



TPEx: 6497 / NASDAQ: ASLN

ASLAN Pharmaceuticals Limited

Handbook for the 2020 Second Extraordinary General Meeting

Date & Time: 4 September 2020 (Friday) 9:30AM

Venue: Taipei International Convention Center, Room 105(No. 1, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City)

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ASLAN Pharmaceuticals Limited

2020 First Extraordinary General Meeting

I. Meeting procedures

1. Call the meeting to order
2. Opening speech by Chairman
3. Reporting items
4. Discussion items
5. Ad hoc motions
6. Adjournment

ASLAN Pharmaceuticals Limited

2020 Second Extraordinary General Meeting

II. Meeting agenda

- Time: 9:30 a.m. on 4 September 2020 (Friday)
- Place: Taipei International Convention Center, Room 105 (No. 1, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City)
- Chairman calls the meeting to order
- Opening speech by Chairman
- Reporting items
 - (1) Conversion plan of ordinary shares to Nasdaq-listed ADS and FAQs
- Discussion items
 - (1) Cessation of Public Company Status in Taiwan (supermajority resolution);
 - (2) Replacing the Eighth Amended and Restated Memorandum and Articles of Association with the Ninth Amended and Restated Memorandum and Articles of Association (special resolution), conditional on Cessation of Public Company Status;
 - (3) Redenominating Share Capital - as an ordinary resolution that the authorised share capital of the Company, conditional on Cessation of Public Company Status;
 - (4) Reducing Share Capital - as a special resolution that, conditional on Cessation of Public Company Status and conditional upon the receipt of an order of the Grand Court of the Cayman Islands approving the Capital Reduction;
 - (5) Adopting Tenth Amended and Restated Memorandum and Articles of Association - as a special resolution that, conditional upon the receipt of an order of the Grand Court of the Cayman Islands approving the Capital Reduction, that the Ninth Amended and Restated Memorandum and Articles of Association adopted be replaced in their entirety with the Tenth Amended and Restated Memorandum and Articles of Association, a copy of which is annexed to the Notice of EGM; and
 - (6) Transferring non-physical shares - as an ordinary resolution.
- Ad hoc motions
- Adjournment

1. Reporting items

Item 1: Conversion plan of Shares to Nasdaq-listed ADS and FAQs

Description:

1. On 16 July 2020, the Taipei Exchange (“TPEX”) notified that the trading of the Company’s ordinary shares on the Taipei Exchange would terminate on 25 August 2020.
2. The Company’s shares are also publicly traded in the form of American Depositary Shares (ADS) on the US Nasdaq market. Delisting from TPEX will not affect the US listing status and the ADS will continue to trade in the US Nasdaq market.
3. The Company would like to help shareholders in Taiwan to convert their ordinary shares into ADS so the shares can be traded on Nasdaq, and the Company has adopted the Conversion Plan of Shares to Nasdaq-listed ADS in the meeting of the Board of Directors held on 17 July 2020. Please refer to Attachment 1 on page 9 through 13 of this handbook.
4. It is proposed to report the adoption of the Conversion Plan to the shareholders at the Extraordinary General Meeting.

2. Discussion items

Item 1

Proposed by the Board

Proposal (Supermajority Resolution):

Cessation of Public Company Status in Taiwan (supermajority resolution)

Description:

1. The Company received the notice from the Taipei Exchange (the “TPEX”) regarding the delisting of the Company’s securities pursuant to Article 12-2 of the Taipei Exchange Rules Governing Securities Trading on the TPEX on 16 July, 2020. The Company’s securities ceased trading on the TPEX on 25 August 2020 (the “Delisting Date”).
2. In light of the delisting of the Company from the TPEX, under Article 59-2 of the Regulations Governing the Offering and Issuance of Securities by Foreign Issuers (the “Regulations”), the Financial Securities Commission (the “FSC”) may cease the Company’s public status in Taiwan, and considering the Company’s future development and fund raising plans, the Company’s Board of Directors also believes that cessation of public status (the “Cessation of Public Company Status”) and facilitating the conversion of the shares held by the shareholders into American Depositary Shares for trading on Nasdaq to be in the best interest of the Company and its shareholders. Therefore, the Board of Directors has approved the Cessation of Public Company Status and the Conversion Plan at its meeting held on 17 July, 2020.
3. The Cessation of Public Company Status is subject to the review and approval of the FSC.
4. It is proposed to have the general meeting approve the Cessation of Public Company Status pursuant to Article 59-2 of the Regulations, and authorize the Chief Executive Officer to take any necessary action(s) required for the Cessation of Public Company Status.

Resolution:

Item 2

Proposed by the Board

Proposal (Special Resolution):

Replacing the Eighth Amended and Restated Memorandum and Articles of Association with the Ninth Amended and Restated Memorandum and Articles of Association (special resolution), conditional on Cessation of Public Company Status.

Description:

1. The Company’s securities are no longer tradeable on TPEX as of the Delisting Date, and the Company anticipates ending its public company status after this general meeting.
2. Conditional upon the Company’s Cessation of Public Status, it is proposed to amend and restate the Company’s Eighth Amended and Restated Memorandum and Articles of Association in its entirety by the Ninth Amended and Restated Memorandum and Articles of Association (attached hereto as Attachment 2 on page 14 through 30 of this handbook), which shall take effect upon the date of the Company’s Cessation of the Public Status.

Resolution:

Item 3

Proposed by the Board

Proposal (Ordinary Resolution):

Redenominating Share Capital - as an ordinary resolution that the authorised share capital of the Company, conditional on Cessation of Public Company Status

Description:

The Company hereby proposes that the authorised share capital of the Company, conditional on Cessation of Public Company Status, be amended:

- A. FROM: NT\$5,000,000,000 divided into 500,000,000 ordinary shares of a nominal or par value of NT\$10.00,
- B. TO: US\$165,000,000 divided into 500,000,000 ordinary shares of a nominal or par value of US\$0.33 each

by redenominating each ordinary share of a nominal or par value of NT\$10.00 into each ordinary share of a nominal or par value of US\$0.33 at an exchange rate of NT\$1:US\$0.03 (the "Redenomination").

Resolution:

Item 4

Proposed by the Board

Proposal (Special Resolution):

Reducing Share Capital - as a special resolution that, conditional on Cessation of Public Company Status and conditional upon the receipt of an order of the Grand Court of the Cayman Islands approving the Capital Reduction

Description:

1. The Company hereby proposes that the authorised share capital of the Company, conditional on Cessation of Public Company Status, be reduced:
 - A. FROM: US\$165,000,000 divided into 500,000,000 ordinary shares of a nominal or par value of US\$0.33 each
 - B. TO: US\$5,000,000 divided into 500,000,000 ordinary shares of a nominal or par value of US\$0.01 eachby reducing the nominal or par value of each issued and each authorised but unissued ordinary share of the Company from US\$0.33 to US\$0.01 in accordance with Section 14 of the Companies Law (as amended) of the Cayman Islands such that the Company's capital account will be reduced by an amount equal to US\$0.32 for each issued ordinary share with such amount being credited to the Company's share premium account (the "Capital Reduction").
2. The current existing par value in NT\$10.00 for each ordinary share was adopted subject to Taiwan listing rule when the Company listed on Taipei Exchange. The Company now proposes, after the delisting from Taipei Exchange has taken effect, to (i) convert the nominal or par value of the ordinary shares to an amount expressed in US dollars, being US\$0.33 per ordinary share based on the applicable exchange rate, and (ii) return the par value of each share to the value it had before the listing on Taipei Exchange, that is, to US\$0.01 for each ordinary share.
3. Shareholders should note that their rights with respect of their shares are entirely unaffected by this change in the nominal or par value of each share.
4. Shareholders should also note that the Company has taken appropriate steps to ensure in this process that the company's creditors are and will be adequately protected.
5. In order to ensure shareholders are provided with adequate information in order to make an informed decision giving their approval to this resolution, the consolidated financial statements

for the period ended as of 31 December 2019 and the latest financial accounts as of 30 June 2020 that had been audited and reviewed by CPA Dien Chang and Jessie Wu of Deloitte & Touche is attached in the handbook for shareholders' reference. Please refer to Attachment 3 which are on pages 31 through 140 of this handbook.

Resolution:

Item 5

Proposed by the Board

Proposal (Special Resolution):

As a special resolution that, conditional upon the receipt of an order of the Grand Court of the Cayman Islands approving the Capital Reduction, that the Ninth Amended and Restated Memorandum and Articles of Association adopted be replaced in their entirety with the Tenth Amended and Restated Memorandum and Articles of Association, a copy of which is annexed to the Notice of EGM; and

Description:

Conditional upon the receipt of an order of the Grand Court of the Cayman Islands approving the Capital Reduction, it is proposed to amend and restate the Company's Ninth Amended and Restated Memorandum and Articles of Association in its entirety by the Tenth Amended and Restated Memorandum and Articles of Association, which shall take effect upon the date of the receipt of an order of the Grand Court of the Cayman Islands approving the Capital Reduction. Please refer to the comparison table in Attachment 4 on page 141 of this handbook which shows the amendments which are only to Article 7.

Resolution:

Item 6

Proposed by the Board

Proposal (Ordinary Resolution):

Transferring non-physical shares - as an ordinary resolution that, the Company transfers non-physical shares from the general account kept at Taiwan Depository & Clearing Corporation to the Branch Registrar, CAPITAL Securities Co., Ltd.

Description:

1. In order to facilitate the conversion of the Company's shares into ADSs pursuant to the Conversion Plan of the Company, the Company transfers non-physical shares from the general account kept at Taiwan Depository & Clearing Corporation to the Branch Registrar, to maintain and manage (the "Transfer of Account") on behalf of Company's shareholders.
2. In order to assist the shareholders of the Company to process the conversion procedures, and avoid imposing administrative burdens on them, subject to the termination of trading of the Company's securities on TPEx, the Company proposes to request TDCC's assistance in the Transfer of Account.
3. The Board of Directors has approved the Transfer of Account on 17 July, 2020.
4. It is hereby submitted to the general meeting for approval. It is also proposed that the Chief Executive Officer be authorized to take any necessary action(s) required for the Transfer of Account.

Resolution:

3. Ad hoc motions

4. Adjournment

III. Attachments

Attachment 1: Conversion plan of Shares to Nasdaq-listed ADS and FAQs

FAQs for Shareholders

Delisting from TPEX and moving primary listing to Nasdaq:

Conversion of TPEX-listed shares to Nasdaq-listed ADS

On 16 July 2020, the Taipei Exchange (TPEX) notified ASLAN Pharmaceuticals Limited (6497:TT) (ASLAN) that it had determined ASLAN no longer met the exchange requirements as set out in Article 12-2 of the Taipei Exchange Rules Governing Securities Trading on the TPEX, and that trading of ASLAN's shares on TPEX would terminate as from 25 August 2020.

Our shares are also publicly traded in the form of American Depositary Shares (ADSs) on the US Nasdaq market. Delisting from TPEX will not affect our US listing which will become our primary listing and our ADSs will continue to trade in the US. Holders of ADSs do not need to take any action.

We would like to help Taiwan shareholders who choose to do so, convert their shares into ADSs so they can be held and/or traded on Nasdaq. Shareholders are under no obligation to convert their shares and may also either sell their shares on TPEX before trading ceases or retain their shares without conversion. Please note, however, that once TPEX trading ceases, the only public market for our securities will be through ADSs.

This document provides guidance on the conversion process and addresses certain questions that shareholders may have.

1. What is an ADS?

An American Depositary Share is a security issued by a depositary bank representing the underlying shares of a foreign corporation, such as ASLAN. In our case, our ADSs are issued by JPMorgan Chase Bank, N.A. (JPMorgan), one of the leading banks in the world, with each ASLAN ADS currently representing five of our ordinary shares (the same class of shares as currently listed on TPEX). Our ADSs currently trade on The Nasdaq Global Market stock exchange (Nasdaq) under the trading symbol "ASLN". Subject to certain exemptions and limitations, listings of ADSs on Nasdaq require generally the same level of compliance and reporting rigour as for US-listed domestic companies, all of which ASLAN has met since its Nasdaq listing in May 2018. ASLAN, by offering its shares on U.S. exchanges via ADS, gains the advantage of a wide and sophisticated investor base, which has particular understanding of biotechnology companies, as well as a highly liquid market for the trading of biotechnology stock.

2. Will I be able to convert my Taiwan shares into ADS?

We believe it would be in shareholders' best interests to convert their shares into ADSs, which historically have traded at a significantly higher price and with higher volumes than our shares on TPEX. This document outlines the conversion plan and process. We can only convert your shares if our public company status is withdrawn, which is at the discretion of the Taiwan Securities & Futures Bureau (SFB). We will be asking for shareholders to vote at a forthcoming EGM scheduled on 4 September 2020 to support the withdrawal of public company status after trading ceases on TPEX, which the SFB will take into account when they decide whether to remove our public company status. If we remain a public company in Taiwan, your shares cannot be converted and cannot be traded on any exchange starting from 25 August 2020.

3. Who can convert their shares to ADS?

Trading of our shares on TPEx will cease starting from 25 August 2020. The last trading day will be on 24 August 2020. All individual shareholders holding shares on the last trading day, 24 August 2020, are eligible to convert their shares to ADS. Each ASLAN ADS currently represents five ordinary shares. Please note the remaining ordinary shares not in multiples of five will not be converted to one ADS. For the avoidance of doubt, shares privately obtained or sold by any shareholders after 24 August 2020, the last trading day, will not be eligible for conversion.

4. When can shareholders convert their shares to ADS?

Trading of our shares on TPEx will cease as from 25 August 2020. Shareholders wishing to convert their shares to ADSs must apply before 25 September 2020. You can download the conversion forms from the Company website or request them from our Local Administrator, CAPITAL Securities ('CAPITAL'), which is based in Taiwan (contact details at end), and start preparing the documents required for conversion (see item 7 below). These forms cannot take effect until after our public company status is withdrawn. We expect this process will take approximately 1 to 2 months.

5. Is there a deadline for applying for conversion?

Applications for share conversion will be processed as from and including 25 August. The deadline for submitting your application for conversion is 25 September. Any applications received after this time may not be processed.

6. What will I need for conversion?

In order to convert, you will need to have a US brokerage account, or a US sub-brokerage arrangement with your local broker. If you do not have a US brokerage account or arrangement you will not be able to convert your shares into ADS.

7. What is the process and what forms are required to convert my ASLAN shares into ADS?

You must first contact your broker to instruct them to transfer electronic records of your non-physical shares from the general account of our company Stock Services Agent, TDCC, to the dedicated account of CAPITAL, account number: 3DP8-5555555.

Then please download the documents below from the Company website from 25 July 2020

(<https://ir.aslanpharma.com/shareholder-faqs>, under Investor Relations / Shareholder Services) or email sharetransfer@aslanpharma.com:

- **Instrument of Transfer:**

This is required by the Cayman Registrar and will transfer your shares into the name of JPMorgan Chase Bank N.A., which holds them on trust on your behalf (along with all the other holders of ADSs). Please state the number ordinary shares which are to be converted to ADSs and sign;

- **Letter of Transmittal:**

This form is to request JPMorgan to deliver the ADSs to your broker after the conversion process has been completed. Simply pre-sign and leave all other fields blank - detailed information regarding the number of shares, share certificate numbers etc will be filled in by the Cayman/Branch Registrar on your behalf before forwarding to JPMorgan.

Once you have completed and signed the above forms please send them to CAPITAL before 25 September 2020. Please note that CAPITAL will only start processing completed forms after

cessation of trading, 25 August. You will need to send original, signed copies and we recommend you send them by registered mail to ensure they arrive safely. CAPITAL will then check the forms and forward those to our Cayman Registrar for further processing to enable JPMorgan to issue the ADS. You also need to pay the ADS issuance fee and Administration fee (see point 10 below) to CAPITAL before 25 September in order for transfer request to be processed.

All the above documents and a sample manual will be available on the Company website from 25 July 2020.

8. How long will the conversion process take?

Assuming all the original documents received by JPMorgan are all in order, it typically will take around 1-2 months to convert shares to ADSs and place these into your US trading account. However, the Company cannot guarantee these timelines which are outside its control.

9. When can I trade my ADS on the Nasdaq market?

The US broker or sub-broker will be able to let you know when you will be permitted to trade ADSs, depending on when the ADSs are placed into your account and any other requirements that they might have.

10. What are the estimated costs?

The fees below are payable to third parties for administration and processing fees. There are no fees payable to the Company.

- **ADS Issuance fee:**
Shareholders will be required to pay an issuance fee of 5 US cents (USD 0.05) per ADSs charged by JPMorgan, exclusive of any applicable taxes.
- **Administration fee:**
To cover the third-party fees incurred in processing the conversion, there is a charge of USD 20 per shareholder.

For example, if you hold 1,000 Taiwan shares (equivalent of 200 ADS) and wish to convert these, you will need to pay USD 30.00 to CAPITAL (to the dedicated account referred to above): USD 20 administration fee + USD 0.05 per ADS.

There are other fees you may need to make to third parties (depending on your circumstances). These include:

- **Account Opening fee:**
If you do not have an existing US brokerage / sub-brokerage account to trade in US, there will be some fees for opening the account. For these, check with your broker.
- **Trading Activity fee:**
When you trade ADS, there will be brokerage / sub-brokerage account trading fees. This fee may vary based on the broker used to effect your trades. For the Taiwan sub-brokerage account, the trading activity fee is typically 0.00221% every transaction, with a maximum of USD 5.95 and a minimum of USD 0.01. This may vary from time to time. Please check with your broker for more details.

- **ADS Broker Custodian fee:**

For the Taiwan sub-brokerage account, your local broker will work with different U.S. brokers to manage your ADS from Taiwan. You will also be charged USD 0.01 to USD 0.05 per ADS semi-annually or annually, depending on your local broker.

These costs are based on the most up to date information provided to the Company at the time of writing. However, the Company is unable to guarantee these figures are accurate or complete.

Please contact your tax advisor for advice on any tax issues which may arise from trading of ADSs on the Nasdaq market.

11. What happens if I do not convert my shares?

If you do not intend to convert, you may sell your shares on TPEx before 25 August. After this date, you will no longer be able to trade these shares on TPEx or any other stock exchange. You will, however, still own those ASLAN shares and be eligible to vote and receive dividends, and effect a private sale following Cayman law procedures, but no public market to trade these shares will exist for them. If ASLAN were to be involved in a corporate transaction, for instance if ASLAN was acquired, you would be able to sell your shares at that point (subject to whatever offer terms were made to the Company and accepted by a majority of shareholders).

12. Can I convert some but not all of my shares to ADS?

If you wish to take advantage of the opportunity to convert your shares to ADS, you must convert all your shares at the same time. Each ASLAN ADS currently represents five ordinary shares. Please note the remaining ordinary shares not in multiples of five will not be converted to one ADS.

13. What key events could occur after delisting that could affect the value of the shares?

We continue to advance our portfolio, and are focused on the development of ASLAN004 in atopic dermatitis. We expect to announce interim data from the ongoing MAD / proof-of-concept study in 4Q 2020, and complete the study in the first half of 2021, after which we plan to initiate a phase 2b study. These events may affect the value of our ADS in the future.

Contact Details:

Local Administrator: CAPITAL Securities
Tel: +886 2 2702 3999
Fax: +886 2 2706 3300
Email: A33424@capital.com.tw

Company: ASLAN Pharmaceuticals
Tel: +65 6222 4235
Fax: +65 6225 2419
Email: sharetransfer@aslanpharma.com

Disclaimer

The above procedures may be amended from time to time: please check website for the latest. We reserve the right in our sole discretion not to proceed with conversion for any individual shareholder who fails to follow, or

disputes any aspect of, the company's procedures for conversion; and we accept no liability for any such non-conversion.

About ASLAN Pharmaceuticals

ASLAN Pharmaceuticals (Nasdaq: ASLN, TPEX:6497) is a clinical-stage immunology and oncology focused biopharmaceutical company developing innovative treatments to transform the lives of patients. Led by a senior management team with extensive experience in global development and commercialization, ASLAN has a clinical portfolio comprised of a first in class monoclonal therapy, ASLAN004, that is being developed in atopic dermatitis and other immunology indications, and a small molecule inhibitor targeting oncology. ASLAN's partners include Almirall, Array BioPharma, Bristol-Myers Squibb, and CSL. For additional information please visit www.aslanpharma.com.

Forward looking statements

This release and the accompanying financial information, if any, contains forward-looking statements. These statements are based on the current beliefs and expectations of the management of ASLAN Pharmaceuticals Limited and/or its affiliates (the "Company"). These forward-looking statements may include, but are not limited to, statements regarding the potential delisting of the Company's ordinary shares from TPEX, including the timing of such delisting; the ability of the Company to develop and implement a plan to enable holders of the Company's ordinary shares to convert such securities into ADSs tradeable on Nasdaq; the potential benefits and financing ability of the Company as a result of a potential TPEX delisting or otherwise; and the Company's business strategy, the Company's plans to develop and commercialize its product candidates, the safety and efficacy of the Company's product candidates, the Company's plans and expected timing with respect to regulatory filings and approvals, and the size and growth potential of the markets for the Company's product candidates. The Company's estimates, projections and other forward-looking statements are based on management's current assumptions and expectations of future events and trends, which affect or may affect the Company's business, strategy, operations or financial performance, and inherently involve significant known and unknown risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in such forward-looking statements as a result of these risks and uncertainties, which include, without limitation the risk factors described in the Company's U.S. Securities and Exchange Commission filings and reports (Commission File No. 001-38475), including the Company's Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC") on April 16, 2020. All statements other than statements of historical fact are forward-looking statements.

All statements other than statements of historical fact are forward-looking statements. The words "believe," "may," "might," "could," "will," "aim," "estimate," "continue," "anticipate," "intend," "expect," "plan," or the negative of those terms, and similar expressions that convey uncertainty of future events or outcomes are intended to identify estimates, projections and other forward-looking statements. Estimates, projections and other forward-looking statements speak only as of the date they were made, and, except to the extent required by law, the Company undertakes no obligation to update or review any estimate, projection or forward-looking statement.

Attachment 2:Company's Ninth Amended and Restated Memorandum and Articles of Association

THE COMPANIES LAW (AS AMENDED)

COMPANY LIMITED BY SHARES

NINTH AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION OF ASLAN PHARMACEUTICALS LIMITED

1. The name of the company is **ASLAN Pharmaceuticals Limited** (the "**Company**").
2. The registered office of the Company will be situated at the offices of **Walkers Corporate Limited at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands** or at such other location as the Directors may from time to time determine.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (as amended) of the Cayman Islands (the "**Companies Law**").
4. The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by Section 27(2) of the Companies Law.
5. The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this section shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
6. The liability of the shareholders of the Company is limited to the amount, if any, unpaid on the shares respectively held by them.
7. The capital of the Company is **US\$ 165,000,000** divided into **500,000,000** ordinary shares of a nominal or par value of **US\$ 0.33** each provided always that subject to the Law and the Articles of Association the Company shall have power to redeem or purchase any of its shares and to sub-divide or consolidate the said shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be ordinary, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.
8. The Company may exercise the power contained in Section 206 of the Companies Law to deregister in the Cayman Islands and be registered by way of continuation in some other jurisdiction.

COMPANY LIMITED BY SHARES

NINTH AMENDED AND RESTATED ARTICLES OF ASSOCIATION OF ASLAN PHARMACEUTICALS LIMITED

TABLE A

The Regulations contained or incorporated in Table 'A' in the First Schedule of the Companies Law shall not apply to **ASLAN Pharmaceuticals Limited** (the "**Company**") and the following Articles shall comprise the Articles of Association of the Company.

INTERPRETATION

1. In these Articles the following defined terms will have the meanings ascribed to them, if not inconsistent with the subject or context:

"ADS" means an American Depositary Share, each representing 5 ordinary shares.

"Articles" means these articles of association of the Company, as amended or substituted from time to time.

"Branch Register" means any branch Register of such category or categories of Members as the Company may from time to time determine.

"Class" or **"Classes"** means any class or classes of Shares as may from time to time be issued by the Company.

"clearing house" means a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.

"Commission" means the Securities and Exchange Commission of the United States or any other federal agency for the time being administering the Securities Act.

"Companies Law" means the Companies Law (as amended) of the Cayman Islands.

"Directors" means the directors of the Company for the time being, or as the case may be, the directors assembled as a board or as a committee thereof.

"Independent Director" means a Director who is an independent director as defined in the Nasdaq Rules as amended from time to time.

"Memorandum of Association" means the memorandum of association of the Company, as amended or substituted from time to time.

"Nasdaq" means the Nasdaq Stock Market in the United States.

"Nasdaq Rules" means the relevant code, rules and regulations, as amended, from time to time, applicable as a result of the original and continued quotation of any shares or ADSs on Nasdaq, including without limitation, the Nasdaq Stock Market Rules.

"Office" means the registered office of the Company as required by the Companies Law.

"Officers" means the officers for the time being and from time to time of the Company.

"Ordinary Resolution" means a resolution:

- (a) passed by a simple majority of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Shareholder is entitled; or
- (b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments, if more than one, is executed.

"paid up" means paid up as to the par value in respect of the issue of any Shares and includes credited as paid up.

"Person" means any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires, other than in respect of a Director or Officer in which circumstances Person shall mean any person or entity permitted to act as such in accordance with the laws of the Cayman Islands.

"Principal Register", where the Company has established one or more Branch Registers pursuant to the Companies Law and these Articles, means the Register maintained by the Company pursuant to the Companies Law and these Articles that is not

designated by the Directors as a Branch Register.

"**Register**" means the register of Members of the Company required to be kept pursuant to the Companies Law and includes any Branch Register(s) established by the Company in accordance with the Companies Law.

"**Seal**" means the common seal of the Company (if adopted) including any facsimile thereof.

"**Secretary**" means any Person appointed by the Directors to perform any of the duties of the secretary of the Company.

"**Securities Act**" means the Securities Act of 1933 of the United States, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"**Share**" means a share in the capital of the Company. All references to "Shares" herein shall be deemed to be Shares of any or all Classes as the context may require. For the avoidance of doubt in these Articles the expression "Share" shall include a fraction of a Share.

"**Shareholder**" or "**Member**" means a Person who is registered as the holder of Shares in the Register and includes each subscriber to the Memorandum of Association pending entry in the Register of such subscriber.

"**Share Premium Account**" means the share premium account established in accordance with these Articles and the Companies Law.

"**signed**" means bearing a signature or representation of a signature affixed by mechanical means.

"**Special Resolution**" means a special resolution of the Company passed in accordance with the Companies Law, being a resolution:

- (a) passed by a majority of not less than two-thirds of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a special resolution has been duly given and where a poll is taken regard shall be had in computing a majority to the number of votes to which each Shareholder is entitled; or
- (b) approved in writing by all of the Shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Shareholders and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments, if more than one, is executed.

"**Treasury Shares**" means Shares that were previously issued but were purchased, redeemed, surrendered or otherwise acquired by the Company and not cancelled.

2. In these Articles, save where the context requires otherwise:

- (a) words importing the singular number shall include the plural number and vice versa;
- (b) words importing the masculine gender only shall include the feminine gender and any Person as the context may require;
- (c) the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative;
- (d) reference to a dollar or dollars or USD (or \$) and to a cent or cents is reference to dollars and cents of the United States of America;
- (e) reference to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;
- (f) reference to any determination by the Directors shall be construed as a determination by the Directors in their sole and absolute discretion and shall be applicable either generally or in any particular case; and
- (g) reference to "in writing" shall be construed as written or represented by any means reproducible in writing, including any form of print, lithograph, email, facsimile, photograph or telex or represented by any other substitute or format for storage or transmission for writing or partly one and partly another.

3. Subject to the preceding Articles, any words defined in the Companies Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

PRELIMINARY

- 4. The business of the Company may be commenced at any time after incorporation.
- 5. The Office shall be at such address in the Cayman Islands as the Directors may from time to time determine. The Company

may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.

6. The expenses incurred in the formation of the Company and in connection with the offer for subscription and issue of Shares shall be paid by the Company. Such expenses may be amortised over such period as the Directors may determine and the amount so paid shall be charged against income and/or capital in the accounts of the Company as the Directors shall determine.
7. The Directors shall keep, or cause to be kept, the Register at such place or (subject to compliance with the Companies Law and these Articles) places as the Directors may from time to time determine. In the absence of any such determination, the Register shall be kept at the Office. The Directors may keep, or cause to be kept, one or more Branch Registers as well as the Principal Register in accordance with the Companies Law, provided always that a duplicate of such Branch Register(s) shall be maintained with the Principal Register in accordance with the Companies Law.

SHARES

8. Subject to these Articles, all Shares for the time being unissued shall be under the control of the Directors who may:
 - (a) issue, allot and dispose of the same to such Persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine; and
 - (b) grant options with respect to such Shares and issue warrants or similar instruments with respect thereto;and, for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued.
9. The Directors, or the Shareholders by Ordinary Resolution, may authorise the division of Shares into any number of Classes and sub-classes and the different Classes and sub-classes shall be authorised, established and designated (or re-designated as the case may be) and the variations in the relative rights (including, without limitation, voting, dividend and redemption rights), restrictions, preferences, privileges and payment obligations as between the different Classes (if any) may be fixed and determined by the Directors or the Shareholders by Ordinary Resolution.
10. The Company may issue Shares with rights which are preferential to those of ordinary Shares issued by the Company ("**preferred Shares**") with the approval of the Directors and with the approval of a Special Resolution. Prior to the issuance of any preferred Shares approved pursuant to this Article 10, these Articles shall be amended to set forth the rights and obligations of the preferred Shares, including but not limited to the following terms, and the same shall apply to any variation of rights of preferred Shares:
 - (a) order, fixed amount or fixed ratio of allocation of dividends and other distributions on preferred Shares;
 - (b) order, fixed amount or fixed ratio of allocation of the assets available for distribution on a liquidation of the Company;
 - (c) order of or restriction on the voting rights (including declaring no voting rights whatsoever) of preferred Shareholders;
 - (d) other matters concerning rights and obligations incidental to preferred Shares; and
 - (e) the method by which the Company is authorized or compelled to redeem the preferred Shares, or a statement that redemption rights shall not apply.
11. The Company may insofar as may be permitted by law, pay a commission to any Person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any Shares. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up Shares or partly in one way and partly in the other. The Company may also pay such brokerage as may be lawful on any issue of Shares.
12. The Directors may refuse to accept any application for Shares, and may accept any application in whole or in part, for any reason or for no reason.

