ASLAN Pharmaceuticals Limited and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2019 and 2018 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
ASLAN Pharmaceuticals Limited

Introduction

We have reviewed the accompanying consolidated balance sheets of ASLAN Pharmaceuticals Limited and its subsidiaries (collectively, the "Group") as of September 30, 2019 and 2018, the consolidated statements of comprehensive income for the three months ended September 30, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the nine months then ended September 30, 2019 and 2018, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". 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 caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2019 and 2018, and of its consolidated financial performance for the three-month periods then ended September 30, 2019 and 2018, as well as of its consolidated financial performance and its consolidated cash flows for the nine-month periods then ended September 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Emphasis of Matter

As discussed in Note 22 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 22 to the consolidated financial statements. Our conclusion is not modified in respect of this matter.

The engagement partners on the reviews resulting in this independent auditors' review report are Dien Sheng Chang and Yi Chun Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

October 29, 2019

<u>Notice to Readers</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2019 (Reviewed) Amount	%	December 31, 2018 (Audited) Amount	%	September 30, 2018 (Reviewed) Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 248,079	25	$ 883,598	55	$ 1,059,756	60
Prepayments	4,441	-	5,612	-	4,220	-
Total current assets	252,520	25	889,210	55	1,063,976	60
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss (Notes 7 and 16)	1,180	-	1,834	-	-	-
Financial assets at fair value through other comprehensive income (Notes 8 and 16)	5,530	1	5,723	-	5,702	-
Property, plant and equipment (Note 9)	1,743	-	8,815	1	10,248	1
Right-of-use assets (Notes 3, 4, 5 and 10)	24,655	2	-	-	-	-
Intangible assets (Notes 11 and 16)	716,207	72	705,456	44	702,909	39
Refundable deposits	3,353	-	5,260	-	5,397	-
Total non-current assets	752,668	75	727,088	45	724,256	40
TOTAL	$ 1,005,188	100	$ 1,616,298	100	$ 1,788,232	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Trade payables	$ 69,371	7	$ 162,475	10	$ 107,710	6
Other payables (Notes 12 and 20)	58,741	5	81,995	5	97,153	6
Lease liabilities - current (Notes 3, 4, 5 and 10)	6,034	1	-	-	-	-
Total current liabilities	134,146	13	244,470	15	204,863	12
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 13)	439,497	44	427,138	26	298,161	16
Lease liabilities - non-current (Notes 3, 4, 5 and 10)	19,402	2	-	-	-	-
Other non-current liabilities (Note 20)	2,747	-	8,852	1	12,942	1
Total non-current liabilities	461,646	46	435,990	27	311,103	17
Total liabilities	595,792	59	680,460	42	515,966	29
EQUITY (Note 15)						
Ordinary shares	1,602,489	159	1,602,489	99	1,602,489	90
Capital surplus	3,471,028	346	3,469,709	215	3,468,685	194
Accumulated deficits	(4,587,484)	(456)	(4,045,093)	(250)	(3,701,277)	(207)
Other equity	(76,637)	(8)	(91,267)	(6)	(97,631)	(6)
Total equity	409,396	41	935,838	58	1,272,266	71
TOTAL	$ 1,005,188	100	$ 1,616,298	100	$ 1,788,232	100

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

Chairman: Andrew James Howden

Chief Executive Officer: Carl Firth

Head of Finance: Kiran Asarpota

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except loss Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES (Note 16)	$ -	-	$ -	-	$ 92,359	100	$ -	-
OPERATING COSTS (Note 16)	-	-	-	-	13,084	14	-	-
GROSS PROFIT	-	-	-	-	79,275	86	-	-
OPERATING EXPENSES (Notes 14, 17 and 20)								
General and administrative	(34,743)	-	(83,949)	-	(163,009)	(176)	(257,649)	-
Research and development	(129,226)	-	(264,439)	-	(430,804)	(467)	(676,963)	-
Total operating expenses	(163,969)	-	(348,388)	-	(593,813)	(643)	(934,612)	-
LOSS FROM OPERATIONS	(163,969)	-	(348,388)	-	(514,538)	(557)	(934,612)	-
NON-OPERATING INCOME AND EXPENSES								
Interest income	14	-	3,211	-	4,480	5	7,170	-
Other income (Note 16)	-	-	5,601	-	-	-	5,601	
Other gains and losses (Note 17)	6,162	-	1,243	-	(1,188)	(1)	5,102	-
Finance costs (Notes 4 and 17)	(6,433)	-	(3,332)	-	(18,880)	(21)	(9,972)	-
Total non-operating income and expenses	(257)	-	6,723	-	(15,588)	(17)	7,901	-
LOSS BEFORE INCOME TAX	(164,226)	-	(341,665)	-	(530,126)	(574)	(926,711)	-
INCOME TAX EXPENSE (Notes 4 and 18)	2,445	-	(144)	-	(12,265)	(13)	(432)	-
NET LOSS FOR THE PERIOD	(161,781)	-	(341,809)	-	(542,391)	(587)	(927,143)	-
OTHER COMPREHENSIVE LOSS (Note 15)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(281)	-	-	-	(281)	-	-	-
Exchange differences on translation to the presentation currency	1,782	-	(13)	-	14,911	16	36,570	-
	1,501	-	(13)	-	14,630	16	36,570	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	$ (160,280)	-	$ (341,822)	-	$ (527,761)	(571)	$ (890,573)	-
LOSS PER SHARE (Note 19)								
Basic and diluted	$ (1.01)		$ (2.13)		$ (3.38)		$ (6.34)	

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

Chairman: Andrew James Howden | Chief Executive Officer: Carl Firth | Head of Finance: Kiran Asarpota

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Ordinary Shares (Note 15)		Capital Surplus (Note 15)						
	Shares	Amount	Ordinary Shares	Share Options Reserve	Total	Accumulated Deficits	Exchange Differences on Translating Foreign Operations (Note 15)	Unrealized Valuation Loss on Financial Assets at Fair Value Through Other Comprehensive Income (Note 15 and 16)	Operations Total Equity
BALANCE AT JANUARY 1, 2018	130,128,940	$ 1,301,289	$ 2,476,406	$ 183,817	$ 2,660,223	$ (2,774,134)	$ (134,201)	$ -	$ 1,053,177
Issuance of ordinary shares for cash (Note 15)	30,000,000	300,000	956,108	-	956,108	-	-	-	1,256,108
Transaction costs attributable to issue of new ordinary shares	-	-	(160,479)	-	(160,479)	-	-	-	(160,479)
Issue of ordinary shares under employee share option plan (Note 20)	120,000	1,200	1,282	(1,014)	268	-	-	-	1,468
Recognition of employee share options by the Company (Note 20)	-	-	-	12,565	12,565	-	-	-	12,565
Net loss for the nine months ended September 30, 2018	-	-	-	-	-	(927,143)	-	-	(927,143)
Other comprehensive income for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	-	36,570	-	36,570
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	(927,143)	36,570	-	(890,573)
BALANCE AT SEPTEMBER 30, 2018	160,248,940	$ 1,602,489	$ 3,273,317	$ 195,368	$ 3,468,685	$ (3,701,277)	$ (97,631)	$ -	$ 1,272,266
BALANCE AT JANUARY 1, 2019	160,248,940	$ 1,602,489	$ 3,273,317	$ 196,392	$ 3,469,709	$ (4,045,093)	$ (91,267)	$ -	$ 935,838
Recognition of employee share options by the Company (Note 20)	-	-	-	1,319	1,319	-	-	-	1,319
Net loss for the nine months ended September 30, 2019	-	-	-	-	-	(542,391)	-	-	(542,391)
Other comprehensive income for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	14,911	(281)	14,630
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	(542,391)	14,911	(281)	(527,761)
BALANCE AT SEPTEMBER 30, 2019	160,248,940	$ 1,602,489	$ 3,273,317	$ 197,711	$ 3,471,028	$ (4,587,484)	$ (76,356)	$ (281)	$ 409,396

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

Chairman: Andrew James Howden

Chief Executive Officer: Carl Firth

Head of Finance: Kiran Asarpota

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	$ (530,126)	$ (926,711)
Adjustments for:		
Depreciation expenses	11,080	5,217
Amortization expenses	105	141
Net loss on fair value changes of financial assets at fair value through profit or loss, net	683	-
Finance costs	18,880	9,972
Interest income	(4,480)	(7,170)
Compensation costs (reversed) recognized of share-based payment transactions	(6,595)	54,026
Loss on disposal of property, plant and equipment	2,336	-
Unrealized gain on foreign exchange, net	(4,368)	(6,634)
Gain on disposal of licensed rights	-	(5,601)
Loss on lease modification	1,990	-
Changes in operating assets and liabilities		
Decrease (Increase) in prepayments	1,256	(1,993)
Decrease in trade payables	(95,584)	(10,808)
Decrease in other payables	(30,808)	(9,077)
Cash used in operations	(635,631)	(898,638)
Interest received	4,480	7,170
Interest paid	(756)	-
Income tax paid	(12,265)	(432)
Net cash used in operating activities	(644,172)	(891,900)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(93)	(2,016)
Proceeds from disposal of property, plant and equipment	134	-
Decrease (Increase) in refundable deposits	79	(487)
Payments for intangible assets	-	(688,106)
Net cash generated from (used in) investing activities	120	(690,609)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(5,556)	-
Proceeds from issuance of ordinary shares	-	1,256,108
Proceeds from exercise of employee share options	-	1,468
Payments for transaction costs attributable to issuance of ordinary shares	-	(151,836)
Net cash (used in) generated from financing activities	(5,556)	1,105,740
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	14,089	36,741

