	Operating revenue	5,529	(Note 4)	3.50%
1	TLC Biopharmaceuticals, Inc.	Taiwan Liposome Company, Ltd.	2	Accounts receivable	31,267	(Note 4)	2.21%
2	TLC Biopharmaceuticals, Pty Ltd.	Taiwan Liposome Company, Ltd.	2	Accounts receivable	28,183	(Note 4)	1.99%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Transaction items follow the agreement.

Note 5: Only related party transactions in excess of NT\$1 million are disclosed.

Note 6: The above transactions between the parent company and its subsidiaries had been eliminated when preparing consolidated financial statements. The disclosure information is for reference only.

Taiwan Liposome Company, Ltd. and Subsidiaries
Names, locations and other information of investee companies (not including investee in mainland China)
Three months ended March 31, 2019

Table 2

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of March 31, 2019			Income of the investee for the three months ended March 31, 2019	Investment income (loss) recognized by the Company for the three months ended March 31, 2019	Footnote
				Balance as of March 31, 2019	Balance as of December 31, 2018	Number of shares	Ownership (%)	Book value			
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, Inc.	USA	Research on new anti-cancer drugs and biotechnology services	\$ 55,433	\$ 55,433	3,100,000	100%	\$ 48,348	\$ 1,225	\$ 1,225	
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals B.V.	Netherlands	Technical authorization and product development	4,410	4,410	1,000,000	100%	1,580	7	7	
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, (H.K.) Limited	Hong Kong	Biotechnology service and reinvestment	3,023	3,023	780,000	100%	3,814	26	26	
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals Pty Ltd.	Australia	Technical authorization and product development	23,399	23,399	1,000,000	100%	38,590	263	263	
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals Japan Co., Ltd.	Japan	Technical authorization and product development	2,670	2,670	1,000	100%	3,533	48	48	

Note: All the transactions with subsidiaries had been eliminated when preparing consolidated financial statements.

Taiwan Liposome Company, Ltd. and Subsidiaries
Information on investments in mainland China - Basic information
Three months ended March 31, 2019

Table 3

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to mainland China as of January 1, 2019	Amount remitted from Taiwan to mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2019		Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2019	Income of investee for the three months ended March 31, 2019	Ownership held by the Company (direct or indirect)	Investment income recognized by the Company for the three months ended March 31, 2019 (Note 2(2)B)	Book value of investments in mainland China as of March 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
TLC Biopharmaceuticals, (Shanghai) Limited	Consulting and technical service of medication	\$ 2,290	Reinvestment in mainland China through third region company (TLC Biopharmaceuticals, (H.K.) Limited)	\$ 2,297	\$ -	\$ -	\$ 2,297	\$ 7	100	\$ 7	\$ 3,146	\$ -	

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in mainland China.
- (3) Others

Note 2: In the 'Investment income recognized by the Company for the three months ended March 31, 2019' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and has not yet generated any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements were audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements were audited and attested by R.O.C. parent company's CPA.
 - C. Others (The financial statements were reviewed by R.O.C. parent company's CPA.).

Company name	Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)(Note)	Ceiling on investments in mainland China imposed by the Investment Commission of MOEA
Taiwan Liposome Company, Ltd.	\$ 2,297	\$ 2,297	\$ 399,176

(Note) The investment amount was approved by Jing-Shen-II-Zi No. 10300223010 of Ministry of Economic Affairs, R.O.C.