MODIFICATION OF RIGHTS

13. Whenever the capital of the Company is divided into different Classes (and as otherwise determined by the Directors) the rights attached to any such Class may, subject to any rights or restrictions for the time being attached to any Class only be materially adversely varied or abrogated with the consent in writing of the holders of not less than two-thirds of the issued Shares of the relevant Class, or with the sanction of a resolution passed at a separate meeting of the holders of the Shares of such Class by a majority of two-thirds of the votes cast at such a meeting. To every such separate meeting all the provisions of these Articles relating to general meetings of the Company or to the proceedings thereat shall, *mutatis mutandis*, apply, except that the necessary quorum shall be one or more Persons at least holding or representing by proxy one-third in nominal or par value amount of the issued Shares of the relevant Class (but so that if at any adjourned

meeting of such holders a quorum as above defined is not present, those Shareholders who are present shall form a quorum) and that, subject to any rights or restrictions for the time being attached to the Shares of that Class, every Shareholder of the Class shall on a poll have one vote for each Share of the Class held by him. For the purposes of this Article the Directors may treat all the Classes or any two or more Classes as forming one Class if they consider that all such Classes would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate Classes. The Directors may vary the rights attaching to any Class without the consent or approval of Shareholders provided that the rights will not, in the determination of the Directors, be materially adversely varied or abrogated by such action.

14. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the Shares of that Class, be deemed to be materially adversely varied or abrogated by, *inter alia*, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any Shares of any Class by the Company.

CERTIFICATES

15. No Person shall be entitled to a certificate for any or all of his Shares, unless the Directors shall determine otherwise.
16. Every share certificate of the Company shall bear legends required under the applicable laws, including the Securities Act.

FRACTIONAL SHARES

17. The Directors may issue fractions of a Share and, if so issued, a fraction of a Share shall be subject to and carry the corresponding fraction of liabilities (whether with respect to nominal or par value, premium, contributions, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without prejudice to the generality of the foregoing, voting and participation rights) and other attributes of a whole Share. If more than one fraction of a Share of the same Class is issued to or acquired by the same Shareholder such fractions shall be accumulated.

LIEN

18. The Company has a first and paramount lien on every Share (whether or not fully paid) for all amounts (whether presently payable or not) payable at a fixed time or called in respect of that Share. The Company also has a first and paramount lien on every Share (whether or not fully paid) registered in the name of a Person indebted or under liability to the Company (whether he is the sole registered holder of a Share or one of two or more joint holders) for all amounts owing by him or his estate to the Company (whether or not presently payable). The Directors may at any time declare a Share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a Share extends to any amount payable in respect of it.
19. The Company may sell, in such manner as the Directors may determine, any Share on which the Company has a lien, but no sale shall be made unless an amount in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing, demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the Share, or the Persons entitled thereto by reason of his death or bankruptcy.
20. For giving effect to any such sale the Directors may authorise some Person to transfer the Shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the Shares comprised in any such transfer and he shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
21. The proceeds of the sale after deduction of expenses, fees and commission incurred by the Company shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the Shares prior to the sale) be paid to the Person entitled to the Shares immediately prior to the sale.

CALLS ON SHARES

22. The Directors may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their Shares, and each Shareholder shall (subject to receiving at least fourteen days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on such Shares.
23. The joint holders of a Share shall be jointly and severally liable to pay calls in respect thereof.
24. If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the Person from whom the sum is due shall pay interest upon the sum at the rate of eight percent per annum from the day appointed for the

payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.

25. The provisions of these Articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the amount of the Share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.
26. The Directors may make arrangements on the issue of partly paid Shares for a difference between the Shareholders, or the particular Shares, in the amount of calls to be paid and in the times of payment.
27. The Directors may, if they think fit, receive from any Shareholder willing to advance the same all or any part of the moneys uncalled and unpaid upon any partly paid Shares held by him, and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight percent per annum) as may be agreed upon between the Shareholder paying the sum in advance and the Directors.

FORFEITURE OF SHARES

28. If a Shareholder fails to pay any call or instalment of a call in respect of any Shares on the day appointed for payment, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.
29. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the Shares in respect of which the call was made will be liable to be forfeited.
30. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect.
31. A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.
32. A Person whose Shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the Shares forfeited, but his liability shall cease if and when the Company receives payment in full of the amount unpaid on the Shares forfeited.
33. A statutory declaration in writing that the declarant is a Director, and that a Share has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts in the declaration as against all Persons claiming to be entitled to the Share.
34. The Company may receive the consideration, if any, given for a Share on any sale or disposition thereof pursuant to the provisions of these Articles as to forfeiture and may execute a transfer of the Share in favour of the Person to whom the Share is sold or disposed of and that Person shall be registered as the holder of the Share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the disposition or sale.
35. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes due and payable, whether on account of the amount of the Share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

TRANSFER OF SHARES

36. The instrument of transfer of any Share shall be in any usual or common form or such other form as the Directors may determine and be executed by or on behalf of the transferor and if in respect of a nil or partly paid up Share, or if so required by the Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a Shareholder until the name of the transferee is entered in the Register in respect of the relevant Shares.
37. Subject to the terms of issue thereof, the Directors may determine to decline to register any transfer of Shares without assigning any reason therefor.

38. The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine.
39. All instruments of transfer that are registered shall be retained by the Company, but any instrument of transfer that the Directors decline to register shall (except in any case of fraud) be returned to the Person depositing the same.

TRANSMISSION OF SHARES

40. The legal personal representative of a deceased sole holder of a Share shall be the only Person recognised by the Company as having any title to the Share. In the case of a Share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased holder of the Share, shall be the only Person recognised by the Company as having any title to the Share.
41. Any Person becoming entitled to a Share in consequence of the death or bankruptcy of a Shareholder shall upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Shareholder in respect of the Share or, instead of being registered himself, to make such transfer of the Share as the deceased or bankrupt Person could have made; but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the deceased or bankrupt Person before the death or bankruptcy.
42. A Person becoming entitled to a Share by reason of the death or bankruptcy of a Shareholder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered Shareholder, except that he shall not, before being registered as a Shareholder in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

ALTERATION OF SHARE CAPITAL

43. The Company may from time to time by Ordinary Resolution increase the share capital by such sum, to be divided into Shares of such Classes and amount, as the resolution shall prescribe.
44. The Company may by Ordinary Resolution:
- (a) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares;
 - (b) convert all or any of its paid up Shares into stock and reconvert that stock into paid up Shares of any denomination;
 - (c) subdivide its existing Shares, or any of them into Shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; and
 - (d) cancel any Shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any Person and diminish the amount of its share capital by the amount of the Shares so cancelled.
45. The Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorised by law.

REDEMPTION, PURCHASE AND SURRENDER OF SHARES

46. Subject to the Companies Law, the Company may:
- (a) issue Shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Shareholder on such terms and in such manner as the Directors may determine;
 - (b) purchase its own Shares (including any redeemable Shares) on such terms and in such manner as the Directors may determine and agree with the Shareholder;
 - (c) make a payment in respect of the redemption or purchase of its own Shares in any manner authorised by the Companies Law, including out of its capital; and
 - (d) accept the surrender for no consideration of any paid up Share (including any redeemable Share) on such terms and in such manner as the Directors may determine.
47. Any Share in respect of which notice of redemption has been given shall not be entitled to participate in the profits of the Company in respect of the period after the date specified as the date of redemption in the notice of redemption.
48. The redemption, purchase or surrender of any Share shall not be deemed to give rise to the redemption, purchase or surrender of any other Share.

49. The Directors may when making payments in respect of redemption or purchase of Shares, if authorised by the terms of issue of the Shares being redeemed or purchased or with the agreement of the holder of such Shares, make such payment either in cash or in specie including, without limitation, interests in a special purpose vehicle holding assets of the Company or holding entitlement to the proceeds of assets held by the Company or in a liquidating structure.

TREASURY SHARES

50. Shares that the Company purchases, redeems or acquires (by way of surrender or otherwise) may, at the option of the Company, be cancelled immediately or held as Treasury Shares in accordance with the Companies Law. In the event that the Directors do not specify that the relevant Shares are to be held as Treasury Shares, such Shares shall be cancelled.
51. No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be declared or paid in respect of a Treasury Share.
52. The Company shall be entered in the Register as the holder of the Treasury Shares provided that:
- (a) the Company shall not be treated as a member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;
 - (b) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Companies Law, save that an allotment of Shares as fully paid bonus shares in respect of a Treasury Share is permitted and Shares allotted as fully paid bonus shares in respect of a treasury share shall be treated as Treasury Shares.
53. Treasury Shares may be disposed of by the Company on such terms and conditions as determined by the Directors.

GENERAL MEETINGS

54. The Directors may, whenever they think fit, convene a general meeting of the Company.
55. The Directors may cancel or postpone any duly convened general meeting at any time prior to such meeting, except for general meetings requisitioned by the Shareholders in accordance with these Articles, for any reason or for no reason at any time prior to the time for holding such meeting or, if the meeting is adjourned, the time for holding such adjourned meeting. The Directors shall give Shareholders notice in writing of any cancellation or postponement. A postponement may be for a stated period of any length or indefinitely as the Directors may determine.
56. General meetings shall also be convened on the requisition in writing of any Shareholder or Shareholders entitled to attend and vote at general meetings of the Company holding at least ten percent of the paid up voting share capital of the Company deposited at the Office specifying the objects of the meeting by notice given no later than 21 days from the date of deposit of the requisition signed by the requisitionists, and if the Directors do not convene such meeting for a date not later than 45 days after the date of such deposit, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene the general meeting shall be reimbursed to them by the Company.
57. If at any time there are no Directors, any two Shareholders (or if there is only one Shareholder then that Shareholder) entitled to vote at general meetings of the Company may convene a general meeting in the same manner as nearly as possible as that in which general meetings may be convened by the Directors.

NOTICE OF GENERAL MEETINGS

58. At least seven days' notice in writing counting from the date service is deemed to take place as provided in these Articles specifying the place, the day and the hour of the meeting and the general nature of the business, shall be given in the manner hereinafter provided or in such other manner (if any) as may be prescribed by the Company by Ordinary Resolution to such Persons as are, under these Articles, entitled to receive such notices from the Company, but with the consent of all the Shareholders entitled to receive notice of some particular meeting and attend and vote thereat, that meeting may be convened by such shorter notice or without notice and in such manner as those Shareholders may think fit.
59. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Shareholder shall not invalidate the proceedings at any meeting.

PROCEEDINGS AT GENERAL MEETINGS

60. All business carried out at a general meeting shall be deemed special with the exception of sanctioning a dividend, the

consideration of the accounts, balance sheets, any report of the Directors or of the Company's auditors, and the fixing of the remuneration of the Company's auditors. No special business shall be transacted at any general meeting without the consent of all Shareholders entitled to receive notice of that meeting unless notice of such special business has been given in the notice convening that meeting.

61. No business shall be transacted at any general meeting unless a quorum of Shareholders is present at the time when the meeting proceeds to business. Save as otherwise provided by these Articles, one or more Shareholders holding at least a majority of the paid up voting share capital of the Company present in person or by proxy and entitled to vote at that meeting shall form a quorum.
62. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week, at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the Shareholder or Shareholders present and entitled to vote shall form a quorum.
63. If the Directors wish to make this facility available for a specific general meeting or all general meetings of the Company, participation in any general meeting of the Company may be by means of a telephone or similar communication equipment by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.
64. The chairman, if any, of the Directors shall preside as chairman at every general meeting of the Company.
65. If there is no such chairman, or if at any general meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, any Director or Person nominated by the Directors shall preside as chairman, failing which the Shareholders present in person or by proxy shall choose any Person present to be chairman of that meeting.
66. The chairman may adjourn a meeting from time to time and from place to place either:
 - (a) with the consent of any general meeting at which a quorum is present (and shall if so directed by the meeting); or
 - (b) without the consent of such meeting if, in his sole opinion, he considers it necessary to do so to:
 - (i) secure the orderly conduct or proceedings of the meeting; or
 - (ii) give all persons present in person or by proxy and having the right to speak and / or vote at such meeting, the ability to do so,but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting, or adjourned meeting, is adjourned for fourteen days or more, notice of the adjourned meeting shall be given in the manner provided for the original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
67. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or one or more Shareholders present in person or by proxy entitled to vote, and unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.
68. If a poll is duly demanded it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
69. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.
70. A poll demanded on the election of a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

VOTES OF SHAREHOLDERS

71. Subject to any rights and restrictions for the time being attached to any Share, on a show of hands every Shareholder present in person and every Person representing a Shareholder by proxy shall, at a general meeting of the Company, each have one vote and on a poll every Shareholder and every Person representing a Shareholder by proxy shall have one vote for each Share of which he or the Person represented by proxy is the holder.
72. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to

the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register.

73. A Shareholder of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote in respect of Shares carrying the right to vote held by him, whether on a show of hands or on a poll, by his committee, or other Person in the nature of a committee appointed by that court, and any such committee or other Person, may vote in respect of such Shares by proxy.
74. No Shareholder shall be entitled to vote at any general meeting of the Company unless all calls, if any, or other sums presently payable by him in respect of Shares carrying the right to vote held by him have been paid.
75. On a poll votes may be given either personally or by proxy.
76. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an Officer or attorney duly authorised. A proxy need not be a Shareholder.
77. An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve.
78. The instrument appointing a proxy shall be deposited at the Office or at such other place as is specified for that purpose in the notice convening the meeting no later than the time for holding the meeting or, if the meeting is adjourned, the time for holding such adjourned meeting.
79. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
80. A resolution in writing signed by all the Shareholders for the time being entitled to receive notice of and to attend and vote at general meetings of the Company (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS

81. Any corporation which is a Shareholder or a Director may by resolution of its directors or other governing body authorise such Person as it thinks fit to act as its representative at any meeting of the Company or of any meeting of holders of a Class or of the Directors or of a committee of Directors, and the Person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Shareholder or Director.
82. If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)).

DIRECTORS

83. For so long as shares or ADSs are listed on Nasdaq, the Directors shall include such number of Independent Directors as applicable law, rules or regulations or the Nasdaq Rules require for a foreign private issuer under the United States securities laws, so long as the Company is a foreign private issuer.
84. The Company may by Ordinary Resolution appoint any Person to be a Director.
85. Subject to these Articles, a Director shall hold office until such time as he is removed from office by Ordinary Resolution.
86. The Company may by Ordinary Resolution from time to time fix the maximum and minimum number of Directors to be appointed but unless such numbers are fixed as aforesaid the minimum number of Directors shall be one and the maximum number of Directors shall be unlimited.
87. The remuneration of the Directors may be determined by the Directors or by Ordinary Resolution.
88. There shall be no shareholding qualification for Directors unless determined otherwise by Ordinary Resolution.
89. The Directors shall have power at any time and from time to time to appoint any Person to be a Director, either as a result of a casual vacancy or as an additional Director, subject to the maximum number (if any) imposed by Ordinary Resolution.

ALTERNATE DIRECTOR

90. Any Director may in writing appoint another Person to be his alternate and, save to the extent provided otherwise in the form of appointment, such alternate shall have authority to sign written resolutions on behalf of the appointing Director, but shall not be authorised to sign such written resolutions where they have been signed by the appointing Director, and to act in such Director's place at any meeting of the Directors. Every such alternate shall be entitled to attend and vote at meetings of the Directors as the alternate of the Director appointing him and where he is a Director to have a separate vote in addition to his own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him. Such alternate shall not be an Officer solely as a result of his appointment as an alternate other than in respect of such times as the alternate acts as a Director. The remuneration of such alternate shall be payable out of the remuneration of the Director appointing him and the proportion thereof shall be agreed between them.

POWERS AND DUTIES OF DIRECTORS

91. Subject to the Companies Law, these Articles and to any resolutions passed in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution passed by the Company in general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been passed.
92. The Directors may from time to time appoint any Person, whether or not a Director to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, the office of president, one or more vice-presidents, treasurer, assistant treasurer, manager or controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. Any Person so appointed by the Directors may be removed by the Directors or by the Company by Ordinary Resolution. The Directors may also appoint one or more of their number to the office of managing director or chief executive officer upon like terms, but any such appointment shall ipso facto terminate if any managing director or chief executive officer ceases from any cause to be a Director, or if the Company by Ordinary Resolution resolves that his tenure of office be terminated.
93. The Directors may appoint any Person to be a Secretary (and if need be an assistant Secretary or assistant Secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as they think fit. Any Secretary or assistant Secretary so appointed by the Directors may be removed by the Directors or by the Company by Ordinary Resolution.
94. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
95. The Directors may from time to time and at any time by power of attorney (whether under Seal or under hand) or otherwise appoint any company, firm or Person or body of Persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys or authorised signatory (any such person being an **"Attorney"** or **"Authorised Signatory"**, respectively) of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of Persons dealing with any such Attorney or Authorised Signatory as the Directors may think fit, and may also authorise any such Attorney or Authorised Signatory to delegate all or any of the powers, authorities and discretion vested in him.
96. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the three next following Articles shall not limit the general powers conferred by this Article.
97. The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any Person to be a member of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any such Person.
98. The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any Person so appointed and may annul or vary any such delegation, but no Person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
99. Any such delegates as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities, and discretion for the time being vested in them.

100. The Directors may agree with a Shareholder to waive or modify the terms applicable to such Shareholder's subscription for Shares without obtaining the consent of any other Shareholder; provided that such waiver or modification does not amount to a variation or abrogation of the rights attaching to the Shares of such other Shareholders.

BORROWING POWERS OF DIRECTORS

101. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, or to otherwise provide for a security interest to be taken in such undertaking, property or uncalled capital, and to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

THE SEAL

102. The Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose and every Person as aforesaid shall sign every instrument to which the Seal is so affixed in their presence.
103. The Company may maintain a facsimile of the Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such Person or Persons as the Directors shall for this purpose appoint and such Person or Persons as aforesaid shall sign every instrument to which the facsimile Seal is so affixed in their presence and such affixing of the facsimile Seal and signing as aforesaid shall have the same meaning and effect as if the Seal had been affixed in the presence of and the instrument signed by a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose.
104. Notwithstanding the foregoing, a Secretary or any assistant Secretary shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

DISQUALIFICATION OF DIRECTORS

105. The office of Director shall be vacated, if the Director:
- (a) becomes bankrupt or makes any arrangement or composition with his creditors;
 - (b) dies or is found to be or becomes of unsound mind;
 - (c) resigns his office by notice in writing to the Company;
 - (d) is removed from office by Ordinary Resolution;
 - (e) is removed from office by notice addressed to him at his last known address and signed by all of his co-Directors (not being less than two in number); or
 - (f) is removed from office pursuant to any other provision of these Articles.

PROCEEDINGS OF DIRECTORS

106. The Directors may meet together (either within or outside the Cayman Islands) for the despatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the chairman shall have a second or casting vote. A Director may, and a Secretary or assistant Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors.
107. A Director may participate in any meeting of the Directors, or of any committee appointed by the Directors of which such Director is a member, by means of telephone or similar communication equipment by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.
108. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed, if there be two or more Directors the quorum shall be two, and if there be one Director the quorum shall be one. A Director represented by an alternate Director at any meeting shall be deemed to be present for the purposes of

determining whether or not a quorum is present.

109. A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is to be regarded as interested in any contract or other arrangement which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. A Director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.
110. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting of the Directors whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.
111. Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.
112. The Directors shall cause minutes to be made in books or loose-leaf folders provided for the purpose of recording:
- (a) all appointments of Officers made by the Directors;
 - (b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and
 - (c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.
113. When the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.
114. A resolution in writing signed by all the Directors or all the members of a committee of Directors entitled to receive notice of a meeting of Directors or committee of Directors, as the case may be (an alternate Director, subject as provided otherwise in the terms of appointment of the alternate Director, being entitled to sign such a resolution on behalf of his appointer), shall be as valid and effectual as if it had been passed at a duly called and constituted meeting of Directors or committee of Directors, as the case may be. When signed a resolution may consist of several documents each signed by one or more of the Directors or his duly appointed alternate.
115. The continuing Directors may act notwithstanding any vacancy in their body but if and for so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number, or of summoning a general meeting of the Company, but for no other purpose.
116. The Directors may elect a chairman of their meetings and determine the period for which he is to hold office but if no such chairman is elected, or if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of the meeting.
117. Subject to any regulations imposed on it by the Directors, a committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the meeting, the committee members present may choose one of their number to be chairman of the meeting.
118. A committee appointed by the Directors may meet and adjourn as it thinks proper. Subject to any regulations imposed on it by the Directors, questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall have a second or casting vote.
119. All acts done by any meeting of the Directors or of a committee of Directors, or by any Person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or Person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such Person had been duly

appointed and was qualified to be a Director.

DIVIDENDS

120. Subject to any rights and restrictions for the time being attached to any Shares, or as otherwise provided for in the Companies Law and these Articles, the Directors may from time to time declare dividends (including interim dividends) and other distributions on Shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.
121. Subject to any rights and restrictions for the time being attached to any Shares, the Company by Ordinary Resolution may declare dividends, but no dividend shall exceed the amount recommended by the Directors.
122. The Directors may determine, before recommending or declaring any dividend, to set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds may be properly applied and pending such application may, at the determination of the Directors, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit.
123. Any dividend may be paid in any manner as the Directors may determine. If paid by cheque it will be sent through the post to the registered address of the Shareholder or Person entitled thereto, or in the case of joint holders, to any one of such joint holders at his registered address or to such Person and such address as the Shareholder or Person entitled, or such joint holders as the case may be, may direct. Every such cheque shall be made payable to the order of the Person to whom it is sent or to the order of such other Person as the Shareholder or Person entitled, or such joint holders as the case may be, may direct.
124. The Directors when paying dividends to the Shareholders in accordance with the foregoing provisions of these Articles may make such payment either in cash or in specie and may determine the extent to which amounts may be withheld therefrom (including, without limitation, any taxes, fees, expenses or other liabilities for which a Shareholder (or the Company, as a result of any action or inaction of the Shareholder) is liable).
125. Subject to any rights and restrictions for the time being attached to any Shares, all dividends shall be declared and paid according to the amounts paid up on the Shares, but if and for so long as nothing is paid up on any of the Shares dividends may be declared and paid according to the par value of the Shares.
126. If several Persons are registered as joint holders of any Share, any of them may give effectual receipts for any dividend or other moneys payable on or in respect of the Share.
127. No dividend shall bear interest against the Company.

ACCOUNTS, AUDIT AND ANNUAL RETURN AND DECLARATION

128. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.
129. The books of account shall be kept at the Office, or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
130. The Directors may from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Shareholders not being Directors, and no Shareholder (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Directors or by Ordinary Resolution.
131. The accounts relating to the Company's affairs shall only be audited if the Directors so determine, in which case the accounting principles will be determined by the Directors. The financial year of the Company shall end on 31 December of each year or such other date as the Directors may determine.
132. The Directors in each year shall prepare, or cause to be prepared, an annual return and declaration setting forth the particulars required by the Companies Law and deliver a copy thereof to the Registrar of Companies in the Cayman Islands.

CAPITALISATION OF RESERVES

133. Subject to the Companies Law and these Articles, the Directors may:
 - (a) resolve to capitalise an amount standing to the credit of reserves (including a Share Premium Account, capital

redemption reserve and profit and loss account), whether or not available for distribution;

- (b) appropriate the sum resolved to be capitalised to the Shareholders in proportion to the nominal amount of Shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards:

(i) paying up the amounts (if any) for the time being unpaid on Shares held by them respectively, or

(ii) paying up in full unissued Shares or debentures of a nominal amount equal to that sum,

and allot the Shares or debentures, credited as fully paid, to the Shareholders (or as they may direct) in those proportions, or partly in one way and partly in the other, but the Share Premium Account, the capital redemption reserve and profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued Shares to be allotted to Shareholders credited as fully paid;

- (c) make any arrangements they think fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where Shares or debentures become distributable in fractions the Directors may deal with the fractions as they think fit;

- (d) authorise a Person to enter (on behalf of all the Shareholders concerned) into an agreement with the Company providing for either:

(i) the allotment to the Shareholders respectively, credited as fully paid, of Shares or debentures to which they may be entitled on the capitalisation, or

(ii) the payment by the Company on behalf of the Shareholders (by the application of their respective proportions of the reserves resolved to be capitalised) of the amounts or part of the amounts remaining unpaid on their existing Shares,

and any such agreement made under this authority being effective and binding on all those Shareholders; and

- (e) generally do all acts and things required to give effect to any of the actions contemplated by this Article.

SHARE PREMIUM ACCOUNT

134. The Directors shall in accordance with the Companies Law establish a Share Premium Account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any Share.

135. There shall be debited to any Share Premium Account on the redemption or purchase of a Share the difference between the nominal value of such Share and the redemption or purchase price provided always that at the determination of the Directors such sum may be paid out of the profits of the Company or, if permitted by the Companies Law, out of capital.

NOTICES

136. Any notice or document may be served by the Company or by the Person entitled to give notice to any Shareholder either personally, or by posting it airmail or air courier service in a prepaid letter addressed to such Shareholder at his address as appearing in the Register, or by electronic mail to any electronic mail address such Shareholder may have specified in writing for the purpose of such service of notices, or by facsimile should the Directors deem it appropriate. In the case of joint holders of a Share, all notices shall be given to that one of the joint holders whose name stands first in the Register in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.

137. Any Shareholder present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.

138. Any notice or other document, if served by:

(a) post, shall be deemed to have been served five clear days after the time when the letter containing the same is posted;

(b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient;

(c) recognised courier service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service; or

(d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail.

In proving service by post or courier service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.

139. Any notice or document delivered or sent in accordance with the terms of these Articles shall notwithstanding that such Shareholder be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Shareholder as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register as the holder of the Share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all Persons interested (whether jointly with or as claiming through or under him) in the Share.
140. Notice of every general meeting of the Company shall be given to:
- (a) all Shareholders holding Shares with the right to receive notice and who have supplied to the Company an address for the giving of notices to them; and
 - (b) every Person entitled to a Share in consequence of the death or bankruptcy of a Shareholder, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other Person shall be entitled to receive notices of general meetings.

INDEMNITY

141. Every Director (including for the purposes of this Article any alternate Director appointed pursuant to the provisions of these Articles), Secretary, assistant Secretary, or other Officer (but not including the Company's auditors) and the personal representatives of the same (each an "**Indemnified Person**") shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such Indemnified Person, other than by reason of such Indemnified Person's own dishonesty, wilful default or fraud as determined by a court of competent jurisdiction, in or about the conduct of the Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such Indemnified Person in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.
142. No Indemnified Person shall be liable:
- (a) for the acts, receipts, neglects, defaults or omissions of any other Director or Officer or agent of the Company; or
 - (b) for any loss on account of defect of title to any property of the Company; or
 - (c) on account of the insufficiency of any security in or upon which any money of the Company shall be invested; or
 - (d) for any loss incurred through any bank, broker or other similar Person; or
 - (e) for any loss occasioned by any negligence, default, breach of duty, breach of trust, error of judgement or oversight on such Indemnified Person's part; or
 - (f) for any loss, damage or misfortune whatsoever which may happen in or arise from the execution or discharge of the duties, powers, authorities, or discretions of such Indemnified Person's office or in relation thereto;

unless the same shall happen through such Indemnified Person's own dishonesty, wilful default or fraud as determined by a court of competent jurisdiction.

143. The Company may purchase and maintain insurance for the benefit of the Director or the officers of the Company against any liability incurred by him/her in his/her capacity as a Director or officer, as applicable, in order to minimise the relevant indemnity liabilities incurred or sustained by the Company and the Shareholders.

NON-RECOGNITION OF TRUSTS

144. Subject to the proviso hereto, no Person shall be recognised by the Company as holding any Share upon any trust and the Company shall not, unless required by law, be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or (except only as otherwise provided by these Articles or as the Companies Law requires) any other right in respect of any Share except an absolute right to the entirety thereof in each Shareholder registered in the Register, provided that, notwithstanding the foregoing, the Company shall be entitled to recognise any such interests as shall be determined by the Directors.

WINDING UP

145. If the Company shall be wound up the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims.

146. If the Company shall be wound up, the liquidator may, with the sanction of an Ordinary Resolution divide amongst the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different Classes. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator, with the like sanction shall think fit, but so that no Shareholder shall be compelled to accept any assets whereon there is any liability.

AMENDMENT OF ARTICLES OF ASSOCIATION

147. Subject to the Companies Law and the rights attaching to the various Classes, the Company may at any time and from time to time by Special Resolution alter or amend these Articles in whole or in part.

CLOSING OF REGISTER OR FIXING RECORD DATE

148. For the purpose of determining those Shareholders that are entitled to receive notice of, attend or vote at any meeting of Shareholders or any adjournment thereof, or those Shareholders that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Shareholder for any other purpose, the Directors may provide that the Register shall be closed for transfers for a stated period which shall not exceed in any case 40 days. If the Register shall be so closed for the purpose of determining those Shareholders that are entitled to receive notice of, attend or vote at a meeting of Shareholders the Register shall be so closed for at least ten days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register.
149. In lieu of or apart from closing the Register, the Directors may fix in advance a date as the record date for any such determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of the Shareholders and for the purpose of determining those Shareholders that are entitled to receive payment of any dividend the Directors may, at or within 90 days prior to the date of declaration of such dividend, fix a subsequent date as the record date for such determination.
150. If the Register is not so closed and no record date is fixed for the determination of those Shareholders entitled to receive notice of, attend or vote at a meeting of Shareholders or those Shareholders that are entitled to receive payment of a dividend, the date on which notice of the meeting is posted or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Shareholders. When a determination of those Shareholders that are entitled to receive notice of, attend or vote at a meeting of Shareholders has been made as provided in this Article, such determination shall apply to any adjournment thereof.

REGISTRATION BY WAY OF CONTINUATION

151. The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

MERGERS AND CONSOLIDATION

152. The Company may merge or consolidate in accordance with the Companies Law.
153. To the extent required by the Companies Law, the Company may by Special Resolution resolve to merge or consolidate the Company.

DISCLOSURE

154. The Directors, or any authorised service providers (including the Officers, the Secretary and the registered office agent of the Company), shall be entitled to disclose to any regulatory or judicial authority, or to any stock exchange on which the Shares may from time to time be listed, any information regarding the affairs of the Company including, without limitation, information contained in the Register and books of the Company.