(Continued)

	For the Nine Months Ended September 30	
	2019	2018
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (635,519)	$ (440,028)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	883,598	1,499,784
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 248,079	$ 1,059,756

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

Chairman: Andrew James Howden Chief Executive Officer: Carl Firth Head of Finance: Kiran Asarpota

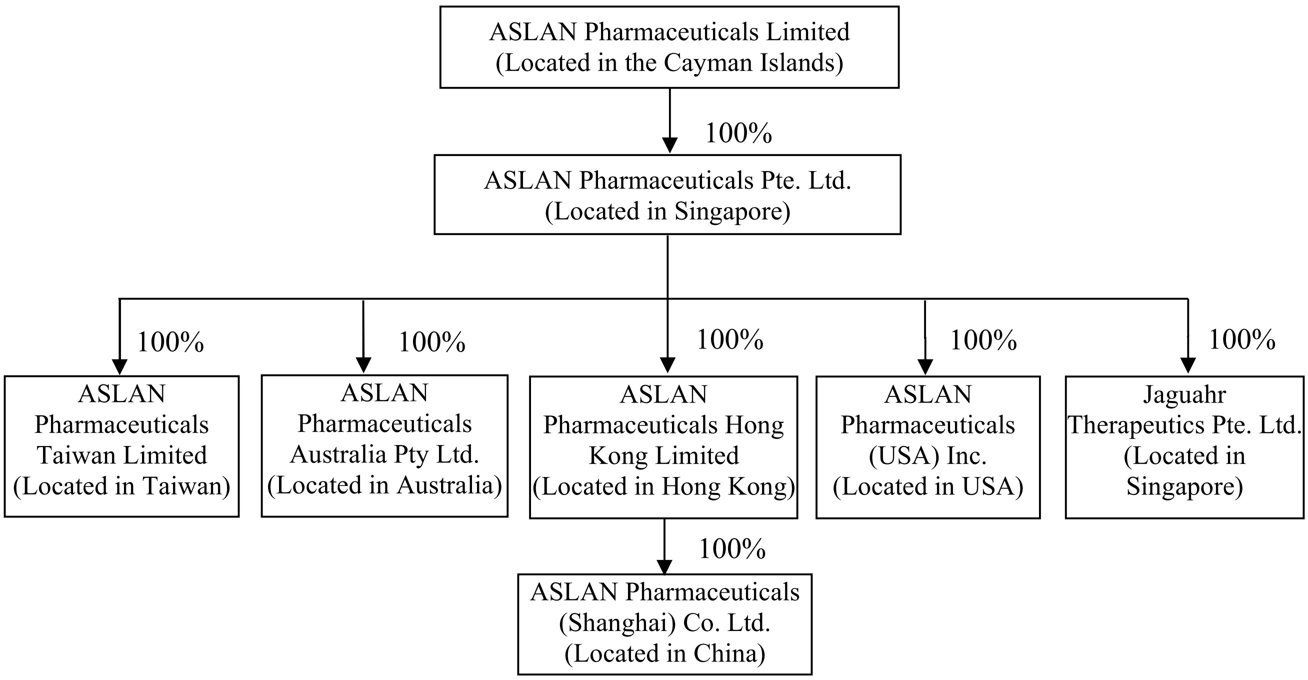
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

ASLAN Pharmaceuticals Limited (the "Company") was incorporated in the Cayman Islands in June 2014 as the listing vehicle for the initial public offering and listing on both the Taipei Exchange ("TPEx") in Taiwan and the Nasdaq Global Market in the United States. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the development of novel drugs for Asia prevalent cancers.

The main businesses and intragroup relationships of the Group were as follows as of September 30, 2019:

Name	Place of Incorporation	Date of Incorporation	Main Business
ASLAN Pharmaceuticals Limited	Cayman Islands	June 2014	Investment holding
ASLAN Pharmaceuticals Pte. Ltd.	Singapore	April 2010	New drug research and development
ASLAN Pharmaceuticals Taiwan Limited	Taiwan	November 2013	New drug research and development
ASLAN Pharmaceuticals Australia Pty Ltd.	Australia	July 2014	New drug research and development
ASLAN Pharmaceuticals Hong Kong Limited	Hong Kong	July 2015	New drug research and development
ASLAN Pharmaceuticals (Shanghai) Co. Ltd.	China	May 2016	New drug research and development
ASLAN Pharmaceuticals (USA) Inc.	United States of America	October 2018	New drug research and development
Jaguahr Therapeutics Pte. Ltd.	Singapore	August 2019	New drug research and development



The Company's shares have been listed on the TPEx since June 1, 2017. In addition, the Company also increased capital through a new share issuance by a depositary institution in order to sponsor its issuance of American Depositary Shares (ADSs), which have been listed on the Nasdaq Global Market, on May 4, 2018.

In addition to its main product candidates, the Company has other earlier stage products candidates in development. On September 30, 2019 the Company announced that it will establish a joint venture with Bukwang Pharmaceutical Co., Ltd., a leading research and development focused Korean pharmaceutical company, to develop antagonists of the aryl hydrocarbon receptor (AhR). The joint venture company, in which the Company currently owns a controlling stake, is called Jaguahr Therapeutics Pte. Ltd.

The functional currency of the Company is the U.S. dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in the New Taiwan dollar in accordance with the TPEx requirements.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on October 29, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

   IFRS 16 "Leases"

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

   Definition of a lease

   A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration under IFRS16.

   The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

   The Group as lessee

   The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 6%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 18,318
Less: Recognition exemption for short-term leases	(7,994)
Less: Recognition exemption for leases of low-value assets	(34)
Undiscounted amounts on January 1, 2019	$ 10,290
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 9,898
Lease liabilities recognized on January 1, 2019	$ 9,898

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	Carrying amount as of January 1, 2019	Adjustments Arising from Initial Application	Adjusted carrying amount as of January 1, 2019
Total effect on assets (right-of-use assets)	$ -	$ 9,898	$ 9,898
Lease liabilities - current	$ -	$ 6,695	$ 6,695
Lease liabilities - non-current	$ -	3,203	$ 3,203
Total effect on liabilities		$ 9,898	

b. IFRSs standards endorsed by FSC for application starting from 2020

New IFRSs Standards	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 2)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs Standards	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and accounts payable arising from cash-settled share-based payment arrangements which are measured at fair value.

c. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intragroup transactions, balances, income and expenses are eliminated in full upon consolidation.

See Tables 4 and 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Refer to the summary of significant accounting policies for the consolidated financial statements for the year ended December 31, 2018, unless otherwise stated below.

1) Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and the default fine arises from lease termination. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

If a change in the scope of the lease, or the consideration of a lease, that was no part of the original terms and conditions of the lease takes place, and both the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract, the Group shall account for a lease modification as a separate lease. For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The Group shall account for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease, and shall make a corresponding adjustment to the right-of-use asset for all other lease modification.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

For the critical accounting judgments and key sources of estimation uncertainty and assumption applied in these consolidated financial statements, refer to the consolidated financial statements for the year ended December 31, 2018.

6. CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	$ 52	$ 71	$ 71
Deposits in banks	248,027	883,527	1,059,685
	$ 248,079	$ 883,598	$1,059,756

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk or changes in value.

The market rate of time deposits at the end of the reporting period were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Time deposits	1.80%	2.57%	2.23%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2019	December 31, 2018	September 30, 2018
Non-current			
Financial assets mandatorily classified as at fair value through profit or loss			
Derivative financial assets - warrants	$ 1,180	$ 1,834	$ -

In July 2018, the Group acquired warrants to subscribe for ordinary shares of DotBio Pte. Ltd., as detailed in Note 16 (under the heading of "Nanyang Technological University").

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2019	December 31, 2018	September 30, 2018
Non-current			
Investments in equity instruments at fair value through other comprehensive income			
Foreign unlisted ordinary shares	$ 5,530	$ 5,723	$ 5,702

In July 2018, the Group acquired ordinary shares of DotBio Pte. Ltd., as detailed in Note 16 (under the heading of Nanyang Technological University), which were not held for trading. The management believes that to recognize short-term fluctuations in the investments' fair value in profit or loss would not be consistent with the Group's purpose of holding the investments. As a result, the Group elected to designate the investments in equity instruments as at fair value through other comprehensive income.

9. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Other Equipment	Leasehold Improvements	Total
Cost				
Balance at January 1, 2018	$ 6,266	$ 1,042	$ 14,072	$ 21,380
Additions	1,578	31	407	2,016
Effect of foreign currency exchange differences	197	28	385	610
Balance at September 30, 2018	$ 8,041	$ 1,101	$ 14,864	$ 24,006
Accumulated depreciation				
Balance at January 1, 2018	$ 3,423	$ 425	$ 4,378	$ 8,226
Depreciation expenses	1,347	242	3,628	5,217
Effect of foreign currency exchange differences	117	16	182	315
Balance at September 30, 2018	$ 4,887	$ 683	$ 8,188	$ 13,758
Carrying amounts at September 30, 2018	$ 3,154	$ 418	$ 6,676	$ 10,248
Cost				
Balance at January 1, 2019	$ 8,464	$ 1,106	$ 14,919	$ 24,489
Additions	93	-	-	93
Disposals	(2,026)	(28)	(6,818)	(8,872)
Effect of foreign currency exchange differences	130	17	228	375
Balance at September 30, 2019	$ 6,661	$ 1,095	$ 8,329	$ 16,085
Accumulated depreciation				
Balance at January 1, 2019	$ 5,444	$ 768	$ 9,462	$ 15,674
Depreciation expenses	1,384	228	3,218	4,830
Disposals	(1,471)	(16)	(4,915)	(6,402)
Effect of foreign currency exchange differences	84	12	144	240
Balance at September 30, 2019	$ 5,441	$ 992	$ 7,909	$ 14,342
Carrying amounts at January 1, 2019	$ 3,020	$ 338	$ 5,457	$ 8,815
Carrying amounts at September 30, 2019	$ 1,220	$ 103	$ 420	$ 1,743

No impairment assessment was performed for the nine months ended September 30, 2019 and 2018 as there was no indication of impairment.

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over the estimated useful life of 3 years.

10. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	September 30, 2019
Carrying amounts	
Buildings	$ 24,655

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Additions to right-of-use assets		$ 27,394
Depreciation charge for right-of-use assets		
Buildings	$ 2,062	$ 6,250

b. Lease liabilities - 2019

	September 30, 2019
Carrying amounts	
Current	$ 6,034
Non-current	19,402
	$ 25,436

Discount rate for lease liabilities was as follows:

	September 30, 2019
Buildings	6%

c. Material lease-in activities and terms

The Group leases office buildings with lease terms of 3 years. These arrangements do not contain purchase options at the end of the lease terms.

The office buildings leases across the Group contain extension options. These terms are used to maximize operational flexibility in terms of managing contracts. In cases in which the Group is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities. If the payments associated with the optional period are included within lease liabilities, there will be an increase in lease liabilities of $21,346 thousand as of September 30, 2019.

d. Other lease information

2019

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Expenses relating to short-term leases	$ 1,121	$ 6,708
Expenses relating to low-value asset leases	$ 173	$ 192
Total cash outflow for leases	$ 3,073	$ 13,213

The Group leases certain office buildings which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	September 30, 2019
Lease commitments	$ 3,043

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018	September 30, 2018
Not later than 1 year	$ 15,082	$ 17,893
Later than 1 year and not later than 5 years	3,236	4,690
	$ 18,318	$ 22,583

11. INTANGIBLE ASSETS

	Licenses	Computer Software	Total
Cost			
Balance at January 1, 2018	$ 2,177	$ 1,191	$ 3,368
Additions	688,019	87	688,106
Effect of foreign currency exchange differences	12,444	34	12,478
Balance at September 30, 2018	$ 702,640	$ 1,312	$ 703,952
Accumulated amortization			
Balance at January 1, 2018	$ -	$ 875	$ 875
Amortization expenses	-	141	141
Effect of foreign currency exchange differences	-	27	27
Balance at September 30, 2018	$ -	$ 1,043	$ 1,043

(Continued)

Carrying amounts at September 30, 2018	$ 702,640	$ 269	$ 702,909
Cost			
Balance at January 1, 2019	$ 705,236	$ 1,317	$ 706,553
Effect of foreign currency exchange differences	10,852	20	10,872
Balance at September 30, 2019	$ 716,088	$ 1,337	$ 717,425
Accumulated amortization			
Balance at January 1, 2019	$ -	$ 1,097	$ 1,097
Amortization expenses	-	105	105
Effect of foreign currency exchange differences	-	16	16
Balance at September 30, 2019	$ -	$ 1,218	$ 1,218
Carrying amounts at January 1, 2019	$ 705,236	$ 220	$ 705,456
Carrying amounts at September 30, 2019	$ 716,088	$ 119	$ 716,207

(Concluded)

The intangible assets, namely licenses, include the acquisition in January 2018 of exclusive and worldwide rights to develop, manufacture and commercialize varlitinib from Array Biopharma Inc. and in August 2016 of ASLAN005 from Exploit Technologies Pte Ltd., respectively. The information related to these license agreements is further disclosed in Note 16.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the aforementioned intangible assets are not amortized since they are not yet available for use. Instead they would be tested for impairment, by comparing the recoverable amounts with the carrying amounts, annually and whenever there is an indication that they may be impaired. For the nine months ended September 30, 2019 and 2018, there was no impairment loss recognized.

Computer software is amortized on a straight-line basis over the estimated useful life of 3 years.

12. OTHER PAYABLES

	September 30, 2019	December 31, 2018	September 30, 2018
Payables for cash-settled share-based payment transactions (Note 20)	$ 19,393	$ 20,449	$ 40,136
Payables for professional fees	18,448	20,806	15,038
Interest payables	9,538	1,541	-
Payables for salaries and bonuses	7,366	35,243	38,712
Others	3,996	3,956	3,267
	$ 58,741	$ 81,995	$ 97,153

13. LONG-TERM BORROWINGS

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured borrowings			
Loans from government	$ 222,436	$ 222,094	$ 220,728
Other long-term borrowings	126,014	124,104	-
Interest payables	91,047	80,940	77,433
	$ 439,497	$ 427,138	$ 298,161

a. Loans from government

On April 27, 2011, the Singapore Economic Development Board (EDB) awarded the Company a repayable grant (the “Grant”) not exceeding SGD10 million (approximately $222 million) to support the Company’s drug development activities over a five-year qualifying period commencing February 24, 2011 (the “Project”). The Project was successfully implemented, resulting in substantially the full amount of the Grant being disbursed to the Company.

In the event any of the Company’s clinical product candidates achieve commercial approval after Phase 3 clinical trials, the Company will be required to repay the funds disbursed to the Company under the Grant plus interest of 6%. Until the Company has fulfilled its repayment obligations under the Grant, the Company has ongoing update and reporting obligations to the EDB. In the event the Company breaches any of its ongoing obligations under the Grant, EDB can revoke the Grant and demand that the Company repay the funds disbursed to the Company under the Grant.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the amounts of funds disbursed to the Company plus accrued interest were $313.4 million, $303 million and $298.2 million, respectively.

b. Other long-term borrowings

On May 12, 2014, ASLAN Pharmaceuticals Pte. Ltd. obtained a loan facility of US$4.5 million from CSL Finance Pty Ltd. The amount was based on 75% of research and development costs approved by CSL Finance Pty Ltd. at each drawdown period. The loan is repayable within 10 years from the date of the facility agreement. Interest on the loan is computed at 6% plus LIBOR and is payable on a quarterly basis.

Mandatory prepayment of the loan is required upon a successful product launch occurring before maturity of the loan.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the amounts of funds disbursed to the Company plus accrued interest were $136 million, $126 million and nil, respectively.

14. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

ASLAN Pharmaceuticals Pte. Ltd. adopted a defined contribution plan, which is a post-employment benefit plan, under which ASLAN Pharmaceuticals Pte. Ltd. pays fixed contributions into the Singapore Central Provident Fund on a mandatory basis. ASLAN Pharmaceuticals Pte. Ltd. has no further payment obligations once the contributions have been paid. The contributions are recognized as “employee compensation expenses” when they are due.

ASLAN Pharmaceuticals Taiwan Limited adopted a pension plan under the Labor Pension Act (LPA) of the ROC, which is a state-managed defined contribution plan. Under the LPA, ASLAN Pharmaceuticals Taiwan Limited makes monthly contributions to its Taiwan-based employees' individual pension accounts at 6% of monthly salaries and wages.

For the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018, the total expenses for such employee benefits in the amount of $2 million, $3.1 million, $8.3 million and $9.8 million were recognized, respectively.

15. EQUITY

a. Ordinary shares

	September 30, 2019	December 31, 2018	September 30, 2018
Number of shares authorized	500,000,000	500,000,000	200,000,000
Shares authorized	$ 5,000,000	$ 5,000,000	$ 2,000,000
Number of shares issued and fully paid	160,248,940	160,248,940	160,248,940
Shares issued	$ 1,602,489	$ 1,602,489	$ 1,602,489

The issued ordinary shares with a par value of $10 entitle holders with the rights to vote and receive dividends.

On January 22, 2018, the Company received the official letter No. 1060049975 from the FSC of approval of the issuance of ordinary shares for the purpose of sponsoring the issuance of American Depository Receipts. On March 27, 2018, the Company filed the registration statement, 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 (ADS) representing shares of ordinary shares. The registration statement for listing its ADSs in the Nasdaq Global Market was declared effective by the SEC, and the Company held the initial public offering of its ADSs on May 4, 2018.