**ASLAN Pharmaceuticals Limited and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
ASLAN Pharmaceuticals Limited

Opinion

We have audited the accompanying consolidated financial statements of ASLAN Pharmaceuticals Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matter for the consolidated financial statements for the year ended December 31, 2019 is as follows:

Assessment of liquidity risk

The Company has reported a net loss in all fiscal periods since inception due to continuous cash outflows from research and development activities and execution of clinical programs, and expects to incur substantial and increased expenses to expand the said development activities. The Company expects to continue to generate operating losses in the foreseeable future. Based on the Company's business plans disclosed in Note 25, the Company may seek future funding based on the need of capital and exercise discretion and flexibility to deploy its capital resources in the progress of the research and development according to the schedule of fund raising to continue its operation in the future. Thus, we consider the assessment of liquidity risk a key audit matter.

We addressed the above key audit matter by performing following procedures:

1. We obtained the cash flow forecast of the Company in next twelve months, and discussed with management the feasibility of the cash flow forecast and its operations.
2. We verified the compliance of covenants associated with the debt agreement and management's responses.
3. We assessed the appropriateness of the footnote disclosure to financial statement.

Responsibilities of Management and Those Charged with Governance for 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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 2020

Notice to Readers

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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.



ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 665,050	95	\$ 883,598	55
Prepayments	<u>2,064</u>	-	<u>5,612</u>	-
Total current assets	<u>667,114</u>	<u>95</u>	<u>889,210</u>	<u>55</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4,7 and 17)	2,045	-	1,834	-
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 17)	3,959	1	5,723	-
Property, plant and equipment (Notes 4 and 10)	1,148	-	8,815	1
Right-of-use assets (Notes 3, 4 and 11)	21,802	3	-	-
Intangible assets (Notes 4, 12 and 17)	85	-	705,456	44
Refundable deposits	<u>3,237</u>	<u>1</u>	<u>5,260</u>	-
Total non-current assets	<u>32,276</u>	<u>5</u>	<u>727,088</u>	<u>45</u>
TOTAL	<u>\$ 699,390</u>	<u>100</u>	<u>\$ 1,616,298</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables	\$ 56,068	8	\$ 162,475	10
Other payables (Notes 13 and 21)	97,253	14	81,995	5
Lease liabilities - current (Notes 3, 4 and 11)	<u>7,924</u>	<u>1</u>	<u>-</u>	-
Total current liabilities	<u>161,245</u>	<u>23</u>	<u>244,470</u>	<u>15</u>
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Note 4 and 7)	7,859	1	-	-
Long-term borrowings (Note 14 and 26)	511,159	73	427,138	26
Long-term borrowings from related parties (Note 14 and 26)	16,958	2	-	-
Lease liabilities - non-current (Notes 3, 4 and 11)	14,702	2	-	-
Other non-current liabilities (Note 21)	<u>5,537</u>	<u>1</u>	<u>8,852</u>	<u>1</u>
Total non-current liabilities	<u>556,215</u>	<u>79</u>	<u>435,990</u>	<u>27</u>
Total liabilities	<u>717,460</u>	<u>102</u>	<u>680,460</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Note 16)				
Ordinary shares	1,899,549	272	1,602,489	99
Capital surplus	3,623,481	518	3,469,709	215
Accumulated deficits	(5,495,608)	(786)	(4,045,093)	(250)
Other equity	<u>(77,664)</u>	<u>(12)</u>	<u>(91,267)</u>	<u>(6)</u>
Total equity attributable to stockholders of the parent	(50,242)	(8)	935,838	58
NON-CONTROLLING INTERESTS	<u>32,172</u>	<u>6</u>	<u>-</u>	-
Total equity	<u>(18,070)</u>	<u>(2)</u>	<u>935,838</u>	<u>58</u>
TOTAL	<u>\$ 699,390</u>	<u>100</u>	<u>\$ 1,616,298</u>	<u>100</u>

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

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ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2019		2018	
	Amount	%	Amount	%
SALES (Note 17)	\$ 92,359	100	\$ -	-
OPERATING COSTS (Note 17)	<u>12,538</u>	<u>14</u>	<u>-</u>	<u>-</u>
GROSS PROFIT	<u>79,821</u>	<u>86</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES (Notes 15, 18 and 21)				
General and administrative expenses	\$ (262,576)	(284)	\$ (316,755)	-
Research and development expenses	<u>(511,661)</u>	<u>(554)</u>	<u>(959,099)</u>	<u>-</u>
Total operating expenses	<u>(774,237)</u>	<u>(838)</u>	<u>(1,275,854)</u>	<u>-</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 12 and 18)	<u>(711,763)</u>	<u>(771)</u>	<u>-</u>	<u>-</u>
LOSS FROM OPERATIONS	<u>(1,406,179)</u>	<u>(1,523)</u>	<u>(1,275,854)</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	4,646	5	8,084	-
Other income (Note 17)	-	-	5,641	-
Other gains and losses (Note 18)	(10,112)	(11)	6,425	-
Finance costs (Notes 4 and 18)	<u>(27,813)</u>	<u>(29)</u>	<u>(14,820)</u>	<u>-</u>
Total non-operating income and expenses	<u>(33,279)</u>	<u>(35)</u>	<u>5,330</u>	<u>-</u>
LOSS BEFORE INCOME TAX	(1,439,458)	(1,558)	(1,270,524)	-
INCOME TAX EXPENSE (Notes 4 and 19)	<u>(12,586)</u>	<u>(14)</u>	<u>(435)</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(1,452,044)</u>	<u>(1,572)</u>	<u>(1,270,959)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME/(LOSS) (Note 16)				
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	(1,699)	(2)	-	-
Exchange differences arising on translation to the presentation currency	<u>14,621</u>	<u>16</u>	<u>42,934</u>	<u>-</u>
	<u>12,922</u>	<u>14</u>	<u>42,934</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (1,439,122)</u>	<u>(1,558)</u>	<u>\$ (1,228,025)</u>	<u>-</u>

(Continued)

NET LOSS ATTRIBUTABLE TO

Stockholders of the parent	\$ (1,450,515)	(1,570)	\$ (1,270,959)	-
Non-controlling interests	<u>(1,529)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
	<u>\$ (1,452,044)</u>	<u>(1,572)</u>	<u>\$ (1,270,959)</u>	<u>-</u>

TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO

Stockholders of the parent	\$ (1,436,912)	(1,555)	\$ (1,228,025)	-
Non-controlling interests	<u>(2,210)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
	<u>\$ (1,439,122)</u>	<u>(1,558)</u>	<u>\$ (1,228,025)</u>	<u>-</u>

LOSS PER SHARE (Note 20)

Basic and diluted	<u>\$ (8.93)</u>	<u>\$ (8.49)</u>
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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 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent					Unrealized Valuation Loss on Financial Assets at Fair Value Through Other Comprehensive Income (Note 16 And 17)	Non-controlling Interests (Note 22)	Total Equity
	Ordinary Shares (Note 16) Amount	Ordinary Shares	Share Options Reserve	Other	Total			
BALANCE AT JANUARY 1, 2018	130,128,940	\$ 2,476,406	\$ 183,817	\$ -	\$ 2,660,223	\$ (134,201)	\$ -	\$ 1,053,177
Issuance of new share capital (Note 16)	30,000,000	956,108	-	-	956,108	-	-	1,256,108
Transaction costs attributable to the issuance of ordinary shares	-	(160,479)	-	-	(160,479)	-	-	(160,479)
Issuance of ordinary shares under employee share option plan (Note 21)	120,000	1,282	(1,014)	-	268	-	-	1,468
Recognition of employee share options by the Company (Note 21)	-	-	13,589	-	13,589	-	-	13,589
Net loss for the year ended December 31, 2018	-	-	-	-	-	(1,270,959)	-	(1,270,959)
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	42,934	-	42,934
Total comprehensive loss for the year ended December 31, 2018	-	-	-	-	-	(1,228,025)	-	(1,228,025)
BALANCE AT DECEMBER 31, 2018	160,248,940	3,273,317	196,392	-	3,469,709	(91,267)	-	935,838
Issuance of new share capital (Note 16)	29,466,030	154,697	-	-	154,697	-	-	449,357
Transaction costs attributable to the issuance of ordinary shares	-	(44,066)	-	-	(44,066)	-	-	(44,066)
Issuance of ordinary shares under employee share option plan (Note 21)	240,000	904	(2,571)	-	(1,667)	-	-	733
Recognition of employee share options by the Company (Note 21)	-	-	1,319	-	1,319	-	-	1,319
Changes in percentage of ownership interests in subsidiaries (Note 22)	-	-	-	42,114	42,114	-	(42,114)	-
Equity component of long-term debt borrowed by the Company (Note 16)	-	-	-	1,375	1,375	-	-	1,375
Net loss for the year ended December 31, 2019	-	-	-	-	-	(1,450,515)	(1,529)	(1,452,044)
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	15,302	(681)	12,922
Total comprehensive loss for the year ended December 31, 2019	-	-	-	-	-	(1,435,213)	(2,210)	(1,439,122)

76,496

(18,070)

(18,070)



ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (1,439,458)	\$ (1,270,524)
Adjustments for:		
Depreciation expenses	13,604	7,092
Amortization expenses	134	192
Net loss on fair value changes of financial assets at fair value through profit or loss, net	1,449	(1,808)
Finance costs	27,813	14,820
Interest income	(4,646)	(8,084)
Compensation costs of share-based payment transactions	1,358	38,857
Loss on disposal of property, plant and equipment	2,288	-
Unrealized loss (gain) on foreign exchange, net	4,175	(7,740)
Impairment loss recognized on intangible assets	711,763	-
Loss on lease modification	1,990	-
Gain on disposal of licensed rights	-	(5,641)
Changes in operating assets and liabilities		
Decrease (increase) in prepayments	3,538	(3,364)
(Decrease) increase in trade payables	(106,237)	42,705
Increase (decrease) in other payables	(4,839)	(3,282)
Cash used in operations	(787,068)	(1,196,777)
Interest received	4,646	8,084
Interest paid	(1,112)	-
Income tax paid	(12,586)	(435)
Net cash used in operating activities	(796,120)	(1,189,128)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(92)	(2,418)
Proceeds from disposal of property, plant and equipment	180	-
Payments for intangible assets	-	(693,027)
Decrease (increase) in refundable deposits	79	(335)
Net cash (used in) generate from investing activities	167	(695,780)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	100,255	122,330
Repayment of the principal portion of lease liabilities	(7,505)	-
Proceeds from new share capital	449,357	1,256,108
Proceeds from exercise of employee share options	733	1,468

(Continued)

	2019	2018
Payments for transaction costs attributable to the issuance of ordinary shares	\$(35,660)	\$(160,479)
Proceeds from non-controlling interests	<u>76,496</u>	<u>-</u>
Net cash generated from financing activities	<u>583,676</u>	<u>1,219,427</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(6,271)</u>	<u>49,295</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(218,548)	(616,186)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>883,598</u>	<u>1,499,784</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 665,050</u>	<u>\$ 883,598</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. GENERAL INFORMATION

ASLAN Pharmaceuticals Limited (ASLAN Cayman) 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. ASLAN Cayman and its subsidiaries (collectively referred to as the “Company”) are principally engaged in the development of novel drugs for Asia prevalent cancers.

ASLAN Cayman’s shares have been listed on the TPEX since June 1, 2017. In addition, ASLAN Cayman 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.

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 March 18, 2020.

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 Company’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 IFRS 16.

The Company 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 Company as lessee

The Company 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 Company 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 Company 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 Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- 1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Company 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	<u>(34)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 10,290</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 9,898</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 9,898</u>

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 IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 3: The Company 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 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
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

As of the date the consolidated financial statements were authorized for issue, the Company is continuously

assessing the possible impact that the application of other standards and interpretations will have on the Company'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

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements include the financial statements of ASLAN Cayman and entities controlled by ASLAN Cayman (its subsidiaries). When necessary, 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. Total comprehensive income of subsidiaries is attributed to stockholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to stockholders of the parent.

See Note 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Company entities are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income attributed to stockholders of the parent and non-controlling interests as appropriate. The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the Company entities into the presentation currency, are not subsequently reclassified to profit or loss.

f. Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the respective asset and is recognized in profit or loss.

g. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and

subsequently measured at cost, less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost, less accumulated impairment loss.

2) Internally-generated intangible assets - research and development expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized only if all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) The manner in which intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets in order to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available are not subject to amortization, but are tested annually for impairment or more frequently if there are indicators of impairment. In respect of the impairment indicators, the Company considers both internal and external sources of information to determine whether an asset may be impaired, which may include the significant underperformance of the business in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes with adverse effects in the use of the assets, as well as the internal reporting which indicates the economic performance of an asset is worse than expected. If any such indicators exist, the Company will estimate the recoverable amount of such indefinite-lived intangible asset and compare it with its carrying amount.

The recoverable amount is the higher of fair value, less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (i.e., FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at fair value through other comprehensive income (i.e., FVTOCI).

i. Financial assets at FVTPL

Derivative financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in other gains or losses. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the financial assets measured at amortized cost (including cash and cash equivalents and refundable deposits), the Company applies the effective interest method to the gross carrying amount at amortized cost less any impairment from initial recognition. Any foreign exchange gains and losses are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

Cash equivalents include time deposits, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost.

For financial instruments, the Company recognizes lifetime expected credit losses (i.e., ECLs) when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other

comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company entity are recognized at the proceeds received, net of direct issue costs.

No gain or loss is recognized in profit or loss on the issuance of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 24.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Compound instruments

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

Transaction costs that relate to the issuance of the compound instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

j. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the out-licensing of experimental drugs that have reached ‘proof of concept’ to business partners for ongoing global development and launch, in the ordinary course of our activities. Revenue is presented, net of goods and services tax, rebates and discounts. See Note 17 for details of the Company’s licensing agreements.

The Company recognizes revenue when it has completed the out-licensing of the experimental drug to business partners, and such partners have accepted the products. Thus, the collectability of the related receivables is reasonably assured.

Typically the consideration received from out-licensing may take the form of upfront payments, option payments, milestone payments, and royalty payments on licensed products. To determine revenue recognition for contracts with customers, the Company performs the following five steps:

- 1) Identify the contract with a customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract; and
- 5) Recognize revenue when (or as) the Company satisfies the performance obligations.

At the inception of a contract, the Company assesses the goods or services promised within each contract to determine whether each promised good or service is distinct and identify those that are performance obligations. The Company recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Upfront License Fees

If a license to the Company’s intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company will recognize revenues from non-refundable, upfront fees allocated to the license when the license is transferred to the licensee and the licensee is able to use and benefit from the license. For licenses that are bundled with other performance obligations, the Company uses judgment to assess the nature of the combined performance obligation to determine whether it is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue. The Company evaluates the measure of progress at the end of each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Milestone Payments

At the inception of each contract with customers that includes development or regulatory milestone payments (i.e., the variable consideration), the Company includes some or all amount of variable consideration in the transaction price estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty related to the variable consideration is subsequently resolved. Milestone payments that are contingent upon the achievement of events that are uncertain or not controllable, such as regulatory approvals, are generally not considered highly probable of being achieved until those approvals are received. Therefore, they are not included in the transaction price. At

the end of each reporting period, the Company evaluates the probability of achievement of such milestone payments and any related constraints and, if necessary, adjusts the Company's estimate of the overall transaction price.

Royalties

For arrangements that include sales-based royalties, including commercial milestone payments based on the level of sales, and for which the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue at the later of the following:

- 1) when the subsequent sales occur, or
- 2) when the performance obligation, to which some or all of the royalty has been allocated, has been satisfied (or partially satisfied).

To date, the Company has not recognized any royalty revenue resulting from any of out-licensing arrangements.

k. Research and development expenses

Elements of research and development expenses primarily include:

- 1) payroll and other related costs of personnel engaged in research and development activities;
- 2) costs related to preclinical testing of the Company's technologies under development and clinical trials, such as payments to contract research organizations ("CROs"), investigators and clinical trial sites that conduct the Company's clinical studies;
- 3) costs to develop the product candidates, including raw materials, supplies and product testing related expenses; and
- 4) other research and development expenses.

Research and development expenses are expensed as incurred when these expenditures relate to the Company's research and development services and have no alternative future uses. The conditions enabling the capitalization of development costs as an asset have not yet been met and, therefore, all development expenditures are recognized in profit or loss when incurred.

l. Leasing

2019

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

The Company as lessee

The Company 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 Company uses the its 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 Company 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 Company 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 Company shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The Company 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 Company as lessee

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

m. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

n. Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of employee share options that will eventually vest, with a corresponding increase in "capital surplus - employee share options". The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus.

The fair value of the amount payable to beneficiaries in respect of bonus entitlement unit grants, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the beneficiaries become unconditionally entitled to payment. The amount is remeasured at each reporting date and at settlement based on the fair value of the bonus entitlement units. Any changes in the liability are recognized in profit or loss.

o. Taxation

The provision for income tax recognized in profit or loss comprises current and deferred tax. Current tax is income tax paid and payable for the current year based on the taxable profit of the year and any adjustments to tax payable (or receivable) in respect of prior years. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit or loss. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. The carrying amount is reviewed at the end of each reporting period on the same basis. Deferred tax is measured at the tax rates that are expected to apply in the period in which the asset or liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates 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.

a. Impairment of intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually and whenever an indicator of impairment exists. The Company assesses whether there is an indication of impairment based on internal and external information, including the progress of research and development project and the prospect of such technology. Determining whether an intangible asset is impaired requires an estimation of the recoverable amount and a comparison with the carrying amount. The calculation of the recoverable amount requires management to estimate the future cash flows that are expected to arise from the intangible asset and a suitable discount rate in order to calculate the present value. Any change of estimation arising from economic environment changes or the Company's strategies may lead to significant impairment loss in the future.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 52	\$ 71
Deposits in banks	<u>664,998</u>	<u>883,527</u>
	<u>\$ 665,050</u>	<u>\$ 883,598</u>

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 change in value.

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

	December 31	
	2019	2018
Time deposits	-	2.57%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets at fair value through <u>profit or loss (FVTPL) - Non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets – warrants (a)	\$ 390	\$ 1,834
Derivative financial assets - pre-redemption right (b)	<u>1,655</u>	<u>-</u>
	<u>\$ 2,045</u>	<u>\$ 1,834</u>
Financial liabilities at fair value through <u>profit or loss (FVTPL) - Non-current</u>		
Financial liabilities designated as at FVTPL (c)		
Derivative financial liabilities - conversion right	<u>\$ 7,859</u>	<u>\$ -</u>

- a. In July 2018, the Company acquired warrants to subscribe for ordinary shares of DotBio Pte. Ltd., as detailed in Note 17 (under the heading of “Nanyang Technological University”).
- b. On October 25, 2019, the Company entered into a loan facility agreement with warrants and was entitled to repay at any time prior to expiry of the term, as detailed in Note 14 (under the heading of “October / November 2019 Loan Facility”).
- c. On September 30, 2019, the Company entered into a convertible loan facility, as detailed in Note 14 (under the heading of “Convertible Loan Facility”).

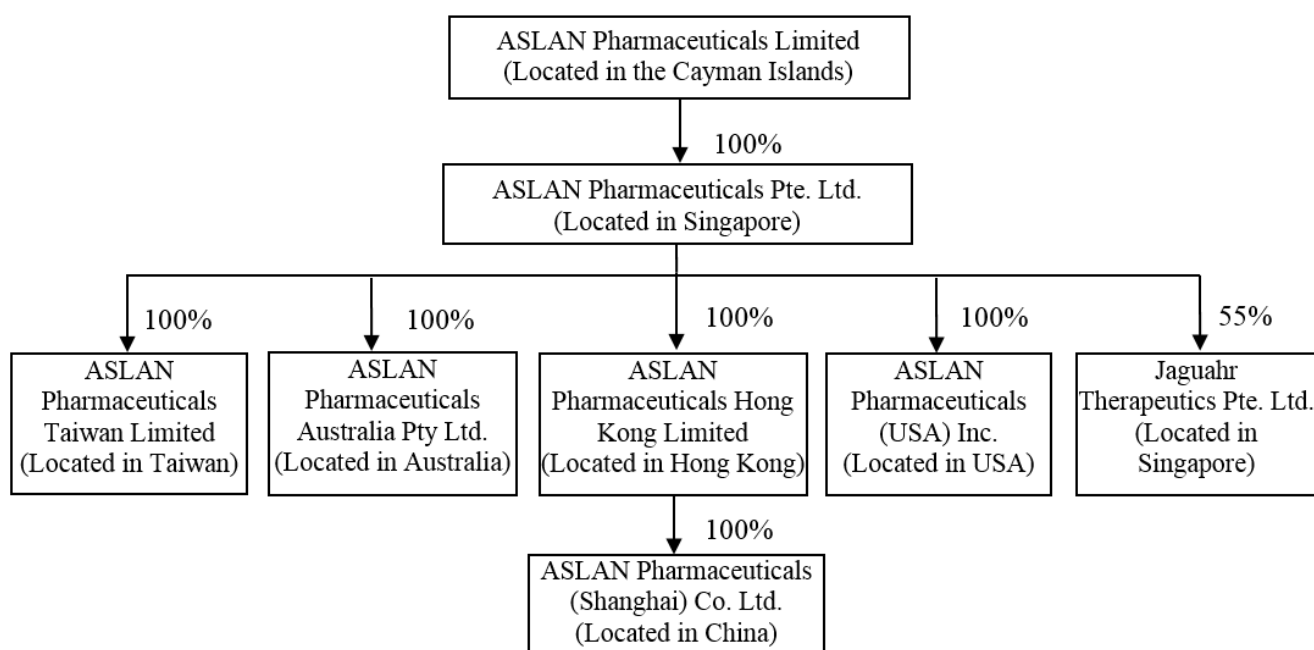
8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31,	
	2019	2018
<u>Non-current</u>		
Investments in equity instruments at FVTOCI		
Foreign unlisted ordinary shares	<u>\$ 3,959</u>	<u>\$ 5,723</u>

In July 2018, the Company acquired ordinary shares of DotBio Pte. Ltd., as detailed in Note 17 (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 Company’s purpose of holding the investments. As a result, the Company elected to designate the investments in equity instruments as at FVTOCI.

9. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements



Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
ASLAN Pharmaceuticals Limited	ASLAN Pharmaceuticals Pte. Ltd.	Investment holding	100%	100%	
ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Taiwan Limited	New drug research and development	100%	100%	
ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Australia Pty Ltd	New drug research and development	100%	100%	
ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Hong Kong Limited	New drug research and development	100%	100%	
ASLAN Pharmaceuticals Hong Kong Limited	ASLAN Pharmaceuticals (Shanghai) Co. Ltd.	New drug research and development	100%	100%	
ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals (USA) Inc.	New drug research and development	100%	100%	
ASLAN Pharmaceuticals Pte. Ltd.	Jaguahr Therapeutics Pte. Ltd.	New drug research and development	55%	-	1

Remarks:

- 1) Jaguahr Therapeutics Pte. Ltd. is a subsidiary that has material non-controlling interests. On October 15, 2019 the Company established 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.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests
		December 31 2019
Jaguahr Therapeutics Pte. Ltd.	Singapore	45%
Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests For the Year Ended December 31 2019	Accumulated Non-controlling Interests December 31 2019
Jaguahr Therapeutics Pte. Ltd.	\$ (1,529)	\$ 32,172

The summarized Jaguahr Therapeutics Pte. Ltd. financial information below represents amounts before intragroup eliminations.

	December 31 2019
Current assets	\$ 73,775
Non-current assets	-
Current liabilities	(2,281)
Non-current liabilities	-
Equity	\$ 71,494
Equity attributable to:	
Stockholders of the parent	\$ 39,322
Non-controlling interests	32,172
	\$ 71,494
	For the Year Ended December 31 2019
Revenue	\$ -
Loss for the year	\$ (3,514)
Other comprehensive loss for the year	(1,512)

Total comprehensive loss for the year	\$ <u>(5,026)</u>
Loss attributable to:	
Owners of Company	\$ (1,985)
Non-controlling interests of Company	<u>(1,529)</u>
	\$ <u>(3,514)</u>
Total comprehensive loss attributable to:	
Stockholders of the parent	\$ (2,816)
Non-controlling interests	<u>(2,210)</u>
	\$ <u>(5,026)</u>
Net cash inflow/(outflow) from:	
Operating activities	\$ (40,712)
Investing activities	-
Financing activities	76,520
Effect of foreign currency exchange differences	<u>(1,512)</u>
Net cash inflow	\$ <u>34,296</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Other Equipment	Leasehold Improvements	Total
<u>Cost</u>				
Balance at January 1, 2018	\$ 6,266	\$ 1,042	\$ 14,072	\$ 21,380
Additions	1,977	31	410	2,418
Effect of foreign currency exchange differences	<u>221</u>	<u>33</u>	<u>437</u>	<u>691</u>
Balance at December 31, 2018	<u>\$ 8,464</u>	<u>\$ 1,106</u>	<u>\$ 14,919</u>	<u>\$ 24,489</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2018	\$ 3,423	\$ 425	\$ 4,378	\$ 8,226
Depreciation expenses	1,888	325	4,879	7,092
Effect of foreign currency exchange differences	<u>133</u>	<u>18</u>	<u>205</u>	<u>356</u>
Balance at December 31, 2018	<u>\$ 5,444</u>	<u>\$ 768</u>	<u>\$ 9,462</u>	<u>\$ 15,674</u>

	Office Equipment	Other Equipment	Leasehold Improvements	Total
Carrying amounts at December 31, 2018	<u>\$ 3,020</u>	<u>\$ 338</u>	<u>\$ 5,457</u>	<u>\$ 8,815</u>

Cost

Balance at January 1, 2019	\$ 8,464	\$ 1,106	\$ 14,919	\$ 24,489
Additions	92	-	-	92
Disposals	(2,117)	(27)	(6,778)	(8,922)
Effect of foreign currency exchange differences	(110)	(22)	(102)	(234)
Balance at December 31, 2019	<u>\$ 6,329</u>	<u>\$ 1,057</u>	<u>\$ 8,039</u>	<u>\$ 15,425</u>

Accumulated depreciation

Balance at January 1, 2019	\$ 5,444	\$ 768	\$ 9,462	\$ 15,674
Depreciation expenses	1,616	269	3,453	5,338
Disposals	(1,552)	(16)	(4,886)	(6,454)
Effect of foreign currency exchange differences	(110)	(22)	(149)	(281)
Balance at December 31, 2019	<u>\$ 5,398</u>	<u>\$ 999</u>	<u>\$ 7,880</u>	<u>\$ 14,277</u>

Carrying amounts at December 31, 2019	<u>\$ 931</u>	<u>\$ 58</u>	<u>\$ 159</u>	<u>\$ 1,148</u>
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No impairment assessment was performed for the years ended December 31, 2019 and 2018 as there was no indication of impairment.

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

11. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

**December 31,
2019**

Carrying amounts

Buildings	<u>\$ 21,802</u>
-----------	------------------

**For the Year
Ended
December 31
2019**

Additions to right-of-use assets \$ 26,439

Depreciation charge for right-of-use assets
Buildings \$(8,266)

b. Lease liabilities - 2019

**December 31,
2019**

Carrying amounts

Current \$ 7,924

Non-current 14,702

\$ 22,626

Discount rate for lease liabilities was as follows:

**December 31,
2019**

Buildings 6%

c. Material lease-in activities and terms

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

Certain of the office buildings leases across the Company contain extension options. These terms are used to maximize operational flexibility in terms of managing contracts. In cases in which the Company 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 \$21,427 thousand as of December 31, 2019.

d. Other lease information

2019

**For the Year
Ended
December 31,
2019**

Expenses relating to short-term leases \$ 7,760

Expenses relating to low-value asset leases	\$ <u>228</u>
Total cash outflow for leases	\$ <u>16,605</u>

The Company leases certain office buildings which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Company 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:

**December 31,
2019**

Lease commitments	\$ <u>2,096</u>
-------------------	-----------------

2018

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

**December 31,
2018**

Not later than 1 year	\$ 15,082
Later than 1 year and not later than 5 years	<u>3,236</u>
	<u>\$ 18,318</u>

12. INTANGIBLE ASSETS

	Licenses	Computer Software	Total
<u>Cost</u>			
Balance at January 1, 2018	\$ 2,177	\$ 1,191	\$ 3,368
Additions	692,939	88	693,027
Effect of foreign currency exchange differences	<u>10,120</u>	<u>38</u>	<u>10,158</u>
Balance at December 31, 2018	<u>\$ 705,236</u>	<u>\$ 1,317</u>	<u>\$ 706,553</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2018	\$ -	\$ 875	\$ 875
Amortization expenses	-	192	192
Effect of foreign currency exchange differences	<u>-</u>	<u>30</u>	<u>30</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 1,097</u>	<u>\$ 1,097</u>
Carrying amounts at December 31, 2018	<u>\$ 705,236</u>	<u>\$ 220</u>	<u>\$ 705,456</u>

Cost

Balance at January 1, 2019	\$ 705,236	\$ 1,317	\$ 706,553
Effect of foreign currency exchange differences	(14,116)	(26)	(14,142)
Balance at December 31, 2019	<u>\$ 691,120</u>	<u>\$ 1,291</u>	<u>\$ 692,411</u>

Accumulated amortization

Balance at January 1, 2019	\$ -	\$ 1,097	\$ 1,097
Amortization expenses	-	134	134
Impairment losses recognized	711,763	-	711,763
Effect of foreign currency exchange differences	(20,643)	(25)	(20,668)
Balance at December 31, 2019	<u>\$ 691,120</u>	<u>\$ 1,206</u>	<u>\$ 692,326</u>
Carrying amounts at December 31, 2019	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 85</u>

The intangible assets, namely licenses, include the acquisitions in August 2016 of ASLAN005 from Exploit Technologies Pte Ltd. and in January 2018 of exclusive and worldwide rights to develop, manufacture and commercialize varlitinib from Array Biopharma Inc., respectively. The information related to these license agreements is further disclosed in Note 17.

As of December 31, 2018 and 2019, the aforementioned intangible assets were not amortized since they were 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.

On July 5, 2019, the Company decided no further development plan on the licensed IP ASLAN005 from Exploit Technologies Pte Ltd. with written termination notice of Agreement for Research and Collaboration. As a result, the Company carried out a review of the recoverable amount of ASLAN005 and determined that the carrying amount US\$73.4 thousand was fully impaired.

On November 11, 2019, the Company announced that the global pivotal clinical trial testing varlitinib in biliary tract cancer did not meet its primary endpoints. As a result, the Company decided to stop investing in the further development of varlitinib at this time and the estimated future cash flows expected to arise from the drug decreased. The Company carried out a review of the recoverable amount of varlitinib and determined that the carrying amount US\$23,000 thousand was not recoverable.

The review led to the recognition of an impairment loss of \$709,499 thousand. Though the Company may decide to conduct exploratory research in the future, no resources have been allocated for its development and there is no guarantee that resources will be allocated in the future.

The Company's intangible assets have been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value in use. The value in use was calculated based on the cash flow forecast. For the years ended December 31, 2018, the Company did not recognize any impairment loss on intangible assets. For the year ended December 31, 2019, the Company assessed intangible assets impairment and recognized an impairment loss of \$711,763 thousand, and the recoverable amount of intangible assets was nil. Such impairment loss was recognized in other operating income and expenses.

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

13. OTHER PAYABLES

	December 31	
	2019	2018
Payables for salaries and bonuses	\$ 31,068	\$ 35,243
Payables for professional fees	27,668	20,806
Payables for cash-settled share-based payment transactions (Note 21)	22,638	20,449
Interest payables	11,771	1,541
Others	<u>4,108</u>	<u>3,956</u>
	<u>\$ 97,253</u>	<u>\$ 81,995</u>

14. LONG-TERM BORROWINGS

	December 31	
	2019	2018
<u>Unsecured borrowings</u>		
Loans from government	\$ 220,489	\$ 222,094
Other long-term borrowings	144,169	124,104
Interest payables	95,356	80,940
Loans from shareholders	<u>51,145</u>	<u>-</u>
	<u>\$ 511,159</u>	<u>\$ 427,138</u>
Unsecured borrowings from related parties		
Loans from related parties	\$ 16,547	\$ -
Interest payables	<u>411</u>	<u>-</u>
	<u>\$ 16,958</u>	<u>\$ -</u>

a. Loans from government

On April 27, 2011, the Singapore Economic Development Board (EDB) awarded the Company a repayable grant (the “Grant”) not exceeding SGD10,000 thousand 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 December 31, 2019 and 2018, the amounts of the funds disbursed to the Company plus accrued interest were \$314,073 thousand and \$303,034 thousand, respectively.

b. Other long-term borrowings

CSL Finance Pty Ltd.

On May 12, 2014, ASLAN Pharmaceuticals Pte. Ltd. obtained a loan facility of US\$4,500 thousand 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.

Convertible Loan Facility

On September 30, 2019, the Company entered into a loan facility with Bukwang Pharmaceutical Co., Ltd., for an amount of US\$1,000 thousand (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 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 ADSs 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.

In October 2019, the Company drew down on US\$1,000 thousand under the September 2019 Loan Facility. As of December 31, 2019 and 2018, the amounts of the funds disbursed to the Company plus accrued interest were \$156,438 thousand and \$125,645 thousand, respectively.

October / November 2019 Loan Facility

On October 25, 2019, the Company entered into a loan facility with certain existing stockholders/directors, or affiliates thereof, and on November 11 2019 the Company entered into a related loan facility with the affiliate of another existing stockholder, for an aggregate amount of US\$2,250 thousand (collectively, the “October 2019 Loan Facility”). The October/November 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\$1,000 thousand of the amounts owed under the October/November 2019 Loan Facilities at any time, subject to certain conditions. In the event that the Company in a single re-financing transaction raises more than ten times the aggregate loan amount prior to expiry of the 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/November 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 conferring repayment rights which rank in priority over those of the lenders, 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/November 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 October 2019, the company drew down on \$1.95 million under the loan facilities. In connection with this initial draw down, the company issued warrants to purchase 483,448 ADSs (representing 2,417,240 ordinary shares) to certain of the lenders, at an exercise price of \$2.02 per ADS. In November 2019, the company drew down on the remaining \$0.3 million under the loan facilities. In connection with the second draw down, the

company has committed to issue warrants to purchase 74,377 ADSs (representing 371,885 ordinary shares) to the lender at an exercise price of \$2.02 per ADS.

The Warrants are exercisable only after our 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 /November 2019 Loan Facility. If, by expiry of the term of the October / November 2019 Loan Facility, (i) our 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 us upon expiry of the loan term.

As of December 31, 2019, the amount of funds disbursed to the Company plus accrued interest was \$69,377 thousand.

15. 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 years ended December 31, 2019 and 2018, the total expenses for such employee benefits in the amounts of \$10,027 thousand and \$12,779 thousand were recognized, respectively.

16. EQUITY

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized	<u>500,000,000</u>	<u>500,000,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid	<u>189,954,970</u>	<u>160,128,940</u>
Shares issued	<u>\$ 1,899,549</u>	<u>\$ 1,602,489</u>

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

On January 22, 2018, ASLAN Cayman 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 Depositary Receipts. On March 27, 2018, ASLAN Cayman 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 (ADSs) representing shares of ordinary shares. The registration statement for listing its ADSs in the Nasdaq Global Market was declared effective by the SEC, and ASLAN Cayman 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 ASLAN Cayman’s ordinary shares, which in total represents 30,000,000 ordinary shares. The offering price per ADS was \$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, ASLAN Cayman's board of directors resolved to increase authorized shares to \$5,000,000 thousand. which were approved in the interim shareholders' meetings on October 30, 2018.

On November 7, 2018, the board of directors resolved to issue ordinary shares ranging from 15,000,000 to 40,000,000 shares for cash sponsoring the issuance of American Depositary Receipts. On December 5, 2018, ASLAN Cayman received the approval letter No.1070344286 from the FSC for issuing ordinary shares for sponsoring the issuance of American Depositary Receipts.

On November 5, 2019, ASLAN Cayman received the official letter No. 1080334435 from the FSC of approval of the issuance of ordinary shares for the purpose of sponsoring the issuance of American Depositary Receipts. On November 8, 2019, the Company filed the registration statement, form F-3, with the U.S. Securities and Exchange Commission (SEC) for the follow on 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 on November 8, 2019, and the Company held the initial public offering of its ADSs on December 3, 2019.

The actual units of ADSs for this offering were 5,893,206, and each ADS represents five of ASLAN Cayman's ordinary shares, which in total represents 29,466,030 ordinary shares. The offering price per ADS was \$2.5, equivalent to a price per ordinary share of NT\$15.24. The payment of this fundraising was fully collected as of December 6, 2019, and the record date for this capital increase was December 6, 2019.

b. Capital surplus

	December 31	
	2019	2018
Arising from issuance of new share capital	\$ 3,384,852	\$ 3,273,317
Arising from employee share options	195,140	196,392
Changes in percentage of ownership interests in subsidiary	42,114	-
Equity component of long-term debt (Note 14)	<u>1,375</u>	<u>-</u>
	<u>\$ 3,623,481</u>	<u>\$ 3,469,709</u>

c. Retained earnings and dividends policy

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

ASLAN Cayman 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 ASLAN Cayman or invested in such investments as the directors of ASLAN Cayman may from time to time think fit.

The accumulated deficits for 2018 and 2017 which were approved in the shareholders' meetings on June 20, 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	<u>(1,270,959)</u>	<u>(1,208,420)</u>
Accumulated deficits at the end of the year	<u>\$ (4,045,093)</u>	<u>\$ (2,774,134)</u>

The accumulated deficits for 2019 which had been proposed by ASLAN Cayman's board of directors on March 18, 2020 were as follows:

	For the Year Ended December 31, 2019
Accumulated deficits at the beginning of the year	\$ (4,045,093)
Net loss for the year	<u>(1,450,515)</u>
Accumulated deficits at the end of the year	<u>\$ (5,495,608)</u>

The accumulated deficits for 2019 are subject to the resolution of the shareholders' meeting to be held on June 29, 2020.

c. Others equity items

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

	For the Years Ended December 31	
	2019	2018
Balance at January 1	\$ (91,267)	\$ (134,201)
Exchange differences on translation to the presentation currency	<u>15,302</u>	<u>42,934</u>
Balance at December 31	<u>\$ (75,965)</u>	<u>\$ (91,267)</u>

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

	For the Years Ended December 31	
	2019	2018
Balance at January 1	\$ -	\$ -
Unrealized loss Equity instruments	<u>(1,699)</u>	<u>-</u>
Balance at December 31	<u>\$ (1,699)</u>	<u>\$ -</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ -	\$ -
Share in profit for the year	(1,529)	-
Other comprehensive loss during the year		
Exchange differences on translating the financial statements of foreign entities	(681)	-
Proceeds from non-controlling interest	76,496	-
Adjustments relating to changes in capital surplus of associates accounted for using the equity method	<u>(42,114)</u>	<u>-</u>
Balance at December 31	<u>\$ 32,172</u>	<u>\$ -</u>

17. LICENSE AGREEMENTS

Array Biopharma

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 Array's pan-HER inhibitor, ARRY-543 (which the Company refers to as ASLAN001 or *varlitinib*) *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\$12,000 thousand in January 2018 and an additional payment US\$11,000 thousand 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\$30,000 thousand if certain development milestones are achieved, US\$20,000 thousand if certain regulatory milestones are achieved, and up to US\$55,000 thousand 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 December 31, 2019, the Company did not accrue for the above contingent payments since the milestones are not achieved.

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 \$323,044 thousand (US\$10,000 thousand) in 2016. The Company is eligible to receive additional payments upon Bristol-Myers Squibb's achievement of development and regulatory milestones in the future. Furthermore, the Company is eligible to receive royalty payments on future worldwide sales generated by Bristol-Myers Squibb. 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 \$41,803 thousand (US\$1,294 thousand) which was delivered in 2016. As Bristol-Myers Squibb assumes the responsibility for all development and commercialization activities and expenses, and the Company currently has no further obligations under the license agreement. Accordingly, the Company recognized the upfront payment from out-licensing and other payment from the sale of research materials, supplies, research documentation and clinical trial results, totaling \$11,294,034, in revenue for the year ended December 31, 2016.

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 \$2,532 thousand (US\$82 thousand) 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\$30,000 thousand 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\$95,000 thousand to CSL if certain regulatory milestones are achieved, up to an aggregate of US\$655,000 thousand 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 \$8,076 thousand (US\$250 thousand) 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 \$10,006 thousand (US\$325 thousand) 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 nantaïs* (“RON”) and such antibodies are referred to by the Company collectively as ASLAN005. The license fee of \$2,177 thousand (SG\$100 thousand) was 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 \$266,160 thousand (SG\$12,000 thousand) 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.

The agreement reacting to the research collaboration with ETPL’s P53 Laboratory was terminated with effect from 3rd September 2019, but this does not affect the above license. See Note 12.

Nanyang Technological University / DotBio Pte. Ltd

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 \$5,641 thousand 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 \$61,573 thousand (US\$2,000 thousand) and up to US\$11,000 thousand 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 \$30,786 thousand (US\$1,000 thousand) and up to US\$8,000 thousand 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 \$2,532 thousand (US\$82 thousand) payable to Almirall was recognized as operating costs accordingly.

18. LOSS BEFORE INCOME TAX

a. Other operating income and expenses

	For the Year Ended December 31	
	2019	2018
Impairment loss recognized on intangible assets (Note 12)	<u>\$(711,763)</u>	<u>\$ -</u>

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net foreign exchange (losses) gains	\$ (4,178)	\$ 2,889
Loss on disposal of property, plant and equipment	(2,288)	-
Loss on lease modification	(1,990)	-
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(1,449)	1,808
Others	<u>(207)</u>	<u>1,728</u>
	<u>\$ (10,112)</u>	<u>\$ 6,425</u>

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on government loans	\$ 13,440	\$ 13,301
Other interest expenses	11,549	1,519
Interest on loans from shareholders	1,712	-
Interest on lease liabilities	<u>1,112</u>	<u>-</u>
	<u>\$ 27,813</u>	<u>\$ 14,820</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Right-of-use assets	\$ 8,266	\$ -
Property, plant and equipment	5,338	7,092
Computer software	<u>134</u>	<u>192</u>
	<u>\$ 13,738</u>	<u>\$ 7,284</u>

All depreciation and amortization expenses were recognized as general and administrative expenses for the years ended December 31, 2019 and 2018.

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	\$ 173,613	\$ 241,085
Post-employment benefits (Note 15)	10,027	12,779
Share-based payments (Note 21)		
Equity-settled	1,319	13,589
Cash-settled	<u>39</u>	<u>25,268</u>
Total employee benefits expense	<u>\$ 184,998</u>	<u>\$ 292,721</u>
An analysis of employee benefits expense by function		
General and administrative expenses	\$ 129,891	\$ 189,639
Research and development expenses	<u>55,107</u>	<u>103,082</u>
	<u>\$ 184,998</u>	<u>\$ 292,721</u>

f. Employees' compensation and remuneration of directors

Under ASLAN Cayman'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 years ended December 31, 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.

19. INCOME TAXES

Income Tax Recognized in Profit or Loss

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	\$ 14,274	\$ -
Adjustments for prior periods	<u>(1,688)</u>	<u>435</u>
	<u>\$ 12,586</u>	<u>\$ 435</u>

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2019	2018
Loss before income tax	<u>\$ (1,439,281)</u>	<u>\$ (1,270,524)</u>
Income tax benefit calculated at the statutory rate	\$ (244,678)	\$ (215,989)
Nondeductible expenses in determining taxable income	126,965	3,382
Tax credits for research and development expenditures	(76,326)	(69,663)
Unrecognized loss carryforward	184,471	279,044
Effect of different tax rates of group entities operating in other jurisdictions	9,960	3,226
Withholding tax	13,882	-
Adjustments for prior years' tax	<u>(1,688)</u>	<u>435</u>
Income tax expense recognized in profit or loss	<u>\$ 12,586</u>	<u>\$ 435</u>

a. Cayman Islands

ASLAN Cayman 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, the Company collected upfront payments totaled US\$3,000 thousand from BioGenetics in total, which was subject to withholding taxes of 15% in compliance with local

regulations in South Korea. The Company therefore recognized income tax expense at an amount of \$13,963 thousand (US\$ 450 thousand). Except for the above, ASLAN Pharmaceuticals Pte. Ltd. and Jaguahr Therapeutics Pte. Ltd. have no taxable income for the years ended December 31, 2019 and 2018, and therefore, no other provision for income tax is required.

c. Taiwan

ASLAN Pharmaceuticals Taiwan Limited, incorporated in Taiwan.. 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 year ended December 31, 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 \$2,445 thousand (US\$80 thousand) 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 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 years ended December 31, 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 years ended December 31, 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 years ended December 31, 2019 and 2018, and therefore, no provision for income tax is required.

20. LOSS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Basic and diluted loss per share	\$ <u>(8.93)</u>	\$ <u>(8.49)</u>

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

	For the Year Ended December 31	
	2019	2018
Loss used in the computation of basic and diluted loss per share	<u>\$ (1,450,515)</u>	<u>\$ (1,270,959)</u>
Weighted average number of ordinary shares in the computation of basic loss per share	<u>162,392,602</u>	<u>149,739,242</u>

If the outstanding employee share options issued by ASLAN Cayman are converted to ordinary shares, they are anti-dilutive and excluded from the computation of diluted earnings per share. Potential ordinary shares arising from the aforementioned anti-dilutive outstanding employee share options are 10,367,441 and 6,664,244 shares for the years end 2019 and 2018, respectively.

21. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan

Under the Company's Employee Share Option Plan, qualified employees of the company 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 December 31, 2019, there are 13,841,879 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 Year Ended December 31			
	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	<u>(197,000)</u>	1.28	<u>(57,666)</u>	1.28
Balance at December 31	<u>501,167</u>	1.28	<u>698,167</u>	1.28
Options exercisable, end of period	<u>501,167</u>	1.28	<u>-</u>	-
Weighted-average fair value of options granted (US\$)	<u>\$ -</u>		<u>\$ -</u>	

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

For the Year Ended December 31				
	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	(5,000)	2.13
Options exercised	<u>(120,000)</u>	0.20	<u>(60,000)</u>	0.80
Balance at December 31	<u>6,670,356</u>	1.43	<u>6,822,523</u>	1.41
Options exercisable, end of period	<u>6,670,356</u>	1.43	<u>6,595,294</u>	1.38
Weighted-average fair value of options granted (US\$)	<u>\$ -</u>		<u>\$ -</u>	

Information on outstanding options as of December 31, 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	7.7	\$2.26	6.5	\$1.36-\$1.88	5.5	\$1.36	4.5	\$0.80-\$1.36	3.5	\$0.80	2.5	\$0.20-\$0.80	1.5	\$0.20-\$0.80	0.5

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 \$1,319 thousand and \$13,589 thousand for the years ended December 31, 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 December 31, 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 December 31, 2019.

The Company's 2019 LTIP is described as follows:

	For the Year Ended December 31, 2019
Balance at January 1	-
Awards granted	<u>491,020</u>
Balance at December 31	<u><u>491,020</u></u>
Balance exercisable, end of period	<u><u>-</u></u>

As of December 31, 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.

The Company's 2018 LTIP is described as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	241,142	-
Awards granted	-	241,142
Awards exercised	<u>(73,053)</u>	<u>-</u>
Balance at December 31	<u><u>168,089</u></u>	<u><u>241,142</u></u>
Balance exercisable, end of period	<u><u>56,030</u></u>	<u><u>-</u></u>

As of December 31, 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 Year Ended December 31	
	2019	2018
Balance at January 1	1,479,334	1,462,000
Awards granted	-	104,000
Awards exercised	<u>(319,333)</u>	<u>(86,666)</u>
Balance at December 31	<u>1,160,001</u>	<u>1,479,334</u>
Balance exercisable, end of period	<u>815,000</u>	<u>400,667</u>

Each bonus entitlement unit grants the holders of the the LTIPs 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\$2.03 and US\$3.60 as of December 31, 2019 and December 31, 2018, respectively.

The Company recognized total expenses of \$39 thousand and \$25,268 thousand in respect of the LTIP for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Company recognized compensation liabilities of \$22,638 thousand and \$20,449 thousand as current (classified as other payables), respectively, and \$5,537 thousand and \$8,852 thousand as non-current, respectively.

22. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On October 15, 2019, the Company subscribed to additional new shares in a subsidiary at a percentage different from its existing ownership percentage, reducing its continuing interest from 100% to 55%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries.

	For the Year Ended December 31 2019
Cash consideration received (paid)	\$ 76,496
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>(34,382)</u>
Difference recognized from equity transaction	<u>\$ 42,114</u>

**For the Year
Ended
December 31
2019**

Line items adjusted for equity transactions

Capital surplus - changes in percentage of ownership interests in subsidiary	<u>\$ 42,114</u>
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23. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

For the year ended December 31, 2019

	Opening Balance	Financing Cash Flows	Non-cash Changes		Closing Balance
			New finance leases	Other changs	
Lease liabilities (Note 3)	<u>\$ 9,898</u>	<u>(\$ 7,505)</u>	<u>\$ 26,439</u>	<u>(\$ 6,438)</u>	<u>\$ 22,394</u>

24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company'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 Company mainly consists of borrowings and equity of the Company. Key management personnel of the Company review the capital structure periodically. In order to maintain or balance the overall capital structure, the Company may adjust the amounts of long-term borrowings, or the issuance of new shares capital or other equity instruments.

As of December 31, 2019, there were no changes in the Company's capital management policy, and the Company is not subject to any externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS

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

The Company 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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c) Level 3 inputs are unobservable inputs for an asset or liability.

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivative financial assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,045</u>	<u>\$ 2,045</u>
Financial assets at fair value through other comprehensive income				
Investments in equity instruments at fair value through other comprehensive income				
Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,959</u>	<u>\$ 3,959</u>
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,859</u>	<u>\$ 7,859</u>

December 31, 2018

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

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 year ended December

31 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 December 31, 2019 and 2018, respectively, the historical volatility used were 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 December 31, 2019, the Company used significant unobservable inputs, including discount for lack of marketability of 10%, and discounts for lack of control of 10%. At December 31, 2019, assuming all other inputs remain equal, if discount for lack of marketability increases by 1%, the fair value would decrease by NT\$51 thousand; if discount for lack of control increases by 1%, the fair value would decrease by NT\$51 thousand.
- c) The fair value of derivative financial instrument with warrants and convertibility right are determined using binomial evaluation method with discount rate 13.19% to 14.12% assessing by market bond yield curve and risk-free rate premium. As of December 31, 2019, the historical volatility used was 92.6% during the past 1 year.

c. Categories of financial instruments

	December 31	
	2019	2018
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Mandatorily classified as at fair value through profit or loss	\$ 2,045	\$ 1,834
Financial assets at amortized cost (1)	668,287	888,858
Financial assets at fair value through other comprehensive income		
Equity instruments	3,959	5,723
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Designated as at fair value through profit or loss	7,859	-
Financial liabilities at amortized cost (2)	657,862	651,159

- 1) The balances include financial assets at amortized cost, which comprise of cash and cash equivalents and refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise of trade payables, partial other payables and long-term borrowings.

d. Financial risk management objectives and policies

The Company's financial risk management objective is to monitor and manage the financial risks relating to the operations of the Company. 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 Company devoted time and resources to identify and evaluate the uncertainty of the market to mitigate risk exposures.

1) Market risk

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

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

December 31, 2019			
	Foreign Currencies	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
SGD	\$ 2,537	22.27	\$ 56,496
GBP	999	39.50	39,478
<u>Financial liabilities</u>			
Monetary items			
SGD	15,117	22.27	336,699
December 31, 2018			
	Foreign Currencies	Exchange Rate	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
SGD	\$ 2,298	22.41	\$ 51,502
<u>Financial liabilities</u>			
Monetary items			
SGD	13,516	22.41	303,034

Sensitivity analysis

The Company is mainly exposed to the Singapore Dollar and Great British Pound.

The following table details the Company'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 Year Ended December 31	
	2019	2018
Profit or loss*		
SGD	\$ (14,010)	\$ (12,577)
GBP	1,974	-

* 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 Company is exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The sensitivity analysis below is determined based on the Company'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 Company's pre-tax loss for the years ended December 31, 2019 and 2018 would have decreased/increased by \$4,550 thousand and \$3,030 thousand, 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 Company. The Company 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.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents that are deemed adequate to finance the Company'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 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 December 31, 2019. However, the future viability of the Company depends on its ability to raise additional capital to finance its operations.

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the company, 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 Company and other related parties are disclosed as follows.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
JANK Howden Pty Ltd	Related party in substance
Others	Key Management Personnel

b. Loans from related parties

<u>Related Party Category/Name</u>	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Related party in substance / JANK Howden Pty Ltd	\$ 15,043	\$ -
Key Management Personnel / Others	<u>1,504</u>	<u>-</u>
	<u>\$ 16,547</u>	<u>\$ -</u>

Interest Payable

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Related party in substance / JANK Howden Pty Ltd	\$ 374	\$ -
Key Management Personnel / Others	<u>37</u>	<u>-</u>
	<u>\$ 411</u>	<u>\$ -</u>

Interest expense

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Related party in substance / JANK Howden Pty Ltd	\$ 381	\$ -
Key Management Personnel / Others	<u>38</u>	<u>-</u>
	<u>\$ 419</u>	<u>\$ -</u>

The loans from the related parties are unsecured.

c. Compensation of Key Management Personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 90,019	\$ 85,368
Post-employment benefits	3,253	4,232
Share-based payments	<u>900</u>	<u>23,840</u>
	<u>\$ 94,172</u>	<u>\$ 113,440</u>

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

26. 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 investment in subsidiaries, associates and joint ventures): Table 2
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 3
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal 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 4
- 11) Information on investees: Table 5

b. Information on investments in mainland China: Table 6

27. SEGMENT INFORMATION

The Company's chief operating decision maker, the chief executive officer, reviews the Company's consolidated results when making decisions about the allocation of resources and when assessing performance of the Company as a whole, and therefore, the Company has only one reportable segment. The Company 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 Company's consolidated financial statements. As the Company's long-lived assets are substantially located in and derived from Asia, no geographical segments are presented.

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

	For the Year Ended December 31	
	2019	2018
Out-licensing	\$ <u>92,359</u>	\$ <u>-</u>

For the year ended December 31, 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 17 for details.

TABLE 1

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Thousands)	Ending Balance (Thousands)	Actual Borrowing Amount (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\$ 4,208 (\$ 126,057)	US\$ 1,300 (\$ 38,926)	6.45%	Short-term financing	\$ -	Operating turnover	\$ -	-	\$ -	-	\$ -	1, 2
1	ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Hong Kong Limited.	Other receivables	Yes	US\$ 2,850 (\$ 89,980)	US\$ 2,850 (\$ 85,366)	US\$ 1,600 (\$ 47,925)	2.00%	Short-term financing	-	Operating turnover	-	-	-	-	-	1, 2

Note 1: Restriction to 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 Lending 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.

TABLE 2

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 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	December 31, 2019			Note
				Shares	Carrying Amount (Note)	Percentage of Ownership (%)	
ASLAN Pharmaceuticals Pte. Ltd.	Shares DotBio Pte. Ltd.	-	Financial assets at FVTOCI	599,445	\$ 3,959	2.51	\$ 3,959
							-

TABLE 3

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Number of Shares	Amount (Thousand)	Number of Shares	Amount (Thousand)	Number of Shares	Amount (Thousand)	Carrying Amount (Thousand)	Gain (Loss) on Disposal (Thousand)	Number of Shares	Amount (Thousand)
ASLAN Pharmaceuticals Limited	ASLAN Pharmaceuticals Pte. Ltd.	Investments accounted for using the equity method	ASLAN Pharmaceuticals Pte. Ltd.	From parent company to subsidiary	116,039,360	\$ 4,489,508 (US\$ 149,843)	58,480,613	\$ 630,134 (US\$ 20,799)	-	\$ -	\$ -	\$ -	174,519,973	\$ 5,119,462 (US\$170,642)

TABLE 4

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

No.	Investee Company	Counterparty	Relationship	Transactions Details			% to Total Sales or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	ASLAN Pharmaceuticals Limited	ASLAN Pharmaceuticals Taiwan Limited ASLAN Pharmaceuticals Pte. Ltd.	From parent company to subsidiary From parent company to subsidiary	Other payables Other payables	\$ 3,439 68	Note Note	0.49 0.01
1	ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Australia Pty Ltd. ASLAN Pharmaceuticals Australia Pty Ltd. ASLAN Pharmaceuticals Taiwan Limited ASLAN Pharmaceuticals Taiwan Limited ASLAN Pharmaceuticals Hong Kong Limited ASLAN Pharmaceuticals Hong Kong Limited ASLAN Pharmaceuticals (Shanghai) Co. Ltd. ASLAN Pharmaceuticals (USA) Inc. Jaguar Therapeutics Pte Ltd. Jaguar Therapeutics Pte Ltd.	Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries	Other receivables Interest income Other receivables General and administrative expense Other receivables Interest income Other receivables Other receivables Other receivables Other payables	43,232 2,387 3,097 31,713 51,375 943 1,695 30 389 39,478	Note Note Note Note Note Note Note Note Note Note	6.18 2.58 0.44 34.34 7.35 1.02 0.24 - 0.06 5.6

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

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Thousand)		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount			
ASLAN Pharmaceuticals Limited	ASLAN Pharmaceuticals Pte. Ltd.	Singapore	New drugs research	US\$ 170,642	US\$ 149,843	174,519,973	100	\$ (55,931)	\$ (1,373,209)	\$ (1,373,209)	Subsidiary
ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Taiwan Limited	Taiwan	New drugs research	US\$ 167	US\$ 167	500,000	100	4,451	(3,924)	(3,924)	Subsidiary
	ASLAN Pharmaceuticals Australia Pty Ltd.	Australia	New drugs research	-	-	1	100	(38,158)	(12,331)	(12,331)	Subsidiary
	ASLAN Pharmaceuticals Hong Kong Limited	Hong Kong	New drugs research	-	-	1	100	(51,521)	(15,364)	(15,364)	Subsidiary
	ASLAN Pharmaceuticals (USA) Inc.	United States of America	New drugs research	US\$ 0.1	-	1,000,000	100	(2)	(5)	(5)	Subsidiary
	Jaguar Therapeutics Pte Ltd.	Singapore	New drugs research	US\$ 1,377	-	77,000	55	39,321	(3,514)	(1,985)	Subsidiary

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital (Thousand)	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 December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow							
ASLAN Pharmaceuticals (Shanghai) Co. Ltd.	New drugs research and development	US\$ 1,600	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	\$ (14,380)	100	\$ (14,380)	\$ (1,714)	Not applicable	Note 3

Investee	Accumulated Investment in Mainland China as of December 31, 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:

- Direct investment.
- Investments through a holding company registered in a third region.
- 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.

ASLAN Pharmaceuticals Limited and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Review Report**

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 "Company") as of June 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended June 30, 2020 and 2019, 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 Company as of June 30, 2020 and 2019, and of its consolidated financial performance for the three-month periods then ended June 30, 2020 and 2019, as well as of its consolidated financial performance and its consolidated cash flows for the six-month periods then ended June 30, 2020 and 2019 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.