The actual units of ADSs for this offering were 6,000,000, and each ADS represents five of the Company's ordinary shares, which in total represents 30,000,000 ordinary shares. The offering price per ADS was US$7.03, equivalent to a price per ordinary share of NT$41.72. The payment of this fundraising was fully collected as of May 8, 2018, and the record date for this capital increase was May 8, 2018.

On September 10, 2018, the Company's board of directors proposed to increase authorized shares to $5,000 million and it was resolved by the extraordinary shareholders' meeting on October 30, 2018.

The Company's directors resolved to issue ordinary shares ranging from 15,000,000 to 100,000,000 shares for cash sponsoring the issuance of ADSs on October 4, 2019.

b. Capital surplus

	September 30, 2019	December 31, 2018	September 30, 2018
Arising from issuance of new share capital	$ 3,273,317	$ 3,273,317	$ 3,273,317
Arising from employee share options	197,711	196,392	195,368
	$ 3,471,028	$ 3,469,709	$ 3,468,685

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, the Company may declare dividends by ordinary resolution of the Company's board of directors, but no dividends shall exceed the amount recommended by the directors of the Company.

The Company may set aside out of the funds legally available for distribution, for equalizing dividends or for any other purpose to which those funds may be properly applied, either employed in the business of the Company or invested in such investments as the directors of the Company may from time to time think fit.

The accumulated deficits for 2018 and 2017 approved by the shareholders' meetings on June 21, 2019 and June 15, 2018, respectively, were as follows:

	For the Year Ended December 31	
	2018	**2017**
Accumulated deficits at the beginning of the year	$ (2,774,134)	$ (1,565,714)
Net loss for the year	(1,270,959)	(1,208,420)
Accumulated deficits at the end of the year	$ (4,045,093)	$ (2,774,134)

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations:

	For the Nine Months Ended September 30	
	2019	**2018**
Balance at January 1	$ (91,267)	$ (134,201)
Exchange differences on translation to the presentation currency	14,911	36,570
Balance at September 30	$ (76,356)	$ (97,631)

2) Unrealized gain (loss) on financial assets at fair value through other comprehensive income:

	For the Nine Months Ended September 30	
	2019	**2018**
Balance at January 1	$ -	$ -
Unrealized loss		
Equity instruments	(281)	-
Balance at September 30	$ (281)	$ -

16. LICENSE AGREEMENTS

Array Biopharma

The Company entered into a license agreement in 2011 with Array Biopharma Inc. (“Array”) to develop Array’s pan-HER inhibitor, ARRY-543 (which the Company refers to as ASLAN001 or varlitinib), for the treatment or prevention of any disease or condition in humans, without upfront payments. Under the license agreement, the Company agreed to fund and globally develop ASLAN001 through proof of concept, initially targeting patients with gastric cancer through a development program conducted in Asia.

Upon achievement of proof of concept, the Company agreed to collaborate or out-license to third parties for the further phase 3 development and commercialization. Under the license agreement, the Company agreed to pay Array 50% of the proceeds from out-licensing as royalties.

On January 3, 2018, the Company entered into a new license agreement with Array pursuant to which the Company obtained an exclusive, worldwide license to develop, manufacture and commercialize varlitinib for all human and animal therapeutic, diagnostic and prophylactic uses. This new license agreement replaces and supersedes the previous collaboration and license agreement with Array dated July 12, 2011.

Under the new license agreement, the Company agreed to use commercially reasonable efforts to obtain approval by the U.S. FDA or the applicable health regulatory authority and commercialize varlitinib.

In consideration of the rights granted under the agreement, the Company made an initial upfront payment to Array of US$12 million in January 2018 and an additional payment US$11 million in June 2018, respectively, that were capitalized as a separately acquired intangible asset. In addition, the Company will be required to pay up to US$30 million if certain development milestones are achieved, US$20 million if certain regulatory milestones are achieved, and up to US$55 million if certain commercial milestones are achieved. The Company is also required to pay Array tiered royalties in the low tens on net sales of varlitinib. The royalty obligations will continue on a country-by-country basis through the later of the expiration of the last valid patent claim for varlitinib or ten years after the first commercial sale of varlitinib in a given country. As of September 30, 2019, the Company did not accrue for the above contingent payments since the milestones are not achieved.

If within two years of the date of the new license agreement the Company sublicenses varlitinib and is paid an upfront payment, Array will be further entitled to receive one-half of the portion of any such upfront payment that exceeds a specified amount. In the event that the base royalty under a sublicense agreement is 20% or less, the Company will only be required to share with Array one-half of the amount actually received by the Company under such sublicense agreement in lieu of the tiered royalties described above, provided that the royalty paid in such case shall in no event be less than a royalty in the high single digit range.

If the Company undergoes a change in control during a defined period following execution of the new license agreement, Array will also be entitled to receive a low to mid single-digit percentage of the proceeds resulting from the change in control. Unless earlier terminated, the agreement will continue on a country-by-country basis until the expiration of the respective royalty obligations in such country. Upon such expiration in such country, Array will grant to the Company a perpetual, royalty-free, non-terminable, non-revocable, non-exclusive license to exploit certain know-how in connection with the development, manufacturing and/or commercialization of varlitinib for all human and animal therapeutic, diagnostic and prophylactic uses in such country. Either party may terminate the agreement (i) in the event of the other party’s material breach of the agreement that remains uncured for a specified period of time or (ii) the insolvency of the other party. In addition, if there is a change in control, the Company may also terminate the agreement without cause at any time upon 180 days advance notice to Array.

Bristol-Myers Squibb

The Company entered into a license agreement with Bristol-Myers Squibb in 2011, and the Company received exclusive rights to develop and commercialize BMS-777607 (which the Company refers to as ASLAN002) in China, Australia, Korea, Taiwan and other selected Asian countries, without upfront payments. Bristol-Myers Squibb retains the exclusive rights in the rest of the world. Under the license agreement, the Company would fund and develop ASLAN002 through proof of concept under a development plan that would initially target gastric cancer and lung cancer.

After the Company completed the phase 1 clinical trial, Bristol-Myers Squibb licensed the exclusive rights from the Company to further the development and commercialization of ASLAN002 worldwide. Under the terms of the license agreement, the Company has received an upfront payment of US$10 million ($323 million) in 2016. The Company is eligible to receive additional payments upon Bristol-Myers Squibb's achievement of development and regulatory milestones in the future. Bristol-Myers Squibb also purchased the related research materials, supplies, research documentation and clinical trial results that are used for further developing ASLAN002 from the Company in the amount of US$1 million ($42 million) which was delivered in 2016. Furthermore, the Company is eligible to receive royalty payments on future worldwide sales generated by Bristol-Myers Squibb.

Almirall

In 2012, the Company originally entered into a global licensing agreement with Almirall to develop DHODH inhibitor, LAS186323, which the Company refers to as ASLAN003, for rheumatoid arthritis (excluding any topical formulation), without upfront payments. Under the license agreement, the Company agreed to fund and develop ASLAN003 to the end of Phase 2 through a development program conducted in the Asia-Pacific region.

The original license agreement was replaced by a new agreement, executed in December 2015 and amended in March 2018, granting an exclusive, worldwide license to develop, manufacture and commercialize ASLAN003 products for all human diseases with primary focus on oncology diseases, excluding topically-administered products embodying the compound for keratinocyte hyperproliferative disorders, and the non-melanoma skin cancers basal cell carcinoma, squamous cell carcinomas and Gorlin Syndrome. Under the license agreement, Almirall is eligible to receive milestone payments and royalties based on the sales generated by the Company and/or sublicensees. The related cost of revenue in the amount of $3 million (US$0.1 million) payable to Almirall was recognized as operating costs accordingly.

CSL

The Company entered into a global license agreement with CSL Limited ("CSL"), in May 2014, to develop the anti-IL13 receptor monoclonal antibody, CSL334 (which the Company refers to as ASLAN004) and antigen binding fragments thereof, for the treatment, diagnosis or prevention of diseases or conditions in humans, without upfront payments. This license agreement was amended in May 31, 2019, pursuant to which the Company obtained an exclusive, worldwide license to certain intellectual property owned or licensed by CSL, including patents and know-how, to develop, manufacture for clinical trials and commercialize ASLAN004 for the treatment, diagnosis or prevention of diseases or conditions in humans. The Company's development under such agreement is currently focused on the treatment of respiratory and inflammatory conditions, and in particular, atopic dermatitis.

Under the amended agreement, the Company is generally obligated to use diligent efforts to develop ASLAN004 products in accordance with the development plan, to obtain marketing approvals for ASLAN004 products worldwide and to commercialize ASLAN004 products, either by itself or through sublicensees.

In consideration of the rights granted to the Company under the amended agreement, the Company will make a first payment of US$30 million to CSL upon commencement of a Phase 3 clinical trial of ASLAN004. The Company will also be required to pay up to an aggregate of US$95 million to CSL if certain regulatory milestones are achieved, up to an aggregate of US$655 million if certain sales milestones are achieved and tiered royalties on net sales of ASLAN004 products ranging between a mid-single digit percentage and 10%.

Hyundai Pharm Co., Ltd.