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

July 13, 2020

Notice to Readers

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)

	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 406,844	93	\$ 665,050	95	\$ 466,327	38
Prepayments	8,686	2	2,064	-	4,481	1
Total current assets	415,530	95	667,114	95	470,808	39
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss (Notes 7 and 17)	1,736	-	2,045	-	1,859	-
Financial assets at fair value through other comprehensive income (Notes 8 and 17)	1,701	-	3,959	1	5,802	1
Property, plant and equipment (Note 10)	653	-	1,148	-	3,070	-
Right-of-use assets (Note 11)	17,505	4	21,802	3	26,709	2
Intangible assets (Notes 12 and 17)	26	-	85	-	715,076	58
Refundable deposits	3,180	1	3,237	1	4,456	-
Total non-current assets	24,801	5	32,276	5	756,972	61
TOTAL	\$ 440,331	100	\$ 699,390	100	\$ 1,227,780	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Trade payables	\$ 41,502	9	\$ 56,068	8	\$ 110,726	9
Other payables (Notes 13 and 21)	78,989	18	97,253	14	67,033	6
Lease liabilities - current (Note 11)	8,064	2	7,924	1	7,417	1
Total current liabilities	128,555	29	161,245	23	185,176	16
NON-CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss (Note 7)	\$ 7,719	2	\$ 7,859	1	\$ -	-
Long-term borrowings (Notes 14 and 24)	503,720	114	511,159	73	442,313	36
Long-term borrowings from related parties (Notes 14 and 24)	17,879	4	16,958	2	-	-
Lease liabilities - non-current (Note 11)	10,355	2	14,702	2	19,404	2
Other non-current liabilities (Note 21)	7,462	2	5,537	1	10,156	1
Total non-current liabilities	547,135	124	556,215	79	471,873	39
Total liabilities	675,690	153	717,460	102	657,049	55
EQUITY (DEFICIT) ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY (Note 16)						
Ordinary shares	1,899,549	431	1,899,549	272	1,602,489	131
Capital surplus	3,623,481	823	3,623,481	518	3,472,083	282
Accumulated deficits	(5,705,527)	(1,295)	(5,495,608)	(786)	(4,425,703)	(361)
Other reserves	(75,176)	(17)	(77,664)	(12)	(78,138)	(7)
Total equity (deficit) attributable to stockholders of the Company	(257,673)	(58)	(50,242)	(8)	570,731	45
NON-CONTROLLING INTERESTS						
Total equity (deficit)	(235,359)	(53)	(18,070)	(2)	570,731	45
TOTAL	\$ 440,331	100	\$ 699,390	100	\$ 1,227,780	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 June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES (Note 17)	\$ -	-	\$ -	-	\$ -	-	\$ 92,359	100
OPERATING COSTS (Note 17)	-	-	-	-	-	-	13,084	14
GROSS PROFIT	-	-	-	-	-	-	79,275	86
OPERATING EXPENSES (Notes 15, 18 and 21)								
General and administrative expenses	(53,405)	-	(58,801)	-	(83,550)	-	(128,266)	(138)
Research and development expenses	(56,101)	-	(164,593)	-	(127,259)	-	(301,578)	(327)
Total operating expenses	(109,506)	-	(223,394)	-	(210,809)	-	(429,844)	(465)
LOSS FROM OPERATIONS	(109,506)	-	(223,394)	-	(210,809)	-	(350,569)	(379)
NON-OPERATING INCOME AND EXPENSES								
Interest income	3	-	2,341	-	6	-	4,466	5
Other gains and losses (Note 18)	(2,089)	-	(4,900)	-	11,729	-	(7,350)	(8)
Finance costs (Note 18)	(10,058)	-	(6,299)	-	(20,304)	-	(12,447)	(13)
Total non-operating income and expenses	(12,144)	-	(8,858)	-	(8,569)	-	(15,331)	(16)
LOSS BEFORE INCOME TAX	(121,650)	-	(232,252)	-	(219,378)	-	(365,900)	(395)
INCOME TAX EXPENSE (Note 19)	-	-	(14,620)	-	-	-	(14,710)	(16)
NET LOSS FOR THE PERIOD	(121,650)	-	(246,872)	-	(219,378)	-	(380,610)	(411)
OTHER COMPREHENSIVE (LOSS)/INCOME (Note 16)								
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	(1,169)	-	-	-	(2,227)	-	-	-
Exchange differences arising on translation to the presentation currency	4,892	-	4,703	-	4,316	-	13,129	14
	3,723	-	4,703	-	2,089	-	13,129	14
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (117,927)	-	\$ (242,169)	-	\$ (217,289)	-	\$ (367,481)	(397)
NET LOSS ATTRIBUTABLE TO								
Stockholders of the Company	\$ (117,846)	-	\$ (246,872)	-	\$ (209,919)	-	\$ (380,610)	(411)
Noncontrolling interests	(3,804)	-	-	-	(9,459)	-	-	-
	\$ (121,650)	-	\$ (246,872)	-	\$ (219,378)	-	\$ (380,610)	(411)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO								
Stockholders of the Company	\$ (113,724)	-	\$ (242,169)	-	\$ (207,431)	-	\$ (367,481)	(397)
Noncontrolling interests	(4,203)	-	-	-	(9,858)	-	-	-
	\$ (117,927)	-	\$ (242,169)	-	\$ (217,289)	-	\$ (367,481)	(397)
LOSS PER SHARE (Note 20)								
Basic and diluted	\$ (0.62)		\$ (1.54)		\$ (1.11)		\$ (2.38)	

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

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ASIAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Company										
	Ordinary Shares (Note 16)		Capital Surplus (Note 16)				Accumulated Deficits	Exchange Differences on Translating Foreign Operations (Note 16)	Unrealized Valuation Loss on Financial Assets at Fair Value Through Other Comprehensive Income (Note 16)	Non-controlling Interests (Note 16)	Total Equity
	Shares	Amount	Ordinary Shares	Share Options Reserve	Other	Total					
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 21)	-	-	-	-	-	-	-	-	-	-	-
Net loss for the six months ended June 30, 2019	-	-	-	2,374	-	2,374	-	-	-	-	2,374
Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	-	(380,610)	-	-	-	(380,610)
Total comprehensive (loss) income for the six months ended June 30, 2019	-	-	-	-	-	-	-	13,129	-	-	13,129
BALANCE AT JUNE 30, 2019	160,248,940	\$ 1,602,489	\$3,273,317	\$ 198,766	\$ -	\$ 3,472,083	(\$ 4,425,703)	(\$ 78,138)	\$ -	\$ -	\$ 570,731
BALANCE AT JANUARY 1, 2020	189,954,970	\$ 1,899,549	\$3,384,857	\$ 195,140	\$ 43,489	\$ 3,623,481	(\$ 5,495,608)	(\$ 75,965)	(\$ 1,699)	\$ 32,172	(\$ 18,070)
Net loss for the six months ended June 30, 2020	-	-	-	-	-	-	(209,919)	-	-	(9,459)	(219,378)
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	-	-	4,715	(2,227)	(399)	2,089
Total comprehensive (loss) income for the six months ended June 30, 2020	-	-	-	-	-	-	(209,919)	4,715	(2,227)	(9,858)	(217,289)
BALANCE AT JUNE 30, 2020	189,954,970	\$ 1,899,549	\$3,384,857	\$ 195,140	\$ 43,489	\$ 3,623,481	(\$ 5,705,527)	(\$ 71,250)	(\$ 3,926)	\$ 22,314	(\$ 235,359)

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 Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$ 219,378)	(\$ 365,900)
Adjustments for:		
Depreciation expenses	4,466	7,858
Amortization expenses	59	74
Net loss on fair value changes of financial assets at fair value through profit or loss, net	277	-
Finance costs	20,304	12,447
Interest income	(6)	(4,466)
Compensation costs of share-based payment transactions	5,003	4,814
(Gain) Loss on disposal of property, plant and equipment	(11)	2,183
Unrealized (gain) loss on foreign exchange, net	(11,687)	2,527
Loss on lease modification	-	1,990
Changes in operating assets and liabilities		
(Increase) Decrease in prepayments	(6,780)	1,208
Decrease in trade payables	(13,822)	(53,953)
Decrease in other payables	(24,922)	(22,643)
Cash used in operations	(246,497)	(413,861)
Interest received	6	4,466
Interest paid	(603)	(369)
Income tax paid	-	(14,710)
Net cash used in operating activities	(247,094)	(424,474)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	-	(93)
Proceeds from disposal of property, plant and equipment	11	102
Increase in refundable deposits	-	(1,027)
Net cash generate from (used in) investing activities	11	(1,018)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(3,876)	(4,165)
Net cash used in financing activities	(3,876)	(4,165)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(7,247)	12,386

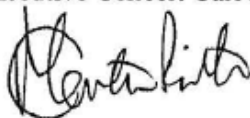
	For the Six Months Ended June 30	
	2020	2019
NET DECREASE IN CASH AND CASH EQUIVALENTS	(\$ 258,206)	(\$ 417,271)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>665,050</u>	<u>883,598</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 406,844</u>	<u>\$ 466,327</u>

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

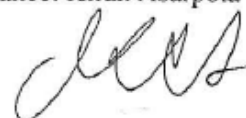
Chairman: Andrew James Howden



Chief Executive Officer: Carl Firth



Head of Finance: Kiran Asarpota



ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

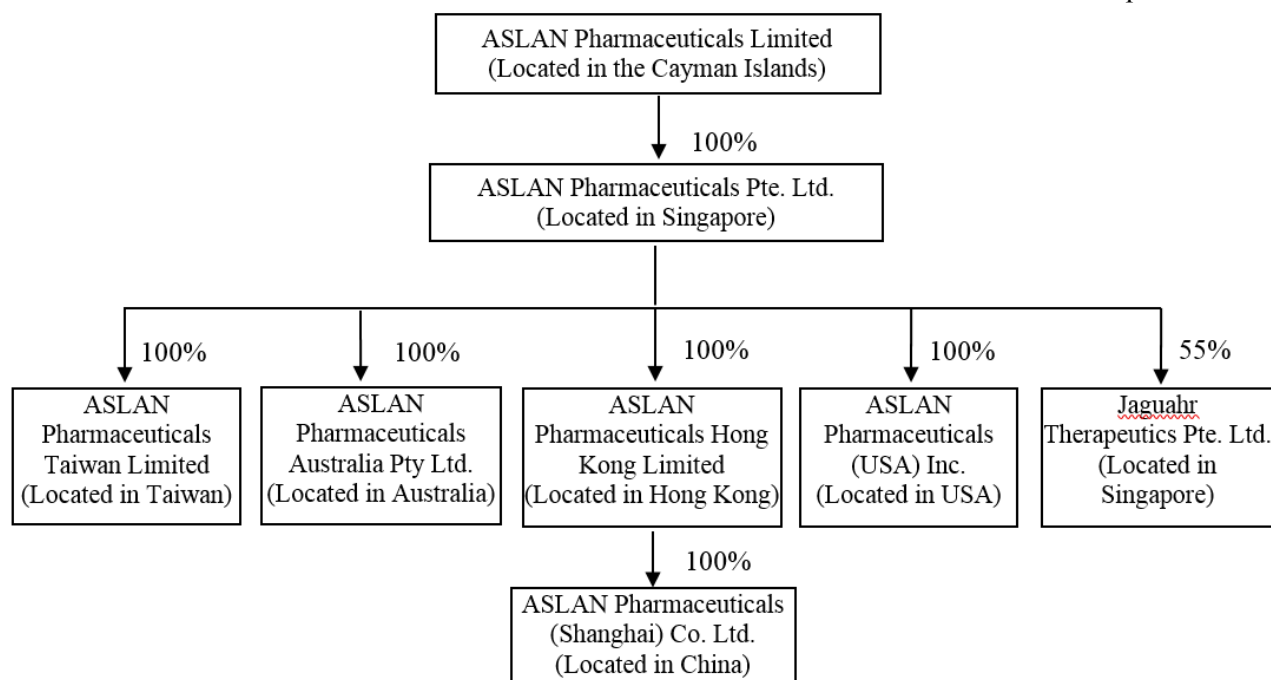
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

(Reviewed, Not Audited)

1. GENERAL INFORMATION

ASLAN Pharmaceuticals Limited (ASLAN Cayman) 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. ASLAN Cayman and its subsidiaries (collectively referred to as the “Company”) are principally engaged in the development of innovative immunology and oncology drugs. The main businesses and intragroup relationships of the Company were as follows as of June 30, 2020:

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



ASLAN Cayman's shares have been listed on the TPEX since June 1, 2017. In addition, ASLAN Cayman 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 October 15, 2019, the Company established 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 board of directors on July 13, 2020.

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

- a. Initial application of the amendments to 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)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018–2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
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
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020 (Note 6)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

- Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.
- Note 3: The amendments are applicable 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, 2022.
- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: A lessee should apply the amendments for annual reporting periods beginning on or after June 1, 2020, recognizing the cumulative effect of initial application on June 1, 2020.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’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, 2019, unless otherwise stated below.

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company'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, 2019.

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 50	\$ 52	\$ 53
Deposits in banks	<u>406,794</u>	<u>664,998</u>	<u>466,274</u>
	<u>\$ 406,844</u>	<u>\$ 665,050</u>	<u>\$ 466,327</u>

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:

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits	-	-	0% - 2.83%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets at fair value through <u>profit or loss (FVTPL) - Non-current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets - warrants (a)	\$ 111	\$ 390	\$ 1,859
Derivative financial assets - pre-redemption right (b)	<u>1,625</u>	<u>1,655</u>	<u>-</u>
	<u>\$ 1,736</u>	<u>\$ 2,045</u>	<u>\$ 1,859</u>
Financial liabilities at fair value through <u>profit or loss (FVTPL) - Non-current</u>			
Financial liabilities at FVTPL			
Derivative financial liabilities - conversion right (c)	<u>\$ 7,719</u>	<u>\$ 7,859</u>	<u>\$ -</u>

- In July 2018, the Company acquired warrants to subscribe for ordinary shares of DotBio Pte. Ltd., as detailed in Note 17 (under the heading of “Nanyang Technological University”).
- On October 25, 2019, the Company entered into a loan facility agreement with warrants and was entitled to repay at any time prior to expiry of the term, as detailed in Note 14 (under the heading of “October/November 2019 Loan Facility”).
- On September 30, 2019, the Company entered into a convertible loan facility, as detailed in Note 14 (under the heading of “Convertible Loan Facility”).

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Non-current</u>			
Investments in equity instruments at FVTOCI			
Foreign unlisted ordinary shares	<u>\$ 1,701</u>	<u>\$ 3,959</u>	<u>\$ 5,802</u>

In July 2018, the Company acquired ordinary shares of DotBio Pte. Ltd., as detailed in Note 17 (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 Company’s purpose of holding the investments. As a result, the Company elected to designate the investments in equity instruments as at FVTOCI.

9. DETAILS OF SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

There is no material change related to non-controlling interests for the six months ended June 30, 2020. For related information, please refer to Note 9 of consolidated financial statements for the year ended December 31, 2019.

10. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Other Equipment	Leasehold Improvements	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 8,464	\$ 1,106	\$ 14,919	\$ 24,489
Additions	93	-	-	93
Disposals	(1,581)	(28)	(6,805)	(8,414)
Effect of foreign currency exchange differences	<u>115</u>	<u>15</u>	<u>201</u>	<u>331</u>
Balance at June 30, 2019	<u>\$ 7,091</u>	<u>\$ 1,093</u>	<u>\$ 8,315</u>	<u>\$ 16,499</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2019	\$ 5,444	\$ 768	\$ 9,462	\$ 15,674
Depreciation expenses	995	156	2,519	3,670
Disposals	(1,208)	(15)	(4,906)	(6,129)
Effect of foreign currency exchange differences	<u>75</u>	<u>10</u>	<u>129</u>	<u>214</u>
Balance at June 30, 2019	<u>\$ 5,306</u>	<u>\$ 919</u>	<u>\$ 7,204</u>	<u>\$ 13,429</u>
Carrying amounts at January 1, 2019	<u>\$ 3,020</u>	<u>\$ 338</u>	<u>\$ 5,457</u>	<u>\$ 8,815</u>
Carrying amounts at June 30, 2019	<u>\$ 1,785</u>	<u>\$ 174</u>	<u>\$ 1,111</u>	<u>\$ 3,070</u>
	Office Equipment	Other Equipment	Leasehold Improvements	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 6,329	\$ 1,057	\$ 8,039	\$ 15,425
Disposals	(84)	-	-	(84)
Effect of foreign currency exchange differences	<u>(110)</u>	<u>(19)</u>	<u>(142)</u>	<u>(271)</u>
Balance at June 30, 2020	<u>\$ 6,135</u>	<u>\$ 1,038</u>	<u>\$ 7,897</u>	<u>\$ 15,070</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	\$ 5,398	\$ 999	\$ 7,880	\$ 14,277
Depreciation expenses	376	39	68	483
Disposals	(84)	-	-	(84)
Effect of foreign currency exchange differences	<u>(100)</u>	<u>(18)</u>	<u>(141)</u>	<u>(259)</u>

Balance at June 30, 2020	<u>\$ 5,590</u>	<u>\$ 1,020</u>	<u>\$ 7,807</u>	<u>\$ 14,417</u>
Carrying amounts at January 1, 2020	<u>\$ 931</u>	<u>\$ 58</u>	<u>\$ 159</u>	<u>\$ 1,148</u>
Carrying amounts at June 30, 2020	<u>\$ 545</u>	<u>\$ 18</u>	<u>\$ 90</u>	<u>\$ 653</u>

No impairment assessment was performed for the six months ended June 30, 2020 and 2019 as there was no indication of impairment.

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

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Carrying amounts</u>			
Buildings	<u>\$ 17,505</u>	<u>\$ 21,802</u>	<u>\$ 26,709</u>
	For the Three Months Ended June 30	For the Six Months Ended June 30	
	2020	2020	2019
Depreciation charge for right-of-use assets			
Buildings	<u>\$ 1,967</u>	<u>\$ 3,983</u>	<u>\$ 4,188</u>

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Carrying amounts</u>			
Current	\$ 8,064	\$ 7,924	\$ 7,417
Non-current	<u>10,355</u>	<u>14,702</u>	<u>19,404</u>
	<u>\$ 18,419</u>	<u>\$ 22,626</u>	<u>\$ 26,821</u>

Discount rate for lease liabilities was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Buildings	6%	6%	6%

c. Material lease-in activities and terms

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

Certain of the office buildings leases across the Company contain extension options. These terms are used to maximize operational flexibility in terms of managing contracts. In cases in which the Company 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 \$20.9 million as of June 30, 2020.

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 1,038</u>	<u>\$ 2,502</u>	<u>\$ 2,090</u>	<u>\$ 5,587</u>
Expenses relating to low-value asset leases	<u>\$ 22</u>	<u>\$ 8</u>	<u>\$ 53</u>	<u>\$ 19</u>
Total cash outflow for leases	<u>\$ 3,241</u>	<u>\$ 5,134</u>	<u>\$ 6,622</u>	<u>\$ 10,140</u>

The Company leases certain office buildings which qualify as short-term leases and certain office equipment which qualifies as low-value asset leases. The Company 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Lease commitments	<u>\$ 2,055</u>	<u>\$ 2,096</u>	<u>\$ 4,066</u>

12. INTANGIBLE ASSETS

	Licenses	Computer Software	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 705,236	\$ 1,317	\$ 706,553
Effect of foreign currency exchange differences	<u>9,691</u>	<u>18</u>	<u>9,709</u>
Balance at June 30, 2019	<u>\$ 714,927</u>	<u>\$ 1,335</u>	<u>\$ 716,262</u>

Accumulated amortization

Balance at January 1, 2019	\$ -	\$ 1,097	\$ 1,097
Amortization expenses	-	74	74
Effect of foreign currency exchange differences	<u>-</u>	<u>15</u>	<u>15</u>
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 1,186</u>	<u>\$ 1,186</u>
Carrying amounts at January 1, 2019	<u>\$ 705,236</u>	<u>\$ 220</u>	<u>\$ 705,456</u>
Carrying amounts at June 30, 2019	<u>\$ 714,927</u>	<u>\$ 149</u>	<u>\$ 715,076</u>

Cost

Balance at January 1, 2020	\$ 691,120	\$ 1,291	\$ 692,411
Effect of foreign currency exchange differences	<u>(12,235)</u>	<u>(23)</u>	<u>(12,258)</u>
Balance at June 30, 2020	<u>\$ 678,885</u>	<u>\$ 1,268</u>	<u>\$ 680,153</u>

Accumulated amortization and impairment

Balance at January 1, 2020	\$ 691,120	\$ 1,206	\$ 692,326
Amortization expenses	-	59	59
Effect of foreign currency exchange differences	<u>(12,235)</u>	<u>(23)</u>	<u>(12,258)</u>
Balance at June 30, 2020	<u>\$ 678,885</u>	<u>\$ 1,242</u>	<u>\$ 680,127</u>
Carrying amounts at January 1, 2020	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 85</u>
Carrying amounts at June 30, 2020	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 26</u>

The intangible assets, namely licenses, include the acquisitions in August 2016 of ASLAN005 from Exploit Technologies Pte Ltd. and in January 2018 of exclusive and worldwide rights to develop, manufacture and commercialize varlitinib from Array Biopharma Inc., respectively. The information related to these license agreements is further disclosed in Note 17.

As of June 30, 2020, December 31, 2019 and June 30, 2019, the aforementioned intangible assets were not amortized since they were 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.

On July 5, 2019, the Company decided not to engage in further development of the licensed IP ASLAN005 from Exploit Technologies Pte Ltd. The agreement relating to the research collaboration with ETPL's P53 Laboratory was terminated with effect from 3rd September 2019. As a result, the Company carried out a review of the recoverable amount of ASLAN005 and determined that the carrying amount of \$2.3 million (US\$73,400) was fully impaired for the year ended December 31, 2019.

On November 11, 2019, the Company announced that the global pivotal clinical trial testing varlitinib in biliary tract cancer did not meet its primary endpoints. As a result, the Company decided to stop investing in the further development of varlitinib at this time and the estimated future cash flows expected to arise from the drug decreased. The Company carried out a review of the recoverable amount of varlitinib and determined that the carrying amount of \$709.5 million (US\$23 million) was not recoverable. The review led to the recognition of an impairment loss of \$709.5 million (US\$23 million) for the year ended December 31, 2019.

Though the Company may decide to conduct exploratory research in the future, no resources have been allocated for its development and there is no guarantee that resources will be allocated in the future.

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

13. OTHER PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Payables for cash-settled share-based payment transactions (Note 21)	\$ 26,049	\$ 22,638	\$ 21,703
Payables for salaries and bonuses	19,167	31,068	19,154
Interest payables	16,602	11,771	6,869
Payables for professional fees	14,029	27,668	16,612
Others	<u>3,142</u>	<u>4,108</u>	<u>2,695</u>
	<u>\$ 78,989</u>	<u>\$ 97,253</u>	<u>\$ 67,033</u>

14. LONG-TERM BORROWINGS

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Unsecured borrowings</u>			
Loans from government	\$ 208,594	\$ 220,489	\$ 227,015
Other long-term borrowings	143,130	144,169	125,810
Interest payables	101,809	95,356	89,488
Loans from shareholders	<u>50,187</u>	<u>51,145</u>	<u>-</u>
	<u>\$ 503,720</u>	<u>\$ 511,159</u>	<u>\$ 442,313</u>
<u>Unsecured borrowings from related parties</u>			
Loans from related parties	\$ 16,237	\$ 16,547	\$ -
Interest payables	<u>1,642</u>	<u>411</u>	<u>-</u>
	<u>\$ 17,879</u>	<u>\$ 16,958</u>	<u>\$ -</u>

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 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 June 30, 2020, December 31, 2019 and June 30, 2019, the amounts of funds disbursed to the Company plus accrued interest were \$303.3 million, \$314.1 million and \$316.5 million, respectively.

b. Other long-term borrowings

CSL Finance Pty Ltd.

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 June 30, 2020, December 31, 2019 and June 30, 2019, the aggregate carrying amount including principal and accrued interest outstanding under CSL Loan Facility were \$136.1 million, \$133.4 million and \$132.7 million, respectively.

Convertible Loan Facility

On September 30, 2019, the Company entered into a loan facility with Bukwang Pharmaceutical Co., Ltd., for an amount of US\$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 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 ADSs 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 the expiry of the term of the loan.

In October 2019, the Company drew down on US\$1.0 million under the September 2019 Loan Facility.

October/November 2019 Loan Facility

On October 25, 2019, the Company entered into a loan facility with certain existing stockholders/directors, or affiliates thereof, and on November 11, 2019 the Company entered into a related loan facility with the affiliate of another existing stockholder, for an aggregate amount of US\$2.25 million (collectively, the “October/November 2019 Loan Facility”). The October/November 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/November 2019 Loan Facilities at any time, subject to certain conditions. In the event that the Company in a single re-financing transaction raises more than ten times the aggregate loan amount prior to expiry of the 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 re-financing transaction.

The October/November 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 conferring repayment rights which rank in priority over those of the lenders, 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/November 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 October 2019, the Company drew down on US\$1.95 million under the loan facilities. In connection with this initial draw down, the Company issued warrants (collectively referred to as the “Warrants”) to purchase 483,448 ADSs (representing 2,417,240 ordinary shares) to certain of the lenders, at an exercise price of US\$2.02 per ADS. In November 2019, the Company drew down on the remaining US\$0.3 million under the loan facilities. In connection with the second draw down, the Company has committed to issue warrants to purchase 74,377 ADSs (representing 371,885 ordinary shares) to the lender at an exercise price of US\$2.02 per ADS.

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/November 2019 Loan Facility. If, by expiry of the term of the October/November 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’s upon expiry of the loan term.

As of June 30, 2020, December 31, 2019 and June 30, 2019, the aggregate carrying amount including principal and accrued interest outstanding under the Convertible Loan Facility and the October/November 2019 Loan Facility were \$98.8 million, \$92.4 million and nil, respectively.

15. 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 June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019, the total expenses for such employee benefits in the amount of \$1.4 million, \$2.4 million, \$3.7 million and \$6.3 million were recognized, respectively.

16. EQUITY

a. Ordinary shares

	June 30, 2020	December 31, 2019	June 30, 2019
Number of shares authorized	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid	<u>189,954, 970</u>	<u>189,954,970</u>	<u>160,248,940</u>
Shares issued	<u>\$ 1,899,549</u>	<u>\$ 1,899,549</u>	<u>\$ 1,602,489</u>

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

On January 22, 2018, ASLAN Cayman 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 Depositary Receipts. On March 27, 2018, ASLAN Cayman 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 (ADSs) representing shares of ordinary shares. The registration statement for listing its ADSs in the Nasdaq Global Market was declared effective by the SEC, and ASLAN Cayman 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 ASLAN Cayman's ordinary shares, which in total represents 30,000,000 ordinary shares. The offering price per ADS was \$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, ASLAN Cayman's board of directors resolved to increase authorized shares to \$5 million, which were approved in the interim shareholders' meetings on October 30, 2018.

On November 7, 2018, the board of directors resolved to issue ordinary shares ranging from 15,000,000 to 40,000,000 shares for cash sponsoring the issuance of American Depositary Receipts. On December 5, 2018, ASLAN Cayman received the approval letter No.1070344286 from the FSC for issuing ordinary shares for sponsoring the issuance of American Depositary Receipts.

On November 5, 2019, ASLAN Cayman received the official letter No. 1080334435 from the FSC of approval of the issuance of ordinary shares for the purpose of sponsoring the issuance of American Depositary Receipts. On November 8, 2019, the Company filed the registration statement, form F-3, with the U.S. Securities and Exchange Commission (SEC) for the follow on 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 on November 8, 2019, and the Company held the initial public offering of its ADSs on December 3, 2019.

The actual units of ADSs for this offering were 5,893,206, and each ADS represents five of ASLAN Cayman's ordinary shares, which in total represents 29,466,030 ordinary shares. The offering price per ADS was US\$2.5, equivalent to a price per ordinary share of NT\$15.24. The payment of this fundraising was fully collected as of December 6, 2019, and the record date for this capital increase was December 6, 2019.

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
Arising from issuance of new share capital	\$ 3,384,852	\$ 3,384,852	\$ 3,273,317
Arising from employee share options	195,140	195,140	198,766
Changes in percentage of ownership interests in subsidiary	42,114	42,114	-
Equity component of long-term debt (Note 14)	<u>1,375</u>	<u>1,375</u>	<u>-</u>
	<u>\$ 3,623,481</u>	<u>\$ 3,623,481</u>	<u>\$ 3,472,083</u>

c. Retained earnings and dividend policy

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

ASLAN Cayman 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 ASLAN Cayman or invested in such investments as the directors of ASLAN Cayman may from time to time think fit.

The accumulated deficits for 2019 and 2018 that were approved in the shareholders' meetings on June 29, 2020 and June 21, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
Accumulated deficits at the beginning of the year	\$ (4,045,093)	\$ (2,774,134)
Net loss for the year	<u>(1,450,515)</u>	<u>(1,270,959)</u>
Accumulated deficits at the end of the year	<u>\$ (5,495,608)</u>	<u>\$ (4,045,093)</u>

d. Other reserves items

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

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	\$ (75,965)	\$ (91,267)
Exchange differences on translation to the presentation currency	<u>4,715</u>	<u>13,129</u>
Balance at June 30	<u>\$ (71,250)</u>	<u>\$ (78,138)</u>

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

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	\$ (1,699)	\$ -
Unrealized loss Equity instruments	<u>(2,227)</u>	<u>-</u>
Balance at June 30	<u>\$ (3,926)</u>	<u>\$ -</u>

e. Non-controlling interests

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	\$ 32,172	\$ -
Share in profit for the period	(9,459)	-
Other comprehensive loss during the period		
Exchange differences on translating the financial statements of foreign entities	<u>(399)</u>	<u>-</u>
Balance at June 30	<u>\$ 22,314</u>	<u>\$ -</u>

17. LICENSE AGREEMENTS

Array Biopharma

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 Array's pan-HER inhibitor, ARRY-543 (which the Company refers to as ASLAN001 or *varlitinib*) *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 June 30, 2020, the Company did not accrue for the above contingent payments since the milestones are not achieved.

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.

On November 11, 2019, the Company announced that the global pivotal clinical trial testing *varlitinib* in biliary tract cancer did not meet its primary endpoints. As a result, the Company decided to stop investing in the further development of *varlitinib* at this time and the estimated future cash flows expected to arise from the drug decreased. The Company carried out a review of the recoverable amount of *varlitinib* and determined that the carrying amount US\$23 million was not recoverable. See Note 12.

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 \$323 million (US\$10 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. Furthermore, the Company is eligible to receive royalty payments on future worldwide sales generated by Bristol-Myers Squibb. 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 \$42 million (US\$1,294,034) which was delivered in 2016. As Bristol-Myers Squibb assumes the responsibility for all development and commercialization activities and expenses, and the Company currently has no further obligations under the license agreement. Accordingly, the Company recognized the upfront payment from out-licensing and other payment from the sale of research materials, supplies, research documentation and clinical trial results, totaling \$365 million (US\$11,294,034), in revenue for the year ended December 31, 2016.

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.

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 and as of June 30, 2020, milestone has not been met, 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%. As of June 30, 2020, the aforementioned milestones have not been met.

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 \$8 million (US\$250,000) from Hyundai in 2016. As there was no performance obligation required for the Company, the payment was recognized as revenue, and the related cost of revenue in the amount of US\$125,000 paid to one of the third parties with whom the Company has a licensing agreement as part of the payment for the proceeds from out-licensing was recognized as cost of revenue, for the year ended December 31, 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.

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 nantaïs* (“RON”) and such antibodies are referred to by the Company collectively as ASLAN005. The license fee of \$2 million (SGD100,000) was 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 \$266 million (SGD12 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.

On July 5, 2019, the Company decided not to engage in further development of the licensed IP ASLAN005 from Exploit Technologies Pte Ltd. The agreement relating to the research collaboration with ETPL’s P53 Laboratory was terminated with effect from 3rd September 2019. As a result, the Company carried out a review of the recoverable amount of ASLAN005 and determined that the carrying amount US\$73,400 was fully impaired. See Note 12.

Nanyang Technological University / DotBio Pte. Ltd

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 SGD255,000 (see Note 8), together with 599,445 units of warrant to subscribe for the same number of shares at a subscription price of US\$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 \$6 million for the year ended December 31, 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 to grant exclusive rights to commercialize *varlitinib* in South Korea in exchange for an upfront payment of \$62 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 has no other performance obligation in addition to the license, and BioGenetics will be 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 has no other performance obligation in addition to the license, and BioGenetics will be 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\$82,259) payment to Almirall was recognized as operating costs accordingly.

18. LOSS BEFORE INCOME TAX

a. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Net foreign exchange (losses)				
gains	\$ (4,453)	\$ (875)	\$ 9,089	\$ (3,434)
(Loss) Gain on disposal of property, plant and equipment	-	(2,053)	11	(2,183)
Net loss on fair value changes of financial assets at fair value through profit or loss	(448)	-	(277)	-
Loss on lease modification	-	(1,990)	-	(1,990)
Others	<u>2,812</u>	<u>18</u>	<u>2,906</u>	<u>257</u>
	<u>\$ (2,089)</u>	<u>\$ (4,900)</u>	<u>\$ 11,729</u>	<u>\$ (7,350)</u>

b. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Other interest expenses	\$ 4,120	\$ 3,393	\$ 8,213	\$ 6,774
Interest on government loans	3,119	2,668	6,403	5,304
Interest on loans from shareholders	2,540	-	5,085	-

Interest on lease liabilities	<u>279</u>	<u>238</u>	<u>603</u>	<u>369</u>
	<u>\$ 10,058</u>	<u>\$ 6,299</u>	<u>\$ 20,304</u>	<u>\$ 12,447</u>

c. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Right-of-use assets	\$ 1,967	\$ 2,441	\$ 3,983	\$ 4,188
Property, plant and equipment	223	1,827	483	3,670
Computer software	<u>29</u>	<u>31</u>	<u>59</u>	<u>74</u>
	<u>\$ 2,219</u>	<u>\$ 4,299</u>	<u>\$ 4,525</u>	<u>\$ 7,932</u>

All depreciation and amortization expenses are recorded as general and administrative expenses for the six months ended June 30, 2020 and 2019.

d. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term benefits	\$ 31,930	\$ 35,970	\$ 61,195	\$ 85,709
Post-employment benefits (Note 15)	1,431	2,382	3,707	6,297
Share-based payments (Note 21)				
Equity-settled	-	1,854	-	2,374
Cash-settled	<u>16,279</u>	<u>(5,851)</u>	<u>5,003</u>	<u>2,440</u>
Total employee benefits expense	<u>\$ 49,640</u>	<u>\$ 34,355</u>	<u>\$ 69,905</u>	<u>\$ 96,820</u>
An analysis of employee benefits expense by function				
General and administrative expenses	\$ 43,284	\$ 22,669	\$ 60,376	\$ 69,467
Research and development expenses	<u>6,356</u>	<u>11,686</u>	<u>9,529</u>	<u>27,353</u>
	<u>\$ 49,640</u>	<u>\$ 34,355</u>	<u>\$ 69,905</u>	<u>\$ 96,820</u>

e. Employees' compensation and remuneration of directors

Under ASLAN Cayman'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 six months ended June 30, 2020 and 2019; 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 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

19. INCOME TAXES

Income Tax Recognized in Profit or Loss

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ -	\$ 14,620	\$ -	\$ 14,710

a. Cayman Islands

ASLAN Cayman 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%.

Since ASLAN Pharmaceuticals Pte. Ltd. entered into a licensing agreement with BioGenetics, ASLAN Pharmaceuticals Pte. Ltd. collected upfront payments of US\$2 million in March 2019 and US\$1 million in April 2019, respectively, from BioGenetics, and was subject to withholding taxes at a 15% withholding tax rate in compliance with local regulation in South Korea. The Company hence recognized income tax expense at an amount of \$13.9 million (US\$0.45 million).

ASLAN Pharmaceuticals Pte. Ltd. and Jaguahr Therapeutics Pte. Ltd. have no taxable income for the six months ended June 30, 2020, and therefore, no 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 20% and the corporate surtax rate of 5%.

The income tax returns through 2018 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 six months ended June 30, 2020 and 2019, and therefore, no provision for income tax is required.

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 six months ended June 30, 2020 and 2019, 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 six months ended June 30, 2020 and 2019, 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 six months ended June 30, 2020 and 2019, and therefore, no provision for income tax is required.

20. LOSS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Basic and diluted loss per share	<u>\$ (0.62)</u>	<u>\$ (1.54)</u>	<u>\$ (1.11)</u>	<u>\$ (2.38)</u>

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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Loss used in the computation of loss per share	<u>\$(117,846)</u>	<u>\$(246,872)</u>	<u>\$(209,919)</u>	<u>\$(380,610)</u>
Weighted average number of ordinary shares used in the computation of loss per share	<u>189,954,970</u>	<u>160,248,940</u>	<u>189,954,970</u>	<u>160,248,940</u>

If the outstanding employee share options issued by ASLAN Cayman are converted to ordinary shares, they are anti-dilutive and excluded from the computation of diluted earnings per share. Potential ordinary shares arising from the aforementioned anti-dilutive outstanding employee share options are 8,179,975 and 2,370,640 shares for the six months ended 2020 and 2019, respectively.

21. 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 June 30, 2020, there are 13,841,879 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 Six Months Ended June 30			
	2020		2019	
	Number of Options	Weighted- average Exercise Price (US\$)	Number of Options	Weighted- average Exercise Price (US\$)
Balance at January 1	501,167	\$ 1.28	698,167	\$ 1.28
Options forfeited	<u>-</u>	-	<u>(67,000)</u>	1.28
Balance at June 30	<u>501,167</u>	1.28	<u>631,167</u>	1.28
Options exercisable, end of period	<u>501,167</u>	1.28	<u>-</u>	-
Weighted-average fair value of options granted (US\$)	<u>\$ -</u>		<u>\$ -</u>	

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

For the Six Months Ended June 30

	2020		2019	
	Number of Options	Weighted-average Exercise Price (US\$)	Number of Options	Weighted-average Exercise Price (US\$)
Balance at January 1	6,670,356	\$ 1.43	6,822,523	\$ 1.41
Options forfeited	-	-	(32,167)	2.26
Balance at June 30	<u>6,670,356</u>	1.43	<u>6,790,356</u>	1.41
Options exercisable, end of period	<u>6,670,356</u>	1.43	<u>6,595,294</u>	1.38
Weighted-average fair value of options granted (US\$)	<u>\$ -</u>		<u>\$ -</u>	

Information on outstanding options as of June 30, 2020 is as follows:

September 2017		July 2016		July 2015		July 2014		July 2013		July 2012		July 2011		July 2010	
Range of Exercise Price (NTS)	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	7.2	\$2.26	6	\$1.36-\$1.88	5	\$1.36	4	\$0.80-\$1.36	3	\$0.80	2	\$0.20-\$0.80	1	\$0.20-\$0.80	0

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 nil, \$1.9 million, nil and \$2.4 million for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, 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 June 30, 2020, 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 June 30, 2020.

The Company's 2019 LTIP is described as follows:

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	491,020	-
Awards forfeited	<u>(104,070)</u>	<u>-</u>
Balance at June 30	<u>386,950</u>	<u>-</u>
Balance exercisable, end of period	<u>-</u>	<u>-</u>

As of June 30, 2020, 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 June 30, 2020.

The Company's 2018 LTIP is described as follows:

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	168,089	241,142
Awards forfeited	<u>(38,466)</u>	<u>(38,141)</u>
Balance at June 30	<u>129,623</u>	<u>203,001</u>
Balance exercisable, end of period	<u>56,030</u>	<u>-</u>

As of June 30, 2020, 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 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 Six Months Ended June 30	
	2020	2019
Balance at January 1	1,160,001	1,479,334
Awards forfeited	<u>(253,000)</u>	<u>(164,667)</u>
Balance at June 30	<u>907,001</u>	<u>1,314,667</u>
Balance exercisable, end of period	<u>867,000</u>	<u>487,333</u>

Each bonus entitlement unit grants the holders of the LTIPs 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 \$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\$2, US\$2.03 and US\$3.07 as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

The Company recognized (reversed) the following total expenses in respect of the LTIP, \$16.3 million for the three months ended June 30, 2020, \$(5.9 million) for the three months ended June 30, 2019, \$5.0 million for the six months ended June 30, 2020 and \$2.4 million for the six months ended June 30, 2019. As of June 30, 2020, December 31, 2019 and June 30, 2019, the Company recognized compensation liabilities of \$26.0 million, \$22.6 million and \$21.7 million as current (classified as other payables), respectively, and \$7.5 million, \$5.5 million and \$10.2 million as non-current, respectively.

22. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company'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 Company mainly consists of borrowings and equity of the Company. Key management personnel of the Company review the capital structure periodically. In order to maintain or balance the overall capital structure, the Company may adjust the amounts of long-term borrowings, or the issuance of new shares capital or other equity instruments.

As of June 30, 2020, there was no changes in the Company's capital management policy, and the Company is not subject to any externally imposed capital requirements.

23. FINANCIAL INSTRUMENTS

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

The Company 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

June 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivative financial assets	\$ -	\$ -	\$ 1,736	\$ 1,736
Financial assets at fair value through other comprehensive income				
Investments in equity instruments at fair value through other comprehensive income				
Unlisted shares	\$ -	\$ -	\$ 1,701	\$ 1,701
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	\$ -	\$ -	\$ 7,719	\$ 7,719

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivative financial assets	\$ -	\$ -	\$ 2,045	\$ 2,045
Financial assets at fair value through other comprehensive income				
Investments in equity instruments at fair value through other comprehensive income				
Unlisted shares	\$ -	\$ -	\$ 3,959	\$ 3,959
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	\$ -	\$ -	\$ 7,859	\$ 7,859

June 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivative financial assets	\$ -	\$ -	\$ 1,859	\$ 1,859
Financial assets at fair value through other comprehensive income				
Investments in equity instruments at fair value through other comprehensive income				
Unlisted shares	\$ -	\$ 5,802	\$ -	\$ 5,802
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	\$ -	\$ -	\$ -	\$ -

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

2) 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.

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

- d) 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 June 30, 2020, December 31, 2019 and June 30, 2019, the historical volatility used was 84.63%, 41.87% and 42.33%.
- e) 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 June 30, 2020, the Company used significant unobservable inputs, including discount for lack of marketability of 10%, and discounts for lack of control of 10%. At June 30, 2020, assuming all other inputs remain equal, if discount for lack of marketability increases by 1%, the fair value would decrease by NT\$ 21,273; if discount for lack of control increases by 1%, the fair value would decrease by NT\$ 21,273.
- f) The fair value of derivative financial instrument with warrants and convertibility right are determined using binomial evaluation method with discount rate 13.19% to 14.12% assessing by market bond yield curve and risk-free rate premium. As of June 30, 2020, the historical volatility used was 92.6% during the past 1 year.

c. Categories of financial instruments

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Derivative financial assets	\$ 1,736	\$ 2,045	\$ 1,859
Financial assets at amortized cost (1)	410,024	668,287	470,783
Financial assets at fair value through other comprehensive income			
Equity instruments	1,701	3,959	5,802

Financial liabilities

Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	7,719	7,859	-
Financial liabilities at amortized cost (2)	616,042	657,862	598,369

- 1) The balances include financial assets at amortized cost, which comprise of cash and cash equivalents and refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise of trade payables, partial other payables and long-term borrowings.

d. Financial risk management objectives and policies

The Company's financial risk management objective is to monitor and manage the financial risks relating to the operations of the Company. 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 Company devoted time and resources to identify and evaluate the uncertainty of the market to mitigate risk exposures.

1) Market risk

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

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

	June 30, 2020		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
SGD	\$ 1,497	21.09	\$ 31,582

	June 30, 2020		
	Foreign Currencies	Exchange Rate	Carrying Amount
GBP	690	36.27	25,023

Financial liabilities

Monetary items			
SGD	15,497	21.09	326,895

	December 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount

Financial assets

Monetary items			
SGD	\$ 2,537	22.27	\$ 56,496
GBP	999	39.50	39,478

Financial liabilities

Monetary items			
SGD	15,117	22.27	336,699

	June 30, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount

Financial assets

Monetary items			
SGD	\$ 1,344	22.92	\$ 30,791

Financial liabilities

Monetary items			
SGD	14,981	22.92	343,324

Sensitivity analysis

The Company is mainly exposed to the Singapore Dollar and British Pound.

The following table details the Company'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 Six Months Ended	
	June 30	
	2020	2019
Profit or loss*		
SGD	\$ (14,766)	\$ (15,627)
GBP	1,251	-

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

The sensitivity analysis below is determined based on the Company'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 Company's pre-tax loss for the six months ended June 30, 2020 and 2019 would have decreased/increased by \$2.2 million and \$2.4 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 Company. The Company 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.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents that are deemed adequate to finance the Company'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 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 June 30, 2020. However, the future viability of the Company depends on its ability to raise additional capital to finance its operations.

24. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the companies 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 Company and other related parties are disclosed as follows.

c. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
JANK Howden Pty Ltd	Related party in substance
Others	Key Management Personnel

d. Loans from related parties

Related Party Category/Name	June 30, 2020	December 31, 2019	June 30, 2019
Related party in substance / JANK Howden Pty Ltd	\$ 14,761	\$ 15,043	\$ -
Key Management Personnel / Others	<u>1,476</u>	<u>1,504</u>	<u>-</u>
	<u>\$ 16,237</u>	<u>\$ 16,547</u>	<u>\$ -</u>

Interest Payable

Related Party Category/Name	June 30, 2020	December 31, 2019	June 30, 2019
Related party in substance / JANK Howden Pty Ltd	\$ 1,493	\$ 374	\$ -
Key Management Personnel / Others	<u>149</u>	<u>37</u>	<u>-</u>
	<u>\$ 1,642</u>	<u>\$ 411</u>	<u>\$ -</u>

Interest expense

Related Party Category/Name	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Related party in substance / JANK Howden Pty Ltd	\$ 565	\$ -	\$ 1,130	\$ -
Key Management Personnel / Others	<u>56</u>	<u>-</u>	<u>113</u>	<u>-</u>
	<u>\$ 621</u>	<u>\$ -</u>	<u>\$ 1,243</u>	<u>\$ -</u>

The loans from the related parties are unsecured.

e. Compensation of Key Management Personnel

Related Party Category/Name	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 13,069	\$ 18,032	\$ 27,799	\$ 35,048
Post-employment benefits	646	892	1,296	1,774
Share-based payments	<u>16,279</u>	<u>(5,417)</u>	<u>5,003</u>	<u>3,299</u>
	<u>\$ 29,994</u>	<u>\$ 13,507</u>	<u>\$ 34,098</u>	<u>\$ 40,121</u>

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

25. OTHER ITEMS

- a. The Company announced that recruitment of new patients into its randomised, double-blind, placebo-controlled multiple ascending dose (MAD) study of ASLAN004 in moderate to severe atopic dermatitis has been paused in light of recently imposed government restrictions in Singapore to contain the spread of the coronavirus disease (COVID-19). The Company intends to resume screening of new patients as soon as these restrictions are lifted.
- b. According to Art.12-2 of Taipei Exchange Rules Governing Securities Trading on the Taipei Exchange, or TPEX (the “Rules”), paragraph 1, subparagraph 4 – “Where the financial report for the most recent period that is publicly announced and filed under Article 36 of the Securities and Exchange Act shows a negative net worth” and Subparagraph 7 – “Where the company's operation is completely suspended for more than 6 months or for 6 continuous months the publicly announced operating revenue is zero or negative”, TPEX may terminate the trading of the Company’s securities and report the termination to the competent authority of Taiwan for recordation. If TPEX terminates the trading of the Company’s securities as above, the listing of the Company’s American Depositary Shares, or ADS, in the US will be wholly unaffected and the ADS will continue to trade on NASDAQ as before.

26. 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: Notes 7, 14, 17 and 23
- 10) Intercompany relationships and significant intercompany transactions: Table 3
- 11) Information on investees: Table 4
- b. Information on investments in mainland China: Table 5
- c. Information of major shareholders : Table 6

27. SEGMENT INFORMATION

The Company's chief operating decision maker, the chief executive officer, reviews the Company's consolidated results when making decisions about the allocation of resources and when assessing performance of the Company as a whole, and therefore, the Company has only one reportable segment. The Company 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 Company's consolidated financial statements. As the Company's long-lived assets are substantially located in and derived from Asia, no geographical segments are presented.

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

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Out-licensing	\$ -	\$ -	\$ -	\$ 92,359

For the six months ended June 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 17 for details.

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

(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\$ 4,208 (\$ 126,057)	US\$ 4,127 (\$ 121,417)	US\$ 1,900 (\$ 55,890)	3.76%-6.45%	Short-term financing	\$ -	Operating turnover	\$ -	-	\$ -	-	-	1, 2
1	ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Hong Kong Limited	Other receivables	Yes	US\$ 2,850 (\$ 86,334)	US\$ 2,850 (\$ 83,855)	US\$ 1,600 (\$ 47,077)	2.00%	Short-term financing	-	Operating turnover	-	-	-	-	-	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 Lending 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

JUNE 30, 2020

(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	June 30, 2020			Note
				Shares	Carrying Amount (Note)	Percentage of Ownership (%)	Fair Value
ASLAN Pharmaceuticals Pte. Ltd.	Shares DotBio Pte. Ltd.	-	Financial assets at FVTOCI	599,445	\$ 1,701	2.51	\$ 1,701
							-

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

(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 ASLAN Pharmaceuticals Pte. Ltd.	From parent company to subsidiary From parent company to subsidiary	Other payables Other payables	\$ 633 157	Note Note	0.14 0.04
1	ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Australia Pty Ltd. ASLAN Pharmaceuticals Australia Pty Ltd. ASLAN Pharmaceuticals Australia Pty Ltd. ASLAN Pharmaceuticals Australia Pty Ltd. ASLAN Pharmaceuticals Taiwan Limited ASLAN Pharmaceuticals Taiwan Limited ASLAN Pharmaceuticals Taiwan Limited ASLAN Pharmaceuticals Hong Kong Limited ASLAN Pharmaceuticals Hong Kong Limited ASLAN Pharmaceuticals (Shanghai) Co. Ltd. ASLAN Pharmaceuticals (USA) Inc. Jaguar Therapeutics Pte. Ltd.	Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries	Other receivables Other payables General and administrative expense Interest income Other receivables Other payables General and administrative expense Other receivables Interest income Other receivables Other receivables	41,758 8,558 8,715 863 6,059 4,150 3,457 50,936 479 1,707 29 382	Note Note Note Note Note Note Note Note Note Note Note Note	9.48 1.94 - - 1.38 0.94 - 11.57 - 0.39 0.01 0.09
2	ASLAN Pharmaceuticals Taiwan Limited	ASLAN Pharmaceuticals (Shanghai) Co. Ltd.	Between subsidiaries	Other receivables	206	Note	0.05

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 INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				June 30, 2020 (In Thousands)	December 31, 2019 (In Thousands)	Shares	%	Carrying Amount			
ASLAN Pharmaceuticals Limited	ASLAN Pharmaceuticals Pte. Ltd.	Singapore	New drugs research	US\$ 170,642	US\$ 170,642	174,519,973	100	(\$ 249,326)	(\$ 193,930)	(\$ 193,930)	Subsidiary
ASLAN Pharmaceuticals Pte. Ltd.	ASLAN Pharmaceuticals Taiwan Limited	Taiwan	New drugs research	US\$ 167	US\$ 167	500,000	100	1,719	(2,701)	(2,701)	Subsidiary
	ASLAN Pharmaceuticals Australia Pty Ltd.	Australia	New drugs research	-	-	1	100	(19,441)	(1,190)	(1,190)	Subsidiary
	ASLAN Pharmaceuticals Hong Kong Limited	Hong Kong	New drugs research	-	-	1	100	(51,435)	(841)	(841)	Subsidiary
	ASLAN Pharmaceuticals (USA) Inc.	United States	New drugs research	US\$ 0.1	US\$ 0.1	1,000,000	100	(6)	(4)	(4)	Subsidiary
	Jaguar Therapeutics Pte. Ltd.	United States of America	New drugs research	US\$ 1,377	US\$ 1,377	77,000	55	27,273	(21,021)	(11,561)	Subsidiary

TABLE 5

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(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, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020	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	(\$ 361)	100	(\$ 361)	(\$ 2,039)	Not applicable	Note 3

Investee	Accumulated Investment in Mainland China as of June 30, 2020	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:

- Direct investment.
- Investments through a holding company registered in a third region.
- 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.

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS

JUNE 30, 2020

(In Thousands of New Taiwan Dollars)

Name of Major Shareholder	Shares		Percentage of Ownership (%)
	Number of Shares	Shares	
J.P. Morgan Chase Bank		59,466,030	31.30%

Attachment 4: Company's Tenth Amended and Restated Memorandum and Articles of Association comparison table

After-amendment	Before-amendment	Description
<p>Article 7</p> <p>The capital of the Company is US\$ 5,000,000 divided into 500,000,000 ordinary shares of a nominal or par value of US\$ 0.01 each provided always that subject to the Law and the Articles of Association the Company shall have power to redeem or purchase any of its shares and to sub-divide or consolidate the said shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be ordinary, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.</p>	<p>Article 7</p> <p>The capital of the Company is US\$ 165,000,000 divided into 500,000,000 ordinary shares of a nominal or par value of US\$ 0.33 each provided always that subject to the Law and the Articles of Association the Company shall have power to redeem or purchase any of its shares and to sub-divide or consolidate the said shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be ordinary, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.</p>	<p>Proposed amendments to this Article upon the receipt of an order of the Grand Court of the Cayman Islands approving the Capital Reduction.</p>

IV. Appendices

Appendix 1: Articles of Incorporation

THE COMPANIES LAW (AS AMENDED)

COMPANY LIMITED BY SHARES

EIGHTH AMENDED AND RESTATED

MEMORANDUM OF ASSOCIATION OF ASLAN PHARMACEUTICALS LIMITED

(Adopted by Special Resolution passed on 29 June 2020)

1. The name of the Company is ASLAN PHARMACEUTICALS LIMITED (the “**Company**”).
2. The registered office of the Company is situated at the offices of **Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands** or at such other location as the Directors may from time to time determine.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law of the Cayman Islands (as amended) (the “**Law**”).
4. The Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided by Section 27(2) of the Law.
5. The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this section shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
6. The liability of the shareholders of the Company is limited to the amount, if any, unpaid on the shares respectively held by them.
7. The capital of the Company is **NT\$5,000,000,000** divided into **500,000,000** ordinary shares of a nominal or par value of **NT\$10.00** each provided always that subject to the Law and the Articles of Association the Company shall have power to redeem or purchase any of its shares and to sub-divide or consolidate the said shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be ordinary, preference or otherwise shall be subject to the powers on the part of the Company hereinbefore provided.
8. The Company will not exercise the power contained in Section 226 of the Law to deregister in the Cayman Islands and be registered by way of continuation in some other jurisdiction.



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COMPANY LIMITED BY SHARES

EIGHTH AMENDED AND RESTATED

ARTICLES OF ASSOCIATION OF ASLAN PHARMACEUTICALS LIMITED

(Adopted by Special Resolution passed on 29 June 2020) TABLE A

The Regulations contained or incorporated in Table 'A' in the First Schedule of the Law shall not apply to ASLAN PHARMACEUTICAL LIMITED (the "Company") and the following Articles shall comprise the Articles of Association of the Company.

INTERPRETATION

1. In these Articles the following defined terms will have the meanings ascribed to them, if not inconsistent with the subject or context:

"10% Reserve" has the meaning given thereto in Article 136;

"Applicable Listing Rules" means the relevant ROC laws, regulations, rules and code as amended, from time to time, applicable as a result of the original and continued trading or listing of any shares on any Taiwan stock exchange or securities market, including, without limitation the relevant provisions of Securities and Exchange Act, the Acts Governing Relations Between Peoples of the Taiwan Area and the Mainland Area, or any similar statute and the rules and regulations of the Taiwan authorities thereunder, and the rules and regulations promulgated by the Financial Supervisory Commission, the Taipei Exchange (formally known as GreTai Securities Market) or the Taiwan Stock Exchange;

"Articles" means these articles of association of the Company, as amended or substituted from time to time;

"Audit Committee" means the audit committee under the Board of Directors, which shall comprise solely of Independent Directors of the Company;

"Branch Register" means any branch register of such category or categories of Members as the Company may determine;

"Chairman" has the meaning given thereto in Article 96;

"Class" or **"Classes"** means any class or classes of Shares as may from time to time be issued by the Company;

"Commission" means Financial Supervisory Commission of Taiwan or any other authority for the time being administering the Securities and Exchange Act of Taiwan;

"Constituent Company" means an existing company that is participating in a Merger with one or more other existing companies within the meaning of the Law;

"Directors" and **"Board of Directors"** and **"Board"** means the directors of the Company for the time being, or as the case may be, the directors assembled as a board or as a committee thereof;

"Directors' Remunerations" has the meaning given thereto in Article 136;

"electronic" shall have the meaning given to it in the Electronic Transactions Law (as amended) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefore;

"electronic communication" means transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds of the vote of the Board;

"Emerging Market" means the emerging market board of the TPEx;

"Employees' Remunerations" has the meaning given thereto in Article 136;

"Indemnified Person" has the meaning given thereto in Article 163;

"Independent Director" means a director who is an independent director as defined in the Applicable Listing Rules;

"Law" means the Companies Law of the Cayman Islands (as amended);

"Memorandum of Association" means the memorandum of association of the Company, as amended or substituted from time to time;



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“Merger” means the merging of two or more Constituent Companies and the vesting of their undertaking, property and liabilities in one of such company as the Surviving Company within the meaning of the Law;

“Office” means the registered office of the Company as required by the Law;

“Ordinary Resolution” means a resolution passed by a simple majority of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company;

“Paid Up” means paid up as to the par value and any premium payable in respect of the issue of any Shares and includes credited as paid up;

“Person” means any natural person, firm, company, joint venture, partnership, corporation, association or other entity (whether or not having a separate legal personality) or any of them as the context so requires;

“Preferred Shares” has the meaning given thereto in Article 12;

“Principal Register”, where the Company has established one or more Branch Registers pursuant to the Law and there Articles, means the Register maintained by the Company pursuant to the Law and these Articles that is not designated by the Directors as a Branch Register;

“Private Placement” means issuance of securities of the Company (including Shares, options, warrants, rights attached to debt or equity securities to subscribe further for securities and other securities) to specific persons pursuant to the Applicable Listing Rules, but excluding any employee incentive programme or issuance of Shares in connection with meeting the Company’s obligations under warrants, options, convertible bonds or preferred Shares;

“Register” means the register of Members of the Company required to be kept pursuant to the Law and includes any Branch Registers established by the Company in accordance with the Law;

“Remuneration Committee” means the remuneration committee established and appointed by the Board of Directors;

“Republic of China”, “ROC” or “Taiwan” means the Republic of China, its territories, its possessions and all areas subject to its jurisdiction;

“Seal” means the common seal of the Company (if adopted) including any facsimile thereof;

“Secretary” means any Person appointed by the Directors to perform any of the duties of the secretary of the Company;

“Securities and Futures Institute” means the Securities and Futures Institute in the Republic of China;

“Share” means a share in the capital of the Company. All references to “Shares” herein shall be deemed to be Shares of any or all Classes as the context may require. For the avoidance of doubt in these Articles the expression “Share” shall include a fraction of a Share;

“Share Exchange” means the transfer of all the issued shares of the Company by the Shareholders to another company in exchange for the shares issued by such company to the Shareholders;

“Shareholder” or “Member” means a Person who is registered as the holder of Shares in the Register and includes each subscriber to the Memorandum of Association pending the issue to such subscriber of the subscriber Share or Shares;

“Share Premium Account” means the share premium account established in accordance with these Articles and the Law;

“Shareholders’ Service Agent” means the agent licensed by Taiwan authorities to provide certain shareholders services in accordance with the Applicable Listing Rules to the Company;

“Signed” means bearing a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a person with the intent to sign the electronic communication;

“Special Resolution” means a special resolution of the Company passed in accordance with the Law, being a resolution passed by a majority of not less than two-thirds of such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a special resolution has been duly given;

“Spin-off” refers to an act wherein a transferor company transfers all of its independently operated business or any single independently operated business to an existing or a newly incorporated company as consideration for that existing transferee company or newly incorporated transferee company to issue new shares to the transferor company or to shareholders of the transferor company;



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“Subordinate Company” means a company:

- (a) of which the Company holds a majority of the total number of issued voting shares or to which the Company contributes a majority of the total capital amount; or
- (b) over which the Company has direct or indirect managerial control of the personnel, financial or business operations.

“Supermajority Resolution” means a resolution adopted by a majority vote of the Members at a general meeting attended by Members who represent two-thirds or more of the total outstanding shares of the Company or, if the total number of shares represented by the Members present at the general meeting is less than two-thirds of the total outstanding shares of the Company, but more than one-half of the total outstanding shares of the Company, means instead, a resolution adopted at such general meeting by the Members who represent two-thirds or more of the total number of shares entitled to vote on such resolution at such general meeting;

“Surviving Company” means the sole remaining Constituent Company into which one or more other Constituent Companies are merged within the meaning of Law;

“TPEX” means the Taipei Exchange in Taiwan which was formerly known as GreTai Securities Market;

“TDCC” means the Taiwan Depository & Clearing Corporation;

“Treasury Shares” means Shares that were previously issued but were purchased, redeemed, surrendered or otherwise acquired by the Company and not cancelled in accordance with the Law, these Articles and the Applicable Listing Rules; and

“TSE” means the Taiwan Stock Exchange.

2. In these Articles, save where the context requires otherwise:

- (a) words importing the singular number shall include the plural number and vice versa;
- (b) words importing the masculine gender only shall include the feminine gender and any Person as the context may require;
- (c) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative;
- (d) reference to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;
- (e) reference to any determination by the Directors shall be construed as a determination by the Directors in their absolute discretion and shall be applicable either generally or in any particular case; and
- (f) reference to “in writing” shall be construed as written or represented by any means reproducible in writing, including any form of print, lithograph, email, facsimile, photograph or telex or represented by any other substitute or format for storage or transmission for writing or partly one and partly another.