In October 2015, the Company entered into a license agreement with Hyundai Pharm Co., Ltd. ("Hyundai"). Under the terms of the license agreement, the Company granted Hyundai options to acquire the rights to use its intellectual property to develop and commercialize varlitinib for the treatment of cholangiocarcinoma (i.e., CCA) in South Korea, and the Company has received an option payment of US$0.25 million ($8.1 million) from Hyundai in 2016. The Company was eligible for additional regulatory and commercial milestones payments as well as royalties on product sales.

In February 2019, the Company made a payment of 10 million (US$325,000) to Hyundai in order to buy back the rights to commercialize varlitinib in CCA and recorded as operating costs.

Exploit Technologies Pte Ltd. ("ETPL")/P53 Laboratory

The Company entered into a licensing agreement with ETPL, in August 2016, to license Intellectual Property (IP) arising from a research collaboration with ETPL's P53 Laboratory. The IP focuses on generation of novel immuno-oncology antibodies targeting recepteur d'origine nantais ("RON") and such antibodies are referred to by the Company collectively as ASLAN005. The license fee of SG$0.1 million ($2.2 million) is capitalized as a separately acquired intangible asset. Under the license agreement, the Company has the exclusive rights to develop and commercialize ASLAN005 worldwide. ETPL is eligible to receive up to an aggregate of SG$12 million ($266.2 million) in milestone payments if certain development and commercial milestones are achieved, as well as royalties calculated based on any sales generated by the Company.

In August 2016, the Company and ETPL's P53 Laboratory entered into a three-year research collaboration agreement. Under the terms of the agreement, the Company will be responsible for the design of innovative clinical development programs, in collaboration with P53 Laboratory, which will continue to be responsible for the preclinical development of the antibody assets.

Nanyang Technological University

The Company entered into a licensing and research collaboration agreement with Nanyang Technological University (NTU) in October 2016, for the development of modybodies against three targets of the Company's choice. The agreement expired in April 2018, but the Company retained continuing rights: a half share ownership in the resulting IP, together with an exclusive option to obtain global rights to develop and commercialize the modybodies, with such option exercisable until October 2018. In July 2018, the technology for modybodies was separated from NTU and licensed to a new company, DotBio Pte. Ltd. In exchange for the Company's giving up its residual rights and options in respect to the technology, the Company received 599,445 shares of DotBio Pte. Ltd. equivalent to SG$255,000 (see Note 8), together with 599,445 units of warrant to subscribe for the same number of shares at a subscription price of $0.32 which was the same value per share as applied to other new investors in this round (see Note 7); in addition, the Company also retained a right of first refusal to take an exclusive license for any modybodies produced by DotBio Pte. Ltd. that are based on the work generated from the collaborative agreement between NTU and the Company. However, as the right of first refusal did not limit DotBio Pte. Ltd.'s ability to direct the use of the asset, or to obtain substantially all the remaining benefits from the asset, this would not prevent DotBio Pte. Ltd. from obtaining control of the asset. Accordingly, the Company recognized the non-cash gain arising from the derecognition and recorded it as other income of $5.6 million for the nine months ended September 30, 2018, because it was not a good or service that was an output of the Company's ordinary activities.

BioGenetics Co. Ltd.

In February 2019, the Company entered into a licensing agreement with BioGenetics Co. Ltd. ("BioGenetics") to grant exclusive rights to commercialize varlitinib in South Korea in exchange for an upfront payment of $61 million (US$2 million) and up to US$11 million in sales and development milestone payments. The Company is also eligible to receive tiered double digit royalties on net sales up to the mid-twenties. The Company granted the license that has been transferred to BioGenetics, and BioGenetics is able to use and benefit from the license. BioGenetics is also responsible for obtaining initial and all subsequent regulatory approvals of varlitinib in South Korea. Since the Company has no other performance obligation in addition to the license, the Company recognized the upfront payment as revenue in February 2019.

In March 2019, the Company entered into another licensing agreement with BioGenetics to grant exclusive rights to commercialize ASLAN003 in South Korea in exchange for an upfront payment of $31 million (US$1 million) and up to US$8 million in sales and development milestone payments. The Company is also eligible to receive tiered double digit royalties on net sales from the high-teens to the mid-twenties range. The Company granted the license that has been transferred to BioGenetics, and BioGenetics is able to use and benefit from the license. BioGenetics is also responsible for obtaining initial and all subsequent regulatory approvals of ASLAN003 in South Korea. Since the Company has no other performance obligation in addition to the license, the Company recognized the upfront payment as revenue in March 2019. Under the in-license agreement to develop ASLAN003 with Almirall, Almirall is eligible to receive a payment of 10% (ten per cent) of the proceeds from the out-licensing of ASLAN003. The related cost of revenue in the amount of $3 million (US$0.1 million) payable to Almirall was recognized as operating costs accordingly.

17. LOSS BEFORE INCOME TAX

a. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Net foreign exchange gains	$ 7,431	$ 996	$ 3,997	$ 3,599
Loss on disposal of property, plant and equipment	(153)	-	(2,336)	-
Loss on lease modification	-	-	(1,990)	-
Net loss on fair value changes of financial assets at fair value through profit or loss	(683)	-	(683)	-
Others	(433)	247	(176)	1,503
	$ 6,162	$ 1,243	$ (1,188)	$ 5,102

b. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Interest on government loans	$ 3,379	$ 3,332	$ 10,153	$ 9,972
Other interest expenses	2,667	-	7,971	-
Interest on lease liabilities	387	-	756	-
	$ 6,433	$ 3,332	$ 18,880	$ 9,972

c. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Right-of-use assets	$ 2,062	$ -	$ 6,250	$ -
Property, plant and equipment	1,160	1,825	4,830	5,217
Computer software	31	49	105	141
	$ 3,253	$ 1,874	$ 11,185	$ 5,358

All depreciation and amortization expenses are recorded as general and administrative expenses for the nine months ended September 30, 2019 and 2018.

d. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Short-term benefits	$ 19,455	$ 68,123	$ 105,164	$ 193,088
Post-employment benefits	2,027	3,094	8,324	9,845
Share-based payments (Note 20)				
Equity-settled share-based payments	(1,055)	2,654	1,319	12,565
Cash-settled share-based payments	(10,354)	21,198	(7,914)	41,461
Total employee benefits expense	$ 10,073	$ 95,069	$ 106,893	$ 256,959
Summary of employee benefits expense by function				
General and administrative expenses	$ 2,114	$ 59,517	$ 71,581	$ 157,970
Research and development expenses	7,959	35,552	35,312	98,989
	$ 10,073	$ 95,069	$ 106,893	$ 256,959

e. Employees' compensation and remuneration of directors

Under the Company's Articles of Incorporation, the Company shall accrue employees' compensation and remuneration of directors at the rates of no less than 0.1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The Company had accumulated deficits for the nine months ended September 30, 2019 and 2018; therefore, no compensation for employees and remuneration of directors was accrued.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

18. INCOME TAXES

Income Tax Recognized in Profit or Loss

	For the Nine Months Ended September 30	
	2019	2018
Current tax		
In respect of the current period	$ 12,265	$ 432

a. Cayman Islands

The Company is incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

b. Singapore

ASLAN Pharmaceuticals Pte. Ltd. and Jaguahr Therapeutics Pte. Ltd., incorporated in Singapore, are subject to the statutory corporate income tax rate of 17%. In connection with the licensing agreements with BioGenetics in February and March 2019, and collected upfront payments totaled US$3 million from BioGenetics in total, which was subject to withholding taxes of 15% in compliance with local regulations in South Korea. The Group therefore recognized income tax expense at an amount of US$ 0.45 million. Except for the above, ASLAN Pharmaceuticals Pte. Ltd. and Jaguahr Therapeutics Pte. Ltd. have no taxable income for the nine months ended September 30, 2019 and 2018, and therefore, no other provision for income tax is required.

c. Taiwan

ASLAN Pharmaceuticals Taiwan Limited, incorporated in Taiwan, is subject to the statutory corporate income tax rate of 17% and 20% in 2018 and 2019, respectively. The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

The income tax returns through 2017 have been assessed by the tax authorities.

d. Australia

ASLAN Pharmaceuticals Australia Pty Ltd., incorporated in Australia, is subject to the statutory corporate income tax rate of 30%. ASLAN Pharmaceuticals Australia Pty Ltd. has no taxable income for the nine months ended September 30, 2019 and 2018, and therefore, no provision for income tax is required. A tax incentive was obtained from the Australian government on August 23, 2019 for US$79,710 due to research and development activities carried out in Australia during the year 2018.

e. Hong Kong

ASLAN Pharmaceuticals Hong Kong Limited, incorporated in Hong Kong, is subject to the statutory corporate income tax rate of 16.5%. Under the Hong Kong tax law, ASLAN Pharmaceuticals Hong Kong Limited is exempted from income tax on its foreign derived income and there are no withholding taxes in Hong Kong on the remittance of dividends. ASLAN Pharmaceuticals Hong Kong Limited has no taxable income for the nine months ended September 30, 2019 and 2018, and therefore, no provision for income tax is required.

f. China

ASLAN Pharmaceuticals (Shanghai) Co. Ltd., incorporated in China, is subject to the statutory corporate income tax rate of 25%. ASLAN Pharmaceuticals (Shanghai) Co. Ltd. has no taxable income for the nine months ended September 30, 2019 and 2018, and therefore, no provision for income tax is required.

g. United States of America

ASLAN Pharmaceuticals (USA) Inc., incorporated in Delaware, USA in October 2018, is subject to the statutory federal income tax rate of 21% and state income tax rate of 8.7%. ASLAN Pharmaceuticals (USA) Inc. has no taxable income for the nine months ended September 30, 2019, and therefore, no provision for income tax is required.