3. Subject to the last two preceding Articles, any words defined in the Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

PRELIMINARY

- 4. The business of the Company may be commenced at any time after incorporation. The business of the Company shall be conducted in accordance with applicable laws, regulations and business ethics, and the Company may take action(s) that benefit the public welfare to fulfil its corporate social responsibility to the extent not prohibited by the Law.
- 5. The Office shall be at such address in the Cayman Islands as the Directors may from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.
- 6. The preliminary expenses incurred in the formation of the Company and in connection with the issue of Shares shall be paid by the Company. Such expenses may be amortised over such period as the Directors may determine and the amount so paid shall be charged against income and/or capital in the accounts of the Company as the Directors shall determine.
- 7. The Directors shall keep, or cause to be kept, the Register at such place as the Directors may from time to time determine and, in the absence of any such determination, the Register shall be kept at the Office.
- 8. If the Directors consider it necessary or appropriate, the Company may establish and maintain one or more Branch Registers as well as the Principal Register at such location or locations within or outside the Cayman Islands as the Directors think fit, provided always that a duplicate of such Branch Register(s) shall be maintained with the Principal Register in accordance with the Law. The Principal Register and the Branch Register(s) shall together be treated as the Register for the purposes of the Articles.



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9. For so long as any Shares are traded on the Emerging Market, the TPEX or the TSE, the record of the shareholders of the Company maintained by TDCC shall be a listed shares register.

SHARES

10. Subject to these Articles, all Shares for the time being unissued shall be under the control of the Directors who may :
- (a) issue, allot and dispose of the same to such Persons, in such manner, on such terms and having such rights and being subject to such restrictions as they may from time to time determine; and
 - (b) grant options with respect to such Shares and issue warrants or similar instruments with respect thereto;
- and, for such purposes, the Directors may reserve an appropriate number of Shares for the time being unissued.
11. The Directors may authorise the division of Shares into any number of Classes and the different Classes shall be authorised, established and designated (or re-designated as the case may be) and the variations in the relative rights (including, without limitation, voting, dividend and redemption rights), restrictions, preferences, privileges and payment obligations as between the different Classes (if any) shall be fixed and determined by the Directors.
12. The Company may issue Shares with rights which are preferential to those of ordinary Shares issued by the Company ("**preferred Shares**") with the approval of a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors and with the approval of a Special Resolution. Prior to the issuance of any preferred Shares approved pursuant to this Article 12, these Articles shall be amended to set forth the rights and obligations of the preferred Shares, including but not limited to the following terms, and the same shall apply to any variation of rights of preferred Shares:
- (a) order, fixed amount or fixed ratio of allocation of Dividends and bonus on preferred Shares;
 - (b) order, fixed amount or fixed ratio of allocation of surplus assets of the Company;
 - (c) order of or restriction on the voting right(s) (including declaring no voting rights whatsoever) of preferred Shareholders;
 - (d) other matters concerning rights and obligations incidental to preferred Shares; and
 - (e) the method by which the Company is authorized or compelled to redeem the preferred Shares, or a statement that redemption rights shall not apply.
13. The issue of new Shares of the Company shall be approved by a majority of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors. The issue of new Shares shall at all times be subject to the sufficiency of the authorised capital of the Company.
14. The Company shall not issue any unpaid Shares or partly paid-up Shares. If a Shareholder fails to pay any call or instalment of a call in respect of any Shares on the day appointed for payment, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on such Shareholder requiring payment of so much of the call or instalment as is unpaid. The notice shall name a further day (not earlier than the expiration of one month from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the Shares in respect of which the call was made will be liable to be forfeited. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect. A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit. A Person whose Shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the Shares forfeited, but his liability shall cease if and when the Company receives payment in full of the amount unpaid on the Shares forfeited. A statutory declaration in writing that the declarant is a Director, and that a Share has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts in the declaration as against all Persons claiming to be entitled to the Share. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes due and payable, whether on account of the amount of the Share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified. Under the aforesaid circumstances, compensation for loss or damage, if any, may still be claimed against such defaulting Shareholder. The Company shall not issue shares in bearer form.
15. Where the Company increases its issued share capital by issuing new Shares for cash consideration, the Directors may reserve ten to fifteen percent of the new shares for subscription by the employees of the Company or of any of its Subordinate Companies who are determined by the Board in its reasonable discretion.
16. For so long as the Shares are registered in the Emerging Market or listed on the TPEX or TSE, unless otherwise resolved by the Members in general meeting by Ordinary Resolution, if at anytime the



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Board resolves to issue any new Share, the Company shall subject to Applicable Listing Rules, after reserving the portion of Shares for subscription by its employees and for public offering in Taiwan pursuant to Article 15 and Article 18 respectively, first offer such remaining new Shares by a written notice and a public announcement to each then Shareholder for their subscriptions in proportion to the number of Shares held by them respectively, and shall state in the notice that if any Shareholder fails to subscribe for new Shares, his right shall be forfeited. Where a fractional percentage of the original Shares being held by a Shareholder is insufficient to subscribe for one new Share, the fractional percentages of the original Shares being held by several Shareholders may be combined for joint subscription of one or more integral new Shares or for subscription of new Shares in the name of a single Shareholder. New Shares left unsubscribed by original Shareholders may be open for public issuance or for subscription by specific person or persons through negotiation.

17. The Shareholders' pre-emptive right prescribed under Article 16 shall not apply in the event that new Shares are issued due to the following reasons or for the following purpose:
- (a) in connection with a merger with another company, or the Spin-off of the Company, or pursuant to any reorganization of the Company;
 - (b) in connection with meeting the Company's obligation under Share subscription warrants and/or options;
 - (c) in connection with meeting the Company's obligation under corporate bonds which are convertible bonds or vested with rights to acquire Shares;
 - (d) in connection with meeting the Company's obligation under preferred Shares vested with rights to acquire Shares; or
 - (e) in connection with a Private Placement.
18. Where the Company increases its capital by issuing new Shares for cash consideration in Taiwan, the Company shall allocate 10% of the total amount of the new Shares to be issued, for offering in Taiwan to the public unless it is not necessary or appropriate, according to the Applicable Listing Rules, for the Company to conduct the aforementioned public offering. Provided however, if a percentage higher than the aforementioned 10% is resolved by a general meeting to be offered, the percentage determined by such resolution shall prevail.
19. The Company may, upon resolution by a majority votes at a meeting of the Board of Directors attended by two-thirds or more of the Directors, adopt one or more employee incentive programmes pursuant to which shares, options, warrants, or other similar instruments to acquire Shares may be granted to employees of the Company or any Subordinate Company who meet the requirements and qualifications to subscribe for Shares; provided that, in no event shall the aggregate number of shares to be issued pursuant to such employee incentive programs exceed fifteen percent (15%) of the then total issued and outstanding shares of the Company. The options, warrants, or other similar instruments to acquire Shares granted to any employee under any employee stock option plan shall be non-transferable, except to the heirs of the employees.
20. Subject to Article 49, the Company may, by Special Resolution at the most recent general meeting, transfer Treasury Shares to employees of the Company or of any of its Subordinate Company at less than the average actual repurchase price. The Company shall have listed the following matters with respect to such transfer in the notice of that general meeting and may not raise those matters by ad hoc motions:
- (a) the exercise price, the discount percentage, the bases of calculations, and the reasonableness thereof;
 - (b) the number of Treasury Shares to be transferred, the purpose, and the reasonableness thereof;
 - (c) qualification requirements for employees of the Company or of any of its Subordinate Company subscribing to the Treasury Shares, and the number of Treasury Shares they are allowed to subscribe for;
 - (d) factors affecting shareholders' equity, including:
 - (1) the expensable amount, and dilution of the Company's earnings per Share;
 - (2) explanation on the financial burden imposed on the Company by transferring Treasury Shares to employees at less than the average actual repurchase price.

In previous instances where the transfer of Treasury Share to the employees have been approved at general meetings and the Treasury Shares have been transferred, the aggregate number of Treasury Shares so transferred may not exceed 5 percent of the total issued Shares of the Company, and the aggregate number of Shares subscribed by any single employee may not exceed 0.5 percent of total issued Shares.

21. The Company may issue shares being subject to the restrictions as the Directors may from time to time agree with the employees for subscription by the employees of the Company or any subordinate company by a Supermajority Resolution, in which event Articles 15 and 16 shall not apply. For so long as the Shares are registered in the Emerging Market or listed on the TPEx or TSE, the issuance of such shares for employees, including but not limited to the issuance amount, issuance price, and issuance conditions, shall be set in compliance with the Applicable Listing Rules.



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MODIFICATION OF RIGHTS

22. Whenever the capital of the Company is divided into different Classes the rights attached to any such Class may (unless otherwise provided by the terms of issue of the Shares of that Class) only be materially adversely varied or abrogated with the sanction of a Special Resolution passes at a separate meeting of the holders of the Shares of that Class, but not otherwise. To every such separate meeting all the provisions of these Articles relating to general meetings of the Company or to the proceedings thereat shall, *mutatis mutandis*, apply, except that the necessary quorum shall be one or more Persons at least holding or representing by proxy one-half in nominal or par value amount of the issued Shares of the relevant Class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Shareholders who are present shall form a quorum) and that, subject to the terms of issue of the Shares of that Class, every Shareholder of the Class shall on a poll have one vote for each Share of the Class held by him.
23. The rights conferred upon the holders of the Shares of any Class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that Class, be deemed to be materially adversely varied or abrogated by, inter alia, the creation, allotment or issue of further Shares ranking *pari passu* with or subsequent to them, the redemption or purchase of Shares of any Class by the Company.

CERTIFICATES

24. Subject to the provisions of the Law, the Company may issue Shares without printing share certificates for the Shares issued, and the details regarding such issue of Shares shall be recorded by TDCC in accordance with the Applicable Listing Rules. Every person whose name is entered as a member in the Register may be entitled to a certificate in the form determined by the Board of Directors if the Board of Directors resolves that a share certificate shall be issued.
25. In the event the Board of Directors resolves that share certificates shall be issued pursuant to Article 24 hereof, the Company shall deliver the share certificates to the subscribers within thirty days from the date such share certificates may be issued pursuant to the Law, the Memorandum of Association, the Articles, and the Applicable Listing Rules, and shall make a public announcement prior to the delivery of such share certificates pursuant to the Applicable Listing Rules.

FRACTIONAL SHARES

26. Subject to the Applicable Listing Rules and these Articles, the Directors may issue fractions of a Share and, if so issued, a fraction of a Share shall be subject to and carry the corresponding fraction of liabilities (whether with respect to nominal or par value, premium, contributions, calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights (including, without prejudice to the generality of the foregoing, voting and participation rights) and other attributes of a whole Share. If more than one fraction of a Share of the same Class is issued to or acquired by the same Shareholder such fractions shall be accumulated.

TRANSFER OF SHARES

27. Subject to the Law, Shares issued by the Company shall be freely transferable, provided that any Shares issued or transferred to the employees of the Company or of any of its Subordinate Companies pursuant to Articles 15 or 21 or 41 may be subject to transfer restrictions for a specific period of time as may be agreed with the Company and such employee and such period for the Shares issued or transferred to the employees pursuant to Article 15 or 41 shall be no longer than two years.
28. The instrument of transfer of any Share shall be in any usual or common form or such other form as the Directors may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if so required by the Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a Shareholder until the name of the transferee is entered in the Register in respect of the relevant Shares. Subject to the requirements of applicable laws of the Cayman Islands, transfers of uncertificated Shares which are registered in the Emerging Market or listed in the TPEX or the TSE may be effected by any method of transferring or dealing in securities introduced by the TPEX or TSE or operated in accordance with the Applicable Listing Rules as appropriate.
29. The Board may decline to register any transfer of any Share unless:
- (a) the instrument of transfer is lodged with the Company, accompanied by the certificate (if any) for the Shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;



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- (b) the instrument of transfer is in respect of only one class of Shares;
- (c) the instrument of transfer is properly stamped, if required; or
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four.

30. The registration of transfers may be suspended when the Register is closed in accordance with Article 53.

31. All instruments of transfer that are registered shall be retained by the Company, but any instrument of transfer that the Directors decline to register shall (except in any case of fraud) be returned to the Person depositing the same.

TRANSMISSION OF SHARES

32. The legal personal representative of a deceased sole holder of a Share shall be the only Person recognised by the Company as having any title to the Share. In the case of a Share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased holder of the Share, shall be the only Person recognised by the Company as having any title to the Share.

33. Any Person becoming entitled to a Share in consequence of the death or bankruptcy of a Shareholder shall upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Shareholder in respect of the Share or, instead of being registered himself, to make such transfer of the Share as the deceased or bankrupt Person could have made. If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the Share by the deceased or bankrupt Person before the death or bankruptcy.

34. A Person becoming entitled to a Share by reason of the death or bankruptcy of a Shareholder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered Shareholder, except that he shall not, before being registered as a Shareholder in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company; provided however, that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the Share, and if the notice is not complied with within ninety days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

ALTERATION OF SHARE CAPITAL

35. The Company may from time to time by Ordinary Resolution increase its authorized share capital by such amount as it thinks expedient.

36. The Company may also by Special Resolution:

- (a) change its name;
- (b) alter or add to these Articles;
- (c) alter or add to the Memorandum of Association with respect to any objects, powers or other matters specified therein; and
- (d) reduce its share capital and any capital redemption reserve in any manner authorised by law.

37. The Company may also by Supermajority Resolution:

- (a) enter into, amend, or terminate any contract for lease of its business in whole, or for entrusting business, or for regular joint operation with others;
- (b) transfer the whole or any material part of its business or assets;
- (c) take over the transfer of another's whole business or assets, which will have a material effect on the business operation of the Company;
- (d) effect any merger (other than a Merger), Spin-off or Share Exchange of the Company in accordance with the Applicable Listing Rules;
- (e) grant waiver to the Director's engaging in any business within the scope of the Company's business;
- (f) discharge or remove any Director;
- (g) resolve to capitalize an amount standing to the credit of reserves (including a share premium account and/or profit account), whether or not available for distribution, or subject to Cayman Islands law, distribute cash out of legal reserve, the premium paid on the issuance of any share and income from endowments received by the Company to the Shareholders;



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- (h) issue employee stock options where the exercise price for such options is lower than the closing price of the Shares of the Company as of the issuance date (provided such exercise price shall not be less than the par value per Share).
- 37A. Notwithstanding anything to the contrary in these Articles, if the Company proposes to effect any merger, transfer and assumption of its business or assets, share swap or spin-off, as a result of which the Company would cease to be a TPEX-listed company and the surviving company, transferee company, existing company or newly set-up company (depending on the circumstances) is not a company listed on TSE or TPEX, such transaction must be approved by the Shareholders representing two thirds of the issued and outstanding shares of the Company.
38. Subject to the Law, these Articles and the quorum requirement under the Applicable Listing Rules, with regard to the dissolution procedures of the Company, the Company shall pass:
- (a) an Ordinary Resolution, if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due; or
 - (b) a Special Resolution, if the Company resolves that it be wound up voluntarily for reasons other than the reason stated in Article 38 (a) above.
39. In the event any of the resolutions with respect to the paragraph (a), (b), or (c) of the preceding Article 37 is adopted by the Shareholders at a general meeting or a Merger (in either case the date of such resolution(s) being, for the purposes of this Article 39 (the "Resolution Date")) is approved in accordance with the provisions of the Law, any Shareholder who has notified the Company in writing of his objection to such proposal prior to such meeting and subsequently raised his objection at the meeting may request the Company to purchase all of his Shares at the then prevailing fair price; provided, however, that no Shareholder shall have the abovementioned appraisal right if the Shareholders at a general meeting resolve on the dissolution of the Company after the completion of transfer of business or assets under the paragraph (b) of Article 37. In the event any part of the Company's business is Spun Off or involved in any merger, Share Exchange or acquisition with any other company, and the Shareholders are entitled to appraisal rights pursuant to the Applicable Listing Rules, the Shareholder, who has forfeited his right to vote on such matter and expressed his dissent therefor, in writing or verbally (with a record) before or during the general meeting, may request the Company to buy back all of his Shares at the then prevailing fair price; the Shareholders shall file a written request within 20 days from the relevant Resolution Date, stating the requested purchase price. In case no agreement is reached, the Company shall pay the price to the Shareholders at a fair price as determined by the Board of Directors on behalf of the Company within 90 days from the Resolution Date. Where the Company's failure to pay such price shall be deemed to have agreed to the price requested by the Shareholders. In the event the Company fails to reach such agreement with the Shareholder within sixty days after the Resolution Date, the Company shall, within thirty days after such sixty-day period, file a petition to any competent court of Taiwan for a ruling on the appraisal price against all the dissenting Shareholders as the opposing party, and to the extent that the ruling is capable of enforcement and recognition in the relevant jurisdiction, such ruling by such Taiwan court shall be binding and conclusive as between the Company and requested Shareholder solely with respect to the appraisal price.

REDEMPTION AND PURCHASE OF SHARES

40. Subject to the Law, the Applicable Listing Rules and these Articles, the Company may issue preferred Shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Shareholder on such terms and in such manner as the Company may by Special Resolution, before the issue of such Shares, determine. Subject to the Law, the preferred shares shall be redeemable pursuant to the terms; provided that the privileges accorded to preferred shareholders by these Articles shall not be impaired.
41. For so long as the Shares are registered in the Emerging Market or the TPEX or TSE, matters with respect to the purchase of its own Shares by the Company shall be approved by the Board of Directors in compliance with the Applicable Listing Rules and the Law.
42. Notwithstanding Articles 40 and 41 and subject to the Law, the Company may with the sanction of an Ordinary Resolution purchase and cancel its own Shares out of the share capital of the Company. The number of Shares to be repurchased and cancelled pursuant to this Article shall be pro rata among the Shareholders in proportion to the number of Shares held by each such Shareholder.

The amount payable to the Shareholders in connection with a repurchase of Shares out of the share capital of the Company may be paid in cash or by way of delivery of assets in specie (i.e., non-cash). The assets to be delivered and the amount of such substitutive share capital in connection with a repurchase of Shares out of the share capital of the Company shall be approved by the Shareholders at the general meeting and shall be subject to consent by the Shareholder receiving such assets. Prior to the general meeting considering such repurchase, the Board of Directors shall have the value of assets to be delivered and the amount of such substitutive share capital in respect of repurchase of the Shares audited and certified by an ROC certified public accountant.

43. The number of Shares purchased by the Company pursuant to the preceding Article 41 shall not exceed ten percent (10%) of the total number of issued Shares of the Company. The total price of the Shares so



purchased shall not exceed the sum of retained earnings plus the premium paid on the issuance of any share and income from endowments received by the Company.

44. The Directors or managerial officers of the Company, or their spouse, minor children (under age of 20), or any other persons who hold the Shares for the benefits of the Directors, officers, their spouses or minor children, shall not sell or otherwise transfer their Shares during the period when the Company is purchasing its own Shares pursuant to the Article 41.
45. The resolution for the purchase of the Shares by the Company pursuant to the Article 41 and the implementation thereof shall be reported in the most recent general meeting regardless of whether the Company does purchase the Shares in accordance with such resolution or not.
46. Any Share in respect of which notice of redemption has been given shall not be entitled to participate in the profits of the Company in respect of the period after the date specified as the date of redemption in the notice of redemption.
47. The redemption, purchase of any Share shall not be deemed to give rise to the redemption, purchase of any other Share.
48. Subject to the Law, the Applicable Listing Rules and Article 42, the Directors may when making payments in respect of redemption or purchase of Shares, if authorised by the terms of issue of the Shares being redeemed or purchased or with the agreement of the holder of such Shares, make such payment either in cash or in specie.

TREASURY SHARES

49. Subject to Article 41, Shares that the Company purchases, redeems or acquires (by way of surrender or otherwise) may, at the option of the Company, be cancelled immediately or held as Treasury Shares in accordance with the Law. In the event that the Directors do not specify that the relevant Shares are to be held as Treasury Shares, such Shares shall be cancelled.
50. No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) and the allotment of bonus shares may be declared or paid in respect of a Treasury Share.
51. The Company shall be entered in the Register as the holder of the Treasury Shares provided that:
 - (a) the Company shall not be treated as a member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;
 - (b) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Law.
52. Subject to Articles 20 and 41 and the Applicable Listing Rules, Treasury Shares may be disposed of by the Company on such terms and conditions as determined by the Directors.

CLOSING REGISTER OR FIXING RECORD DATE

53. For the purpose of determining those Members that are entitled to receive notice of, attend or vote at any meeting of Members or any adjournment thereof, or those Members that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Member for any other purpose, the Directors may provide that the Register shall be closed for transfers for a stated period. For so long as the Shares are registered in the Emerging Market or listed in the TPEX or TSE, the Register shall be closed not less than the minimum period, as prescribed by the Applicable Listing Rules.
54. The Directors shall make a public announcement of the closing of the Register on the website designated by the Commission and the TPEX or TSE pursuant to the Applicable Listing Rules, if required.

GENERAL MEETINGS

55. All general meetings other than annual general meetings shall be called extraordinary general meetings.
56. The Board may, whenever they think fit, convene a general meeting of the Company; provided that the Company shall in each year hold a general meeting as its annual general meeting within six months after close of each fiscal year and shall specify the meeting as such in the notices calling it.
57. At these meetings the report of the Directors (if any) shall be presented. For so long as the Shares are registered in the Emerging Market or listed in the TPEX or TSE, all general meetings shall be held in Taiwan. If the Directors resolve to hold a general meeting outside Taiwan or the shareholder(s) obtain the approval of the Commission to hold a general meeting outside Taiwan, the Company or such shareholders shall apply for the approval of the TPEX (or the TSE, if applicable) thereof within two days after the board resolution or the Commission's approval (as applicable). Where a general



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meeting is to be held outside Taiwan, the Company shall engage a designated institute approved by the Commission and the TPEx (or the TSE, if applicable) to handle the administration of such general meeting and shall allow the votes of the Shareholders to be exercised in writing or by way of electronic transmission.

58. Extraordinary general meetings shall also be convened on the requisition in writing of any Shareholder or Shareholders of the Company holding at least three percent (3%) of the issued share capital of the Company for a period of one year or a longer time deposited at the Office or the Shareholders' Service Agent specifying the subjects for discussion and the reasons, and if the Board fails to give a notice for convening such meeting within 15 days after the date of such deposit, for so long as the Shares are registered in the Emerging Market or listed on the TPEx or TSE, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene the general meeting shall be reimbursed to them by the Company. However, any meeting convened pursuant to this Article shall be held within three months after the expiration of the said 15-day period; or an extraordinary general meeting may be convened on the requisition of one or more Shareholders holding more than half of the paid up capital of the Company having the right of voting at general meetings for a period of at least 3 consecutive months at the date the book closure period commences. The above shareholding percentage and holding period shall be determined by reference to the number of shares held by the relevant Shareholder(s) at the beginning of the book closure period. In the event that the Board does not or cannot convene a general meeting, or an Independent Director member of the Audit Committee otherwise finds it necessary for the interests of the Company, the Independent Director may convene a general meeting.
59. If at any time there are no Directors, any Shareholder or Shareholders holding at least three percent (3%) of the issued share capital of the Company for a period of one year or a longer time may, subject to the approval of the Commission for so long as the Shares are registered in the Emerging Market or listed on the TPEx or TSE, convene a general meeting in the same manner as nearly as possible as that in which general meetings may be convened by the Directors.

NOTICE OF GENERAL MEETINGS

60. At least thirty and fifteen days' notices in writing shall be given for any annual and extraordinary general meetings, respectively. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business. The notice for a general meeting may be given by means of electronic communication if the Company obtains prior consent by the individual recipients. The Company shall make a public announcement on the website designated by the Commission and the TPEx or TSE 30 days before an annual general meeting or 15 days before an extraordinary general meeting, regarding the meeting notice, proxy form, explanatory materials relating to proposals for ratification, matters for resolution, election or dismissal of directors and other matters on the meeting agenda. Where votes of shareholders are to be exercised by way of a written ballot, a copy of the materials referred to in the preceding provision and the written ballot shall also be sent to the Shareholders.
61. The following matters shall be specified in the notice of a general meeting, and shall not be proposed as ad hoc motions. The content of such matters shall be published on the website of the relevant securities authorities or the Company. The address of such website shall be provided in the notice of the general meeting:
- (a) election or discharge of directors;
 - (b) amendments to these Articles;
 - (c) dissolution, merger, Share Exchange or Spin-off of the Company;
 - (d) repurchasing and cancelling Shares out of the share capital of the Company pursuant to Article 42;
 - (e) applying for the cessation of its status as a public company;
 - (f) entering into, amendment to, or termination of any contract for lease of its business in whole, or for entrusting business, or for regular joint operation with others;
 - (g) the transfer of the whole or any material part of its business or assets;
 - (h) taking over another's whole business or assets, which will have a material effect on the business operation of the Company;
 - (i) carrying out private placement of its securities;
 - (j) granting waiver to the Director's engaging in any business within the scope of business of the Company;
 - (k) distributing part or all of its dividends or bonus by way of issuance of new Shares;
 - (l) capitalization of the statutory reserve or any other amount prescribed under Article 151 hereof;
 - (m) issuance of employee stock options where the exercise price for such options is lower than the closing price of the Shares of the Company as of the issuance date; and
 - (n) matters with respect to the issuance of restricted Shares for the employees as required by the Applicable Listing Rules.



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62. For so long as the Shares are registered in the Emerging Market or listed on the TPEX or TSE, the Company shall prepare a manual for each general meeting and the relevant materials, which will be made available to all Shareholders and shall be published on the website designated by the Commission and the TPEX or TSE pursuant to the Applicable Listing Rules.

PROCEEDINGS AT GENERAL MEETINGS

63. No business shall be transacted at any general meeting unless a quorum of Shareholders is present at the time when the meeting proceeds to business. Save as otherwise provided by these Articles, the holders of Shares being more than an aggregate of one-half of all Shares in issue present in person or by proxy and entitled to vote shall be a quorum for all purposes.

64. Shareholder(s) holding one percent or more of the total number of issued Shares immediately prior to the relevant book close period may propose in writing or by electronic transmission to the Company a proposal for discussion at an annual general meeting. Unless the number of Shares held by the Shareholder(s) making the said proposal is less than one percent (1%) of the total number of issued Shares, or where the subject (the matter) of the said proposal cannot be settled or resolved by a resolution at a general meeting, or the content of the said proposal exceeds three hundred (300) words, or that a proposal contains more than one matter, or that a proposal is submitted on a day beyond the deadline fixed and announced by the Company for accepting shareholders' proposals, the Board shall include such proposal in the agenda. Where the proposal made by the Shareholder(s) is to allow the Company to improve the public interest or to fulfil its social responsibility, the Board may include such proposal in the agenda.

65. The Chairman, if any, of the Board of the Directors shall preside as chairman at every general meeting of the Company convened by the Board of the Directors. For a general meeting convened by any other person having the convening right, such person shall act as the chairman of that meeting; provided that if there are two or more persons jointly having the convening right, the chairman of the meeting shall be elected from those persons.

66. If a general meeting is called by the Board of Directors, and to the event that the Chairman of the Board of Directors is on leave of absence, or cannot exercise his powers and authority, the Vice Chairman shall act in lieu of him. If there is no Vice Chairman, or the Vice Chairman is also on leave of absence, or cannot exercise his powers and authority, the Chairman shall designate a Managing Director to act in place of him; if there is not Managing Director, the Chairman shall designate a Director to act in place of him. If the Chairman does not designate a Director to act, the Managing Directors or Directors shall elect one from among themselves to act in place of the Chairman.

67. Unless otherwise expressly provided herein, if a quorum is not present at the time appointed for the general meeting or if during such a general meeting a quorum ceases to be present, the chairman may postpone the general meeting to a later time, provided, however, that the maximum number of times a general meeting may be postponed shall be two and the total time postponed shall not exceed one hour. If the general meeting has been postponed for two times, but at the postponed general meeting a quorum is still not present, the chairman shall declare the general meeting is dissolved, and if it is still necessary to convene a general meeting, it shall be reconvened as a new general meeting in accordance with these Articles. The chairman may by Ordinary Resolution (and shall if so directed by the meeting) adjourn a meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting, or adjourned meeting, is adjourned for more than five (5) days, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

68. At any general meeting a resolution put to the vote of the meeting shall be decided on a poll. The number or proportion of the votes in favour of, or against, that resolution shall be recorded in the minutes of the meeting.

69. Unless otherwise expressly required by the Applicable Listing Rules, the Law or these Articles, any matter which has been presented for resolution, approval, confirmation or adoption by the Shareholders at any general meeting may be passed by an Ordinary Resolution.

70. The minutes of the general meeting shall be distributed to each Shareholder after the meeting and/or made public pursuant to the Applicable Listing Rules.

71. In the case of an equality of votes, the chairman of the meeting shall not be entitled to a second or casting vote.

VOTES OF SHAREHOLDERS

72. Subject to any rights and restrictions for the time being attached to any Share, every Shareholder and



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every Person representing a Shareholder by proxy shall have one vote for each Share of which he or the Person represented by proxy is the holder. For so long as the Shares are registered in the Emerging Market or listed on the TPEX or TSE, subject to the laws of the Cayman Islands and in accordance with the Applicable Listing Rules, a Shareholder shall not exercise the votes with respect to the Shares he/it holds separately unless he/it holds certain Shares for the benefit of others; the qualifications, scope, methods of exercise, operating procedures and other matters with respect to the exercise of votes separately by the Shareholders shall be in compliance with the Applicable Listing Rules.

73. No vote may be exercised with respect to any of the following Shares and such Shares shall not be counted in determining the number of issued Shares:

- (a) the Shares held by any subsidiary of the Company, where the total number of voting shares or total shares equity held by the Company in such a subsidiary represents more than one half of the total number of voting shares or the total shares equity of such a subsidiary; or
- (b) the Shares held by another company, where the total number of the shares or total shares equity of that company held by the Company and its subsidiaries directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company.