19. LOSS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Basic and diluted loss per share	$ (1.01)	$ (2.13)	$ (3.38)	$ (6.34)

The loss and weighted-average number of ordinary shares outstanding used in the computation of loss per share are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Loss used in the computation of loss per share	$ (161,781)	$ (341,809)	$ (542,391)	$ (927,143)
Weighted average number of ordinary shares in computation of losses per share	160,249	160,202	160,249	146,198

If the outstanding employee share options issued by the Company are converted to ordinary shares, they are anti-dilutive and excluded from the computation of diluted loss per share. Potential ordinary shares arising from the aforementioned anti-dilutive outstanding employee share options are 11,004,802 and 10,625,483 shares for the nine months ended 2019 and 2018, respectively.

20. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan

Under the Company's employee share option plan, qualified employees of the Company and its subsidiaries were granted 825,833 options in September 2017, 1,032,250 options in July 2016, 2,477,336 options in July 2015, 680,625 options in July 2014, 619,250 options in July 2013, 669,750 options in July 2012, 910,000 options in July 2011, and 661,000 options in July 2010. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages once they have vested. No performance conditions were attached to the plan. The Company has no legal constructive obligation to repurchase or settle the options in cash.

The board of directors of the Company, as of July 26, 2016, resolved to double the number of shares underlying each outstanding award granted previously to reflect the subdivision ratio of the share split made in connection with the corporate restructuring of May 27, 2016. The exercise price for each award previously granted was correspondingly adjusted by a decrease of 50%. The modification did not cause any incremental adjustments to the fair value of the granted awards.

As of September 30, 2019, there are 14,081,879 ordinary shares issuable on the exercise of share options outstanding under the Company's equity incentive plans.

Information on employee share options granted in September 2017 is as follows:

	For the nine months Ended September 30			
	2019		2018	
	Number of Options	Weighted-average Exercise Price (US$)	Number of Options	Weighted-average Exercise Price (US$)
Balance at January 1	698,167	$ 1.28	755,833	$ 1.28
Options forfeited	(197,000)	1.28	-	-
Balance at September 30	501,167	1.28	755,833	1.28
Options exercisable, end of period	501,167	1.28	-	-
Weighted-average fair value of options granted (US$)	$ -		$ -	

Information on employee share options granted in July 2016, 2015, 2014, 2013, 2012, 2011 and 2010 is as follows:

	For the nine months Ended September 30			
	2019		2018	
	Number of Options	Weighted-average Exercise Price (US$)	Number of Options	Weighted-average Exercise Price (US$)
Balance at January 1	6,822,523	$ 1.41	6,887,523	$ 1.41
Options forfeited	(32,167)	2.26	-	-
Options exercised	-	-	(60,000)	0.80
Balance at September 30	6,790,356	1.41	6,827,523	1.41
Options exercisable, end of period	6,790,356	1.41	6,597,586	1.38
Weighted-average fair value of options granted (US$)	$ -		$ -	

Information on outstanding options as of September 30, 2019 is as follows:

September 2017		July 2016		July 2015		July 2014		July 2013		July 2012		July 2011		July 2010	
Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)
$38.50	7.9	$2.26	6.7	$1.36-$1.88	5.7	$1.36	4.7	$0.80-$1.36	3.7	$0.80	2.7	$0.20-$0.80	1.7	$0.20-$0.80	0.7

Options granted in September 2017 and July of 2016, 2015, 2014, 2013, 2012, 2011 and 2010 were priced using the binomial option pricing model, and the inputs to the model are as follows:

	September 2017	July 2016	July 2015	July 2014	July 2013	July 2012	July 2011	July 2010
Grant-date share price	NT$38.50	US$2.26	US$1.88	US$1.36	US$1.36	US$1.25	US$0.80	US$0.80
Exercise price	NT$38.50	US$2.26	US$1.36-$1.88	US$1.36	US$0.80-$1.36	US$0.80	US$0.20-$0.80	US$0.20-$0.80
Expected volatility	38.33%	39.34%	36.37%	50.86%	50.58%	52.25%	54.26%-54.44%	59.16%
Expected life (in years)	10	10	10	10	10	10	10	10
Expected dividend yield	-	-	-	-	-	-	-	-
Risk-free interest rate	1.1027%	1.46%	2.43%	2.58%	2.5%	1.61%	2.96%-3.22%	2.954%

Expected volatility was based on the average annualized historical share price volatility of comparable companies before the grant date.

Compensation cost recognized were $(1.1) million, $2.7 million, $1.3 million and $12.6 million for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, respectively.

Long Term Incentive Plan

On July 26, 2019, July 30, 2018 and August 23, 2017, the Company’s board of directors approved the 2019,2018 and 2017 Senior Management Team (SMT) Long Term Incentive Plans (the“2019 LTIP”, “2018 LTIP” and “2017 LTIP”, and collectively, the “LTIPs”), respectively, which outlines awards that may be granted to qualified employees of the Company. These plans are applicable to the SMT of the Company and are used for long-term retention of key management. The LTIPs are each valid for ten years, and grantees of the bonus entitlement units can exercise their rights once they have vested. The Company shall pay the intrinsic value of the units awarded to the employees at the date of exercise of their awards, if redeemed by an employee.

As of September 30, 2019, there are 491,020 bonus entitlement units which have been granted under the 2019 LTIP by the Company. For the 491,020 units under the 2019 LTIP, they will vest in thirds each year after the first, second, and third anniversary of the award. The value of the 2019 LTIP will be linked to the ADS price. All of the 2019 LTIP granted bonus entitlement units remained outstanding as of September 30, 2019.

The Company’s 2019 LTIP is described as follows:

	For the Nine Months Ended September 30 2019
Balance at January 1	-
Awards granted	491,020
Balance at September 30	491,020
Balance exercisable, end of period	-

As of September 30, 2019, there are 241,142 bonus entitlement units which have been granted under the 2018 LTIP by the Company. For the 241,142 units under the 2018 LTIP, they will vest in thirds each year after the first, second, and third anniversary of the award. The value of the 2018 LTIP will be linked to the ADS price. All of the 2018 LTIP granted bonus entitlement units remained outstanding as of September 30, 2019.

The Company's 2018 LTIP is described as follows:

	For the Nine Months Ended September 30	
	2019	**2018**
Balance at January 1	241,142	-
Awards granted	-	241,142
Awards forfeited	(73,053)	-
Balance at September 30	168,089	241,142
Balance exercisable, end of period	56,030	-

As of September 30, 2019, there are 1,566,000 bonus entitlement units which have been granted under the 2017 LTIP by the Company. For the 1,462,000 units under the 2017 LTIP which were granted in 2017, they will vest in thirds each year after the first, second, and third anniversary of the award, and for the 104,000 units under the 2017 LTIP which were granted in 2018, they will vest in halves each year after the second and third anniversary of the award.

The value of the 2017 LTIP, which was originally measured based on the quoted share price, will be changed retrospectively at a 5:1 conversion ratio of the Taiwan share price to the ADS price due to the modification of the 2017 LTIP approved by the Company's board of directors on July 30, 2018. As this shall be a modification of a cash-settled award that remains a cash-settled award after the modification, any increase or decrease in the value of the liability shall be recognized immediately in profit or loss.

The Company's 2017 LTIP is described as follows:

	For the Nine Months Ended September 30	
	2019	**2018**
Balance at January 1	1,479,334	1,462,000
Awards granted	-	104,000
Awards forfeited	(319,333)	-
Balance at September 30	1,160,001	1,566,000
Balance exercisable, end of period	815,000	487,333

Each bonus entitlement unit grants the holders of the 2018 LTIP and the 2017 LTIP a conditional right to receive an amount of cash equal to the per-unit fair market value of the Company's ordinary shares and ADSs, respectively, on the settlement date. The LTIPs qualify as cash-settled share-based payment transactions. The Company recognizes the liabilities in respect of its obligations under the LTIPs, which are measured based on the Company's quoted market price of its ADSs at the reporting date, and takes into account the extent to which the services have been rendered to date.

Regarding the Company's 2019, 2018 and 2017 LTIPs, the respective quoted fair value of the awards on the grant date was US$2.92, US$7.90 and NT$33.45 (or US$1.10), based on the closing price per ADS on July 30, 2019, the closing price per ADS on July 30, 2018 and the Taiwan share price on August 23, 2017, respectively. The quoted fair value on the reporting date is based on the closing price per ADS of US$1.73

and US$3.60 as of September 30, 2019 and December 31, 2018 and the closing price per ADS of US$7.98 as of September 30, 2018, respectively.

The Company recognized (reversed) total expenses of $(10.3 million), $21.2million, $(7.9 million) and $41.5 million in respect of the LTIP for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, respectively. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Company recognized compensation liabilities of $19.4 million, $20.4 million and $40.1 million as current (classified as other payables), respectively, and $2.7 million, $8.9 million and $12.9 million as non-current, respectively.

21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to safeguard cash as well as maintain financial liquidity and flexibility to support the development of its product candidates and programs as a going concern through the optimization of the debt and equity balance.

The Group's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. The capital structure of the Group mainly consists of borrowings and equity of the Group. Key management personnel of the Group review the capital structure periodically. In order to maintain or balance the overall capital structure, the Group may adjust the amounts of long-term borrowings, or the issuance of new shares capital or other equity instruments.

As of September 30, 2019, there were no changes in the Group's capital management policy, and the Group is not subject to any externally imposed capital requirements.

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

   The Group believes that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

   1) Fair value hierarchy

      September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivative financial assets	$ -	$ -	$ 1,180	$ 1,180
Financial assets at fair value through other comprehensive income				
Investments in equity instruments at fair value through other comprehensive income				
Unlisted shares	$ -	$ -	$ 5,530	$ 5,530

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivative financial assets	$ -	$ -	$ 1,834	$ 1,834
Financial assets at fair value through other comprehensive income				
Investments in equity instruments at fair value through other comprehensive income				
Unlisted shares	$ -	$ 5,723	$ -	$ 5,723

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Investments in equity instruments at fair value through other comprehensive income				
Unlisted shares	$ -	$ 5,702	$ -	$ 5,702

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial assets

For financial assets measured at Level 3, there is no other reconciliation item for the nine months ended September 30 2019, except for the change in fair value that is recognized in the consolidated statements of comprehensive income and the transfers into Level 3 due to significant unobservable inputs applied for the financial assets at fair value through other comprehensive income.

3) Valuation techniques and inputs applied for Level 2 fair value measurement

The fair values of unlisted equity investments are measured on the basis of the prices of recent investment by third parties with the consideration of other factors that market participants would take into account.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

a) The fair values of warrants are determined using option pricing models where the significant unobservable input is historical volatility. An increase in the historical volatility used in isolation would result in an increase in the fair value. As of September 30, 2019 and December 31, 2018, respectively, the historical volatility used was 41.87% and 42.33%.

b) The fair values of non-listed domestic and foreign equity investments were Level 3 fair value assets, and determined using the market approach by reference the Price-to-Book ratios (P/B ratios) of peer companies that traded in active market or using assets approach. At September

30, 2019, the Company used significant unobservable inputs, including discount for lack of marketability of 10%, and discounts for lack of control of 10%. At September 30, 2019, assuming all other inputs remain equal, if discount for lack of marketability increases by 1%, the fair value would decrease by NT$61 thousand; if discount for lack of control increases by 1%, the fair value would decrease by NT$61 thousand.

c. Categories of financial instruments

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets			
Financial assets at fair value through profit or loss			
Mandatorily classified as at fair value through profit or loss	$ 1,180	$ 1,834	$ -
Financial assets at amortized cost (1)	251,432	888,858	1,065,153
Financial assets at fair value through other comprehensive income			
Equity instruments	5,530	5,723	5,702
Financial liabilities			
Financial liabilities at amortized cost (2)	548,216	651,159	424,176

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise trade payables, partial other payables and long-term borrowings.

d. Financial risk management objectives and policies

The Group's financial risk management objective is to monitor and manage the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. In order to minimize the effect of financial risks, the Group devoted time and resources to identify and evaluate the uncertainty of the market to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group had foreign currency transactions, which exposed the Group to foreign currency risk.

The Group's significant financial assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2019		
	Foreign Currencies	**Exchange Rate**	**Carrying Amount**
Financial assets			
Monetary items			
SGD	$ 1,197	22.46	$ 26,872
Financial liabilities			
Monetary items			
SGD	15,093	22.46	338,919

	December 31, 2018		
	Foreign Currencies	**Exchange Rate**	**Carrying Amount**
Financial assets			
Monetary items			
SGD	$ 2,298	22.41	$ 51,502
Financial liabilities			
Monetary items			
SGD	13,516	22.41	303,034

	September 30, 2018		
	Foreign Currencies	**Exchange Rate**	**Carrying Amount**
Financial assets			
Monetary items			
SGD	$ 2,746	22.25	$ 61,098
Financial liabilities			
Monetary items			
SGD	13,381	22.25	298,161

Sensitivity analysis

The Group is mainly exposed to the Singapore dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar against the relevant foreign currency. The rate of 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A positive number below indicates a decrease in pre-tax loss where the New Taiwan dollar strengthens 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax loss, and the balances below would be negative.

	For the Nine Months Ended September 30	
	2019	2018
Profit or loss		
SGD*	$ (15,602)	$ (11,853)

* This is mainly attributable to the exposure to outstanding deposits in banks and loans in foreign currency at the end of the reporting period.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at fixed interest rates.

The sensitivity analysis below is determined based on the Group's exposure to interest rates for fixed rate borrowings at the end of the reporting period, and is prepared assuming that the amounts of liabilities outstanding at the end of the reporting period are outstanding for the whole year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax loss for the nine months ended September 30, 2019 and 2018 would have decreased/increased by $3.6 million and $2.2 million, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group adopted a policy of only dealing with creditworthy counterparties and financial institutions, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group transacted with a large number of unrelated customers and thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents that are deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of long-term borrowings and ensures compliance with repayment conditions.

As the Company is in the research and development phase, the Company will be seeking future funding based on the requirements of its business operations. The Company is able to exercise discretion and flexibility to deploy its capital resources in the process of the research and development activities according to the schedule of fund raising. The Company intends to explore various means of fundraising to meet its funding requirements to carry out the business operations, such as the issuance of its ordinary shares sponsoring ADSs, domestic follow-on offering of ordinary shares offering, venture debt and shareholder loans. The Company may also use other means of financing such as out licensing of its intangible assets to generate revenue and cash. Management believes that it currently has plans and opportunities in place which will allow to fund and meet its operating expenses and capital expenditure requirements and meet its obligations for at least the next twelve months from September 30, 2019. However, the future viability of the Company depends on its ability to raise additional capital to finance its operations.

On September 30, 2019 and October 25, 2019, the Company entered into a series of loan facilities with certain of the Company's directors, existing stockholders or affiliates thereof, and others, for an aggregate loan amount of US$2.95 million. The loan facilities provide the Company with additional working capital to support its ongoing research and development programs and clinical studies. The two types of loan facilities are described below:

Convertible Loan Facility

On September 30, 2019, the Company entered into a loan facility with Bukwang Pharmaceutical Co., Ltd., for an amount of $1.0 million (the "September 2019 Loan Facility"). The September 2019 Loan Facility has a two-year term with a 10% interest rate per annum, commencing upon the date the Company draws down on such facility. The Company has the option to repay the amounts owed under the September 2019 Loan Facility at any time, subject to certain conditions.

The lender will have the right to convert, at their option, any outstanding principal amount plus accrued and unpaid interest under the loan into that number of the Company's newly issued ADSs calculated by dividing (a) such outstanding principal amount and accrued and unpaid interest under the loan by (b) 90% of the volume-weighted average price of the Company's ADS on the date of the conversion notice. Each ADS represents five ordinary shares of the Company. The ability to convert is subject to certain conditions, including that the Company's ordinary shares will have been delisted from the TPEx, and expires at the expiry of the term of the loan.

October 2019 Loan Facility

On October 25, 2019, the Company entered into a loan facility with certain existing stockholders/directors, or affiliates thereof, for an aggregate amount of US$1.95 million (collectively, the "October 2019 Loan Facility"). The October 2019 Loan Facility has a two-year term with a 10% interest rate per annum, commencing upon the date the Company draws down the facility, which must be drawn down in full. The Company has the option to repay not less than US$1.0 million of the amounts owed under the October 2019 Loan Facilities at any time, subject to certain conditions. In the event that the Company raises net proceeds of more than US$19.5 million in a financing transaction during the loan term, the Company will be obligated to repay any unpaid portion of the principal amount and accrued interest thereunder within 30 days of the receipt of the proceeds from such financing transaction.

The October 2019 Loan Facility provides that, during the time that any amount is outstanding thereunder, the Company will not (i) incur any finance debt which is secured by a security interest or (ii) carry out or implement any merger, consolidation, reorganization (other than the solvent reorganization of the Company), recapitalization, reincorporation, share dividend or other changes in the capital structure of the Company which may have a material adverse effect on the rights of the lenders, in each case except with the prior written consent of the lenders. In addition, upon an event of default (as defined in the October 2019 Loan Facility), the lenders may declare the principal amounts then outstanding and all interest thereon accrued and unpaid to be immediately due and payable to the lenders.

In the event that the Company draws down on the October 2019 Loan Facility, the Company will issue the lenders warrants (the "Warrants") to purchase an aggregate number of ADSs calculated by dividing million (a) 50% of the aggregate principal amount provided to the Company by (b) the Warrant Exercise Price.The "Warrant Exercise Price" is equal to 120% of the volume-weighted average price per ADS on the draw down date, and will be the exercise price per ADS for the Warrants. The Warrants are exercisable only after the Company's ordinary shares have been delisted from TPEx, and will expire on the earlier of (i) the first anniversary of such TPEx delisting or (ii) expiry of the term of the October 2019 Loan Facility. If, by expiry of the term of the October 2019 Loan Facility, (i) the Company's shares have not been delisted from TPEx and (ii) the Warrants have not been exercised, the lenders shall be entitled to receive a further sum equal to 5%

of the principal amount per annum, by way of additional interest, payable by the Company upon expiry of the loan term.

The Company's board of directors has resolved to issue ordinary shares for cash sponsoring the issuance of ADSs in October 2019 as well.

The Company is currently in the process of finalizing its funding plans through public offerings in the United States and has submitted an application to Taiwan Securities and Futures Bureau for the required regulatory approval. If the Company is unable to obtain sufficient funds at 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. 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.

23. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

Compensation of Key Management Personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Short-term employee benefits	$ 16,135	$ 21,091	$ 51,183	$ 62,274
Post-employment benefits	742	1,069	2,516	3,324
Share-based payments	(10,375)	21,759	(7,076)	47,209
	$ 6,502	$ 43,919	$ 46,623	$ 112,807

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

24. SUBSEQUENT EVENT

On September 30, 2019, the Company entered into an Investment and Joint Venture Agreement ("JV Agreement") with Bukwang Pharmaceutical Co., Ltd., to establish a joint venture with the goal of developing preclinical AhR antagonists from the Company's early stage pipeline. The joint venture will operate through a newly created, independent company based in Singapore, Jaguahr Therapeutics Pte. Ltd., and will focus on developing new immuno-oncology therapeutics for global markets targeting the AhR pathway.

Pursuant to the JV Agreement, the Company has transferred the global rights to all assets related to AhR technology into Jaguahr Therapeutics Pte. Ltd. Under the JV Agreement, Bukwang Pharmaceutical Co., Ltd. is obligated to invest US$5 million into Jaguahr Therapeutics Pte. Ltd., through two separate tranches, which will be used to fund development of the assets and identify a lead development compound, with the goal of filing an Investigational New Drug application. Bukwang Pharmaceutical Co., Ltd. made the first payment of US$2.5 million to Jaguahr Therapeutics Pte. Ltd. on October 15, 2019, and was subsequently issued 63,000 shares of Jaguahr Therapeutics Pte. Ltd. As of October 29, 2019, Bukwang Pharmaceutical Co., Ltd. and the Company hold 45% and 55% of the outstanding shares in Jaguahr Therapeutics Pte. Ltd., respectively.

25. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: Table 1

2) Endorsements/guarantees provided: None

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 2

4) Marketable securities acquired and disposed of at costs or prices at least NT$300 million or 20% of the paid-in capital: None

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

9) Trading in derivative instruments: Note 7

10) Intercompany relationships and significant intercompany transactions: Table 3

11) Information on investees: Table 4

b. Information on investments in mainland China: Table 5

26. SEGMENT INFORMATION

The Group's chief operating decision maker, the chief executive officer, reviews the Group's consolidated results when making decisions about the allocation of resources and when assessing performance of the Group as a whole, and therefore, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. The basis of information reported to the chief operating decision maker is the same as the Group's consolidated financial statements. As the Group's long-lived assets are substantially located in and derived from Asia, no geographical segments are presented.

The following is an analysis of the Group's revenue from its major products and services.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Out-licensing	$ -	$ -	$ 92,359	$ -

For the nine months ended September 30, 2019, there was revenue generated from out-licensing of commercialization rights in South Korea to Biogenetics for *varlitinib* and ASLAN003 in the amount of US$3 million. See Note 16 for details.

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (In Thousands)	Ending Balance (In Thousands)	Actual Borrowing Amount (In Thousands)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
1	ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Australia Pty. Ltd.	Other receivables	Yes	US$ 4,362 ($ 133,929)	US$ 4,052 ($ 125,764)	US$ 1,300 ($ 40,332)	6.45%	Short-term financing	$ -	Operating turnover	$ -	-	$ -	$ 294,988	$ 294,988	1, 2
		ASLAN Pharmaceuticals Hong Kong Limited.	Other receivables	Yes	US$ 2,850 ($ 89,980)	US$ 2,850 ($ 88,450)	US$ 1,600 ($ 49,656)	2.00%	Short-term financing	-	Operating turnover	-	-	-	294,988	294,988	1, 2

Note 1: Restriction on loan amount

a. The amount loaned to a company that has a business relationship with the Company shall not exceed the monetary value of the previous year's business dealings or 4% of the net worth of the Company, whichever is lower. The aggregate value of loans shall not exceed 10% of the net worth of the Company.

b. The amount loaned to a company that has short-term financing needs shall not exceed 4% of the net worth of the Company. The aggregate value of loans shall not exceed 40% of the net worth of the Company.

Note 2: Accumulated balance of short-term loans between non-R.O.C. companies in which the Company holds, directly or indirectly, 100% of the voting shares are not subject to the limit of 40% of the net worth of the Company. However, in accordance with Article 3, subparagraph 4 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the aggregate and separate value of loans shall not exceed 100 % of the net worth of the lender Company.

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
ASLAN Pharmaceuticals Pte. Ltd.	Shares DotBio Pte. Ltd.	-	Financial assets at FVTOCI	599,445	$ 5,530	2.51	$ 5,530	-

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Investee Company	Counterparty	Relationship	Transactions Details			% of Total Sales or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	ASLAN Pharmaceuticals Limited	ASLAN Pharmaceuticals Taiwan Limited	From parent company to subsidiary	Other payables	$ 639	Note	0.06
1	ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Australia Pty Ltd.	Between subsidiaries	Other receivables	44,466	Note	4.42
		ASLAN Pharmaceuticals Australia Pty Ltd.	Between subsidiaries	Other payables	322	Note	0.03
		ASLAN Pharmaceuticals Australia Pty Ltd.	Between subsidiaries	Interest income	1,751	Note	1.90
		ASLAN Pharmaceuticals Taiwan Limited	Between subsidiaries	Other receivables	27,686	Note	2.75
		ASLAN Pharmaceuticals Taiwan Limited	Between subsidiaries	Other payables	28,322	Note	2.82
		ASLAN Pharmaceuticals Taiwan Limited	Between subsidiaries	General and administrative expense	26,667	Note	28.87
		ASLAN Pharmaceuticals Hong Kong Limited	Between subsidiaries	Other receivables	52,982	Note	5.27
		ASLAN Pharmaceuticals Hong Kong Limited	Between subsidiaries	Interest income	700	Note	0.76
		ASLAN Pharmaceuticals (Shanghai) Co. Ltd.	Between subsidiaries	Other receivables	1,789	Note	0.18
		ASLAN Pharmaceuticals (Shanghai) Co. Ltd.	Between subsidiaries	Other payables	8	Note	-
		ASLAN Pharmaceuticals (USA) Inc.	Between subsidiaries	Other receivables	31	Note	-
		Jaguahr Therapeutics Pte. Ltd.	Between subsidiaries	Other receivables	117	Note	0.01

Note: For the transactions between the Company and related parties, the terms are similar to those transactions with unrelated parties.

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				September 30, 2019 (In Thousands)	December 31, 2018 (In Thousands)	Shares	%	Carrying Amount			
ASLAN Pharmaceuticals Limited	ASLAN Pharmaceuticals Pte. Ltd.	Singapore	New drugs research	US$ 154,843	US$ 149,843	121,853,313	100	$ 294,988	$ (496,986)	$ (496,986)	Subsidiary
ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Taiwan Limited	Taiwan	New drugs research	US$ 167	US$ 167	500,000	100	4,946	(3,613)	(3,613)	Subsidiary
	ASLAN Pharmaceuticals Australia Pty Ltd.	Australia	New drugs research	-	-	1	100	(36,635)	(9,503)	(9,503)	Subsidiary
	ASLAN Pharmaceuticals Hong Kong Limited	Hong Kong	New drugs research	-	-	1	100	(51,697)	(13,769)	(13,769)	Subsidiary
	ASLAN Pharmaceuticals (USA) Inc.	United States of America	New drugs research	US$ 0.1	-	1,000,000	100	1	(2)	(2)	Subsidiary
	Jaguahr Therapeutics Pte. Ltd.	Singapore	New drugs research	US$ 0.77	-	77,000	100	(93)	(117)	(117)	Subsidiary

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital (In Thousands)	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019	Note
					Outflow	Inflow							
ASLAN Pharmaceuticals (Shanghai) Co. Ltd.	New drug research and development	US$1, 600	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	($ 13,021)	100	($ 13,021)	($ 332)	Not applicable	Note 3

Investee	Accumulated Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA
ASLAN Pharmaceuticals (Shanghai) Co. Ltd.	Not applicable	Not applicable	Not applicable

Note 1: Investments are divided into three categories as follows:

a. Direct investment.
b. Investments through a holding company registered in a third region.
c. Others.

Note 2: Recognition of investment gains (losses) was calculated based on the investee’s reviewed financial statements.

Note 3: The amount was eliminated upon consolidation.