For so long as the Shares are registered in the Emerging Market or listed on the TPEX or TSE, if a Director gives security over more than 50% of the number of Shares (the "Pledged Shares") he/it held at the time he/it was elected as a Director (the "Initial Shares"), no vote may be exercised with respect to the Shares representing the difference between the Pledged Shares and 50% of the Initial Shares, and such Shares representing the difference between the Pledged Shares and 50% of the Initial Shares shall not be counted in the number of the votes casted by the Shareholders present at the general meeting. The voting restriction referred to in the preceding provision shall

also apply to such Shares held by a Person who ceases to be a Director during the period when the Register is closed for transfer for the purpose of the same general meeting.

74. In the case of joint holders, the joint holders shall select among them a representative for the exercise of their shareholder's rights and the vote of their representative who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders.

75. A Shareholder of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in mental illness, may vote by his committee, or other Person in the nature of a committee appointed by that court, and any such committee or other Person, may vote by proxy.

76. A Shareholder may appoint a proxy to attend a general meeting on his behalf by executing a proxy prepared by the Company stating therein the scope of power authorized to the proxy. A Shareholder may only execute one proxy and appoint one proxy for each general meeting, and shall serve such written proxy to the Company no later than five (5) days prior to the meeting date. In case the Company receives two or more written proxies from one Shareholder, the first one arriving at the Company shall prevail unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later. In case a Shareholder who has submitted a proxy appointing a person as his or her proxy to attend the general meeting on his or her behalf intends to attend the general meeting in person or to submit his votes by way of a written ballot or by way of electronic transmission, he shall, at least two days prior to the date of the meeting revoke such proxy. If a Shareholder who has submitted a proxy does not submit such a revocation before the prescribed time, the appointment of that person as his or her proxy and the vote casted by that person as his or her proxy shall prevail.

77. The instrument appointing a proxy shall be in the form approved by the Board and be expressed to be for a particular meeting only.

78. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised. A proxy need not be a Shareholder.

79. Except for trust enterprises organized under the laws of the ROC or Shareholders' Service Agents approved by Taiwan competent authorities, when a person who acts as the proxy for two or more Shareholders, the number of votes represented by him shall not exceed three percent (3%) of the total number of votes of the Company and the portion of excessive votes represented by such proxy shall not be counted.

80. For so long as the Shares are registered in the Emerging Market or listed on the TPEX or TSE, the use and solicitation of proxies shall be in compliance with the Applicable Listing Rules, including but not limited to "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies".

81. A Shareholder cannot exercise his own vote or by proxy on behalf of another Shareholder in respect of any contract or proposed contract or arrangement if he may be interested therein. Such Shares shall not be counted in determining the number of votes of the Shareholders present at the said meeting



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with regard to such resolution, but such Shares may be counted in determining the number of Shares represented at the meeting for the purposes of determining the quorum.

82. The votes may be exercised by way of a written ballot or by way of electronic transmission if the method for exercising the votes has been described in the notice of the general meeting. The Company shall adopt the electronic transmission as one of the methods for exercising the votes if so required pursuant to the Applicable Listing Rules. Where the Company allows the votes of the Shareholders to be exercised by way of a written ballot or by way of electronic transmission, it shall have listed all proposals and matters in the notice that general meeting and may not raise any matter by ad hoc motions; the Company shall adopt the candidate nomination mechanism in accordance with the Applicable Listing Rules if the Shareholders will elect directors at such general meeting.
83. A Shareholder who exercises his votes by way of a written ballot or by way of electronic transmission as set forth in the preceding Article 82 shall be deemed to have, to the extent permitted by the Cayman Islands law and the Applicable Listing Rules, appointed the chairman of the meeting as such Shareholder's proxy and such appointment shall not be treated as an appointment of any proxy as defined under the Applicable Listing Rules but any Shareholder voting in such manner shall be deemed to waive notice of, and the right to vote in regard to, any ad hoc motion or amendment to the original agenda items to be resolved at the said general meeting, and shall therefore not be entitled to such notice or right to vote. The chairman of the meeting shall vote on behalf of such Shareholders according to their voting instructions. In the event that the chairman of the meeting does not vote on behalf of such Shareholders according to their voting instructions, such votes shall not be counted in determining the number of votes of the Shareholders present at the said meeting provided that such shares may be counted in determining the number of shares of the Shareholders present at such general meeting for the purpose of determining the quorum.
84. A Shareholder shall submit his vote by way of a written ballot or by way of electronic transmission to the Company no later than the second (2nd) day prior to the scheduled meeting date of the general meeting; whereas if two or more such written ballot or electronic transmission are submitted to the Company, the proxy deemed to be given to the chairman of the general meeting pursuant to Article 82 by the first written ballot or transmission shall prevail unless it is expressly included in the subsequent vote by written ballot or electronic transmission that the original vote submitted by written ballot or electronic transmission be revoked.
85. In case a Shareholder who has exercised his votes by way of a written ballot or by way of electronic transmission intends to attend the general meeting in person, he shall, at least two days prior to the date of the meeting revoke such vote by written ballot or electronic transmission and such revocation shall constitute a revocation of the proxy deemed to be given to the chairman of the general meeting pursuant to Article 84. If a Shareholder who has submitted his or her vote in writing or by way of electronic transmission pursuant to Article 83 does not submit such a revocation before the prescribed time, his or her vote by written ballot or electronic transmission and the proxy deemed to be given to the chairman of the general meeting pursuant to Article 83 shall prevail.
86. If a Shareholder has submitted his or her vote in writing or by way of electronic transmission pursuant to Article 83, and has subsequently submitted a proxy appointing a person as his or her proxy to attend the general meeting on his or her behalf, the subsequent appointment of that person as his or her proxy shall be deemed to be a revocation of such Shareholder's deemed appointment of the chairman of the general meeting as his or her proxy pursuant to Article 83 and the vote casted by that person subsequently appointed as his or her proxy shall prevail.
87. In case the procedure for convening a general meeting of Members or the method of adopting resolutions is in violation of the Law, Applicable Listing Rules or these Articles, a Shareholder may, within thirty (30) days from the date of the resolution, submit a petition for an appropriate remedy to the court of the Cayman Islands or Taiwan, and if Taiwan, the Taipei District Court as the court of first instance to the extent available under the relevant laws.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS

88. Any government or corporation which is a Shareholder or a Director may by resolution of its directors or other governing body authorise such Person as it thinks fit to act as its representative at any meeting of the Company or of any meeting of holders of a Class or of the Board of Directors or of a committee of Directors, and the Person so authorised shall be entitled to exercise the same powers on behalf of the government/corporation which he represents as that government/corporation could exercise if it were an individual Shareholder or Director.

DIRECTORS

89. Unless otherwise determined by the Company in general meeting, the number of Directors shall be no less than five Directors and no more than nine Directors, the exact number of Directors to be determined from time to time solely by an Ordinary Resolution of the general meeting. For so long as the Shares are listed on the TPEx or TSE, the Directors shall include such number of Independent



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Directors as applicable law, rules or regulations or the Applicable Listing Rules require for a foreign issuer.

90. For so long as the Shares are registered in the Emerging Market or listed on the TPEX or TSE, the qualifications, composition, election, removal, duties and powers and other relevant matters of Directors, Independent Directors, Audit Committee and Remuneration Committee shall be in compliance with the Applicable Listing Rules.
91. The Shareholders may in a general meeting appoint natural person or corporation to be a Director. At a general meeting of election of Directors, the number of votes exercisable in respect of one Share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director so elected.
92. So long as the Shares are registered in the Emerging Market or listed on the TPEX or TSE, the Company shall adopt a candidate nomination mechanism for the election of the Directors and Independent Directors which is in compliance with Applicable Listing Rules. The rules and procedures for such candidate nomination shall be in accordance with policies established by the Directors and by an Ordinary Resolution from time to time, which policies shall be in accordance with the Law, these Articles and the Applicable Listing Rules.
93. Subject to these Articles, the term for which a Director will hold office shall be three years; thereafter he/she may be eligible for re-election. In case no election of new Directors is effected after expiration of the term of office of the existing Directors, the term of office of such Directors shall be extended until the time new Directors are elected and assume their office.
94. A Director may be discharged at any time by a Supermajority Resolution adopted at a general meeting. If a Director is discharged during the term of his/her office as a director without good cause, such Director may make a claim against the Company for any and all damages sustained by him/her as a result of such discharge.
95. If prior to the expiration of the term of the existing Directors, the shareholders elect new Directors to replace all existing Directors, unless otherwise resolved at such general meeting, the existing Directors' office shall be deemed discharged immediately upon the appointment of such new Directors.
96. The Board of Directors shall have a Chairman (the "**Chairman**") elected and appointed by a majority of the Directors present at the Board meeting the quorum of which shall be two-thirds of all of the Directors then in office. The period for which the Chairman will hold office will also be determined by a majority of the Directors present at the Board meeting with a quorum of at least two-thirds of all of the Directors then in office. The Chairman shall preside as chairman at every meeting of the Board. When the Chairman is on leave or for any reason is unable to exercise the powers and authority of the Chairman, the Vice Chairman shall act in place of the Chairman, or, if there is no Vice Chairman or the Vice Chairman also is on leave or for any reason is unable to exercise the powers, a Managing Director designated by the Chairman, or, if there is no Managing Director, a Director designated thereby, or, if the Chairman does not make such a designation, the Managing Directors or Directors shall elect one from among themselves to act in place of the Chairman.
97. The Board may, from time to time, and except as required by the applicable laws and Applicable Listing Rules, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Board on various corporate governance related matters as the Board shall determine by resolution from time to time.
98. A Director shall not be required to hold any Shares in the Company by way of qualification.

DIRECTORS' FEES AND EXPENSES

99. The remuneration of the Directors may only be paid in cash. The amount of such remuneration is authorized to be decided by the Board of Directors, taking into account suggestions made by the Remuneration Committee, the extent and value of the services provided for the management of the Company and the standard of the same industry worldwide. Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of Shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.
100. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.



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ALTERNATE DIRECTOR

101. Any Director may in writing appoint another Director to be his alternate and, save to the extent provided otherwise in the form of appointment, such alternate shall have authority to act in such Director's place at any meeting of the Directors at which he is unable to be present. Every such alternate shall be entitled to attend and vote at meetings of the Directors as a Director when the Director appointing him is not personally present and to have a separate vote on behalf of the Director he is representing in addition to his own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him. Such alternate shall not be an officer of the Company. The remuneration of such alternate shall be payable out of the remuneration of the Director appointing him and the proportion thereof shall be agreed between them.
102. Any Director may appoint another Director to be the proxy of that Director to attend and vote on his behalf, in accordance with instructions given by that Director at a meeting or meetings of the Directors which that Director is unable to attend personally. A proxy of a Director shall accept an appointment to act as the proxy of one other Director only. The instrument appointing the proxy shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the chairman of the meeting of the Directors at which such proxy is to be used, or first used, prior to the commencement of the meeting.

POWERS AND DUTIES OF DIRECTORS

103. Subject to the Law, these Articles, Applicable Listing Rules and to any resolutions passed in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution passed by the Company in general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been passed.
104. A Director shall have loyalty and shall exercise due care of a good administrator in conducting the business operations of the Company; and if he/she has acted contrary thereto, he/she may be liable for the damages sustained by the Company therefrom. If the Director does anything for himself/herself or on behalf of another person in violation of the preceding provision subject to Cayman Islands law the Shareholders may, by Ordinary Resolution, consider the benefits to such Director as a result of such act as benefits of the Company and request the relevant Director to return the benefits. If a Director has, in the course of conducting the business operations of the Company, violated any provision of the applicable laws and/or regulations and thus caused damages to any other person, subject to Cayman Islands law, he/she shall be liable, jointly and severally, for the damages to such other person.
- A managerial officer of the Company shall have the same liabilities as those of a Director in carrying out his/her duties.
105. The Directors may from time to time appoint any Person, whether or not a Director to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, the office of the chief executive officer, president, one or more vice-presidents, chief financial officer or controller, treasurer, assistant treasurer, or manager, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. Any Person so appointed by the Directors may be removed by the Directors. The Directors may also appoint one or more of their number to the office of managing director upon like terms, but any such appointment shall ipso facto determine if any managing director ceases from any cause to be a Director, or if the Company by Supermajority Resolution resolves that his tenure of office be terminated.
106. The Directors may appoint a Secretary (and if need be an assistant Secretary or assistant Secretaries) who shall hold office for such term, at such remuneration and upon such conditions and with such powers as they think fit. Any Secretary or assistant Secretary so appointed by the Directors may be removed by the Directors.
107. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
108. Notwithstanding anything contained in these Articles and to the extent as required by the Applicable Listing Rules, the Company shall establish a Remuneration Committee to review the salary, stock options, and any other substantive incentive measures for Directors and managerial officers of the Company. The composition, power and relevant matters of the Remuneration Committee shall be subject to the Applicable Listing Rules.
109. The Directors may from time to time and at any time by power of attorney (whether under Seal or under hand) or otherwise appoint any company, firm or Person or body of Persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in



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or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of Persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to delegate all or any of the powers, authorities and discretion vested in him. For so long as the Shares are registered in the Emerging Market or listed in the TPEx or TSE, the Company shall appoint in Taiwan a litigious and non-litigious agent who shall also be the responsible person under the Applicable Listing Rules in Taiwan. Such representative shall have a domicile or residence within the territory of Taiwan.

110. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in Articles 111, 112 and 113 shall not limit the general powers conferred by this Article.
111. The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any Persons to be members of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any such Persons.
112. The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any Person so appointed and may annul or vary any such delegation, but no Person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.
113. Any such delegates as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities, and discretion for the time being vested in them.
114. The Company shall establish an Audit Committee pursuant to the Applicable Listing Rules. The composition and qualification of the members of the Audit Committee shall be subject to Applicable Listing Rules.
115. The power and authority of the Audit Committee shall be subject to the Applicable Listing Rules. Before any resolution of merger/consolidation and/or acquisition made by the Board of Directors, the Audit Committee shall review the fairness and reasonableness of the plan and transaction of the merger/consolidation and/or acquisition, and then to report the review results to the Board of Directors and the general meeting. When the Audit Committee reviews matters, it shall seek opinions from an independent expert on the justification of the share exchange ratio or distribution of cash or other assets. The review results of the Audit Committee and the opinions from the independent experts shall be delivered to each shareholder together with the notice of the general meeting. If the Company announced the same content as in aforesaid documents that shall be sent to shareholders on a website designated by the competent securities authority and those documents are prepared in the Company and at the venue of the general meeting by the Company, those documents shall be deemed as having been sent to shareholders.

BORROWING POWERS OF DIRECTORS

116. Subject to these Articles and the Applicable Listing Rules, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking and property, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

THE SEAL

117. The Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of a Director or a Secretary (or an Assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose and every Person as aforesaid shall sign every instrument to which the Seal is so affixed in their presence.
118. The Company may maintain a facsimile of the Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such Person or Persons as the Directors shall for this purpose appoint and such Person or Persons as aforesaid shall sign every instrument to which the facsimile Seal is so affixed in their presence and such affixing of the facsimile Seal and signing as aforesaid shall have the same meaning and effect as if the Seal had



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been affixed in the presence of and the instrument signed by a Director or a Secretary (or an assistant Secretary) or in the presence of any one or more Persons as the Directors may appoint for the purpose.

Notwithstanding the foregoing, a Secretary or any assistant Secretary shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

DISQUALIFICATION OF DIRECTORS

119. The office of Director shall be vacated, if the Director:

- (a) committed a felony and has been adjudicated guilty by a final judgment, and the enforcement of the judgment has not yet commenced or been completed, or the time elapsed after he has served the full term of the sentence, the probation period expires, or he received amnesty is less than five years;
- (b) has been sentenced to imprisonment for a term of more than one year for commitment of fraud, breach of trust or misappropriation, and the enforcement of the judgment has not yet commenced or been completed, or the time elapsed after he has served the full term of the sentence, the probation period expires, or he received amnesty is less than two years;
- (c) has been adjudicated guilty by a final judgment under the Anti-Corruption Act, and the enforcement of the judgment has not yet commenced or been completed, or with respect to any crime regarding misappropriation of company or public funds during the time of his public service, the time elapsed after he has served the full term of such sentence, the probation period expires, or he received amnesty is less than two years;
- (d) becomes bankrupt, or start liquidation process due to a court's decision, and his/its rights or capacity has not yet been reinstated;
- (e) has been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;
- (f) losses all or part of legal capacity;
- (g) the order of assistance has not yet been revoked;
- (h) dies or is found to be or becomes of unsound mind;
- (i) resigns his office by notice in writing to the Company;
- (j) (not applicable to Independent Directors) for so long as the Shares are registered in the Emerging Market or listed on the TPEX or TSE, has transferred more than one half of the Shares being held by him/it on the date of the general meeting at which his/its appointment was approved (the "**Approval Date**"); or
- (k) is removed from office pursuant to these Articles.

For so long as the Shares are registered in the Emerging Market or listed on the TPEX or TSE, if the Director (excluding Independent Directors), after the Approval Date and before his/its commencement of the office of Director, has transferred more than one half of the Shares being held by him/it as at the Approval Date he/it was elected or had transferred more than one half of the Shares being held by him/it within relevant book close period prior to such general meeting, the election of his/its directorship shall be deemed invalid.

120. Subject to the Law and Cayman Islands law, any Shareholder(s) holding 1% or more of the total number of issued Shares for a period of six months or a longer time shall have the right to submit a petition for and on behalf of the Company against its director(s), and may bring such matter to the Taipei District Court, ROC. If a director has, in the course of performing his duties, committed any act resulting in material damage to the Company or in serious violation of applicable laws and/or regulations or these Articles, but has not been removed by the Company pursuant to a Supermajority Resolution vote, then, subject to the Law and Cayman Islands law, any Shareholder(s) holding 3% or more of the total number of issued Shares shall have the right, within 30 days after that general meeting, to petition any competent court for the removal of such Director, at the Company's expense. The Taipei District Court, ROC, may be court of the first instance for this matter.

PROCEEDINGS OF DIRECTORS

121. The Directors may meet together (either within or outside the Cayman Islands) for the dispatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit. The notice for a Board meeting may be given by means of electronic communication. Questions arising at any meeting shall be decided by a majority of votes present at such meeting. In case of an equality of votes the chairman shall not have a second or casting vote. A Director may, and on the requisition of a Director shall, at any time summon a meeting of the Directors.

122. A Director may participate in any meeting of the Board of Directors, or of any committee appointed



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by the Board of Directors of which such Director is a member, via video conference by way of which all Persons participating in such meeting can communicate with each other and such participation shall be deemed to constitute presence in person at the meeting.

123. Subject to these Articles, the quorum necessary for the transaction of the business of the Directors shall be more than one-half of the Directors. A Director represented by an alternate Director at any meeting shall be deemed to be present for the purposes of determining whether or not a quorum is present. When the number of vacancies in the Board of Directors of the Company equals to one third of the total number of Directors, the Board of Directors shall hold, within 60 days, a general meeting of Shareholders to elect succeeding Directors to fill the vacancies.
124. A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company or in any other matters discussed at the meeting of the Directors shall declare the nature and relevant material contents of his interest at such meeting of the Directors; in the merger/consolidation and/or acquisition by the Company, a Director who has a personal interest in the transaction of merger/consolidation and/or acquisition shall explain to the Board meeting and any general meeting for the approval of such merger/consolidation and/or acquisition the essential contents of such personal interest and the cause of approval or dissent to the resolution of merger /consolidation and/or acquisition. A Director cannot vote his own vote or on behalf of another Director in respect of any contract or proposed contract or arrangement when he may be interested therein. The voting right of such Director who cannot vote or exercise any voting right as prescribed above shall not be counted in the number of votes of Directors present at the board meeting (but shall still be counted in the quorum for such meeting). Where the spouse of a Director, a person with a kinship to a Director within the second degree, or a company controlled by or controlling a Director has a direct or indirect interest in any matter, such Director will be deemed to have an interest in such matter.
125. A Director who does anything for himself or on behalf of another person that is within the scope of the Company's business shall declare the essential contents of such behaviour to the general meeting of the Shareholders and be approved by a Supermajority Resolution. Failure in obtaining such approval shall cause the Director being so interested be liable to account to the Company for any profit realised by any such behaviour if the general meeting so resolves by an Ordinary Resolution within one year from such behaviour.
126. Notwithstanding the preceding Articles, a Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established.
127. Subject to these Articles, any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.
128. The Directors shall cause all minutes to be made in books or loose-leaf folders provided for the purpose of recording:
- (a) all appointments of officers made by the Directors;
 - (b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and
 - (c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.
129. When the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.
130. The continuing Directors may act notwithstanding any vacancy in their body but if and for so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors may act for summoning a general meeting of the Company, but for no other purpose.
131. Subject to any regulations imposed on it by the Directors, a committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within fifteen minutes after the time appointed for holding the meeting, the committee members present may choose one of their number to be chairman of the meeting.
132. A committee appointed by the Directors may meet and adjourn as it thinks proper. Subject to any regulations imposed on it by the Directors, questions arising at any meeting shall be determined by a majority of votes of the committee members present.
133. All acts done by any meeting of the Directors or of a committee of Directors, or by any Person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or Person acting as aforesaid, or that they or any of them



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were disqualified, be as valid as if every such Person had been duly appointed and was qualified to be a Director.

134. The following actions require the approval of a majority of the votes of the Directors present at a Board meeting attended by at least two-thirds of all Directors:

- (a) entering into, amendment to, or termination of any contract for lease of its business in whole, or for entrusted business, or for regular joint operation with others;
- (b) the sale or transfer of the whole or any material part of its business or assets;
- (c) taking over the transfer of another's whole business or assets, which will have a material effect on the business operation of the Company;
- (d) the election of Chairman of the Board pursuant to these Articles;
- (e) issuance of corporate bonds;
- (f) the allocation of Employees' Remunerations and Directors' Remunerations pursuant to Article 136.

DIVIDENDS AND DISTRIBUTIONS

135. Subject to any rights and restrictions for the time being attached to any Shares, the Company by Ordinary Resolution may declare dividends and other distributions on Shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor. For so long as the Shares are registered in the Emerging Market or listed on the TPEX or TSE, the Company shall not pay any dividends or bonuses if (a) it does not have earnings, or (b) it has not yet covered its losses.

136. Subject to the Law, when allocating the earnings for each fiscal year, the Company shall, after paying all or reserving such amounts for applicable taxes and offsetting losses from previous years, set aside 10% of the balance as a reserve (the "10% Reserve") and other special reserve or reverse special reserve pursuant to the Applicable Listing Rules, the Board of Directors may distribute the remaining earnings together with any undistributed retained earnings accrued from prior years of the Company as cash dividends and/or stock dividends to the Shareholders; provided that the dividends distributed to the Shareholders pursuant to this Article 136 shall comprise no less than 1% of the net profit after tax of the relevant fiscal year. The cash dividends shall comprise no less than 50% of the total dividends declared in such year.

Subject to the Law, where the Company incurs no loss it may by a Supermajority Resolution declare dividends and/or bonuses to the Shareholders out of from the 10% Reserve, the premium paid on the issuance of any share and income from endowments received by the Company; provided that, where the cash dividends and/or stock dividends are out of from the 10% Reserve, only the portion of the 10% Reserve which exceeds 25 percent of the paid-in capital of the Company may be distributed. Subject to Article 37, the Board of Directors shall prepare the plan of distributions and submit such plan for the approval of the Shareholders at the general meeting.

Unless otherwise provided in the Applicable Listing Rules, where the Company makes profits before tax for the annual financial year, the Company shall allocate (a) no less than 0.1% of such annual profits before tax for the purpose of employees' remunerations (including employees of the Company and/or any subsidiaries of the Company) (the "Employees' Remunerations"); and (b) a maximum of 1% of such annual profits before tax for the purpose of Directors' remunerations (the "Directors' Remunerations"). Notwithstanding the foregoing paragraph, if the Company has accumulated losses of the previous years for the annual financial year, the Company shall set aside the amount of such accumulated losses prior to the allocation of Employees' Remunerations and Directors' Remunerations. Subject to the Law, the Applicable Listing Rules and notwithstanding Article 151, the Employees' Remunerations and the Directors' Remunerations may be distributed in the form of cash and/or bonus shares, upon resolution by a majority votes at a meeting of the Board of Directors attended by two-thirds or more of the Directors. The resolutions of Board of Directors regarding the distribution of the Employees' Remunerations and the Directors' Remunerations in the preceding paragraph shall be reported to the Shareholders at the general meeting after such Board resolutions are passed.

While the Company is still at the growth stage, any balance earnings together with any undistributed retained earnings accrued from prior years of the Company may be distributed as cash dividends and/or bonus shares in accordance with the Law and Applicable Listing Rules, after taking into consideration the investment environment, capital requirement, domestic and overseas competition environment and capital budget of the Company current or future, as well as shareholders interest, balance of dividend and long term financial plan of the Company.

The Company shall not be required to set aside the 10% Reserve pursuant to this Article if and when the aggregate reserves from the 10% Reserve reach 100% of the paid-in capital of the Company.

137. Any dividend may be paid by cheque sent through the post to the registered address or by remittance or otherwise to the designated account of the Shareholder or Person entitled thereto, or in the case of joint holders, to the representative of such joint holders at his registered address or to his designated account or to such Person and such address/account as the Shareholder or Person entitled, or such joint holders as the case may be, may direct. Every such cheque shall be



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made payable to the order of the Person to whom it is sent or to the order of such other Person as the Shareholder or Person entitled, or such joint holders as the case may be, may direct.

138. Subject to any rights and restrictions for the time being attached to any Shares, all dividends shall be declared and paid according to the number of the Shares held by the Shareholders.
139. If several Persons are registered as joint holders of any Share, any of them may give effectual receipts for any dividend or other moneys payable on or in respect of the Share.
140. No dividend shall bear interest against the Company.

ACCOUNTS, AUDIT AND ANNUAL RETURN AND DECLARATION

141. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.
142. The books of account shall be kept at the Office or at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
143. The Board of Directors shall prepare and submit the business report, financial statements, and surplus earning distribution or loss off-setting proposals to the annual general meeting of Shareholders for its ratification and after the meeting shall distribute to each Shareholder the copies of ratified financial statements and the resolutions on the earning distribution and/or loss offsetting and/or make them public pursuant to the Applicable Listing Rules.
144. The Board shall keep copies of the yearly business report and financial statements at the office of its Shareholders' Service Agent before ten (10) days of the annual general meeting and any of its Shareholders is entitled to inspect such documents during normal business hours of such service agent.
145. Save for the Article 144 and Article 161, the Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Shareholders not being Directors, and no Shareholder (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Directors or by Ordinary Resolution.
146. The accounts relating to the Company's affairs shall only be audited in such manner and with such financial year end as may be determined from time to time by the Directors, or required by the Applicable Listing Rules.
147. The Directors in each year shall prepare, or cause to be prepared, an annual return and declaration setting forth the particulars required by the Law and deliver a copy thereof to the Registrar of Companies in the Cayman Islands.

AUDIT

148. The Directors may appoint an Auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his remuneration.
149. Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and Officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.
150. Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment, and at any time during their term of office, upon request of the Directors or any general meeting of the Members.

CAPITALISATION OF RESERVES OR PROFITS

151. Subject to the Law, the Company may, with the authority of a Supermajority Resolution:
- (a) resolve to capitalise an amount standing to the credit of reserves (including a share premium account, capital redemption reserve, special capital reserve and profit and loss account), whether or not available for distribution;
 - (b) appropriate the sum resolved to be capitalised to the Shareholders in proportion to the number of Shares held by them respectively for the purpose of the payment of bonuses in the form of Shares and apply that sum on their behalf in or towards paying up in full unissued Shares or debentures of a nominal amount equal to that sum, and allot the Shares or debentures, credited as fully paid, to the Shareholders, or partly in one way and partly in the other;



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- (c) make any arrangements it thinks fit to resolve a difficulty arising in the distribution of a capitalised reserve or other funds and in particular, without limitation, where Shares or debentures become distributable in fractions the Directors may deal with the fractions as they think fit;
- (d) authorise a Person to enter (on behalf of all the Shareholders or other persons concerned) into an agreement with the Company providing for the allotment to the Shareholders or other persons respectively, credited as fully paid, of Shares or debentures to which they may be entitled on the capitalisation, and any such agreement made under this authority being effective and binding on all those Shareholders or other persons; and
- (e) generally do all acts and things required to give effect to the resolution.

152. For the avoidance of doubts, the allotment of bonus shares in connection with the Employees' Remunerations and Directors' Remunerations pursuant to Article 136 shall not require the approval of a Supermajority Resolution.

TENDER OFFER

153. Upon the receipt of the copy of a tender offer application form and relevant documents by the Company or its litigation or non-litigation agent appointed pursuant to the Applicable Listing Rules, the Board of Directors shall, subject to the Applicable Listing Rules, proceed to, including but not limited to make resolution and public announcement.

SHARE PREMIUM ACCOUNT

- 154. The Directors shall in accordance with the Law establish a share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any Share.
- 155. There shall be debited to any share premium account on the redemption or purchase of a Share the difference between the nominal value of such Share and the redemption or purchase price provided always that at the discretion of the Directors such sum may be paid out of the profits of the Company or, if permitted by the Law, out of capital.

NOTICES

156. Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the Person entitled to give notice to any Shareholder either personally, or by facsimile, or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to such Shareholder at his address as appearing in the Register, or to the extent permitted by all applicable laws and regulations, by electronic means by transmitting it to any electronic mail number or address such Shareholder may have positively confirmed in

writing for the purpose of such service of notices. In the case of joint holders of a Share, all notices shall be given to that one of the joint holders whose name stands as their representative in the Register in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.

157. Any Shareholder present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.

158. Any notice or other document, if served by:

- (a) post or courier, shall be deemed to have been served five days after the time when the letter containing the same is posted or delivered to the courier;
- (b) facsimile, shall be deemed to have been served upon production by the transmitting facsimile machine of a report confirming transmission of the facsimile in full to the facsimile number of the recipient;
- (c) recognised courier service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service; or
- (d) electronic mail, shall be deemed to have been served immediately upon the time of the transmission by electronic mail.

In proving service by post or courier service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier service.

159. Any notice or document delivered or sent by post to or left at the registered address of any Shareholder in accordance with the terms of these Articles shall notwithstanding that such Shareholder be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any Share registered in the name of such Shareholder as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register as the holder of the Share, and such service shall for all purposes be deemed a sufficient service of such notice or document on



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all Persons interested (whether jointly with or as claiming through or under him) in the Share.

160. Notice of every general meeting of the Company shall be given to:

- (a) all Shareholders holding Shares with the right to receive notice and who have supplied to the Company an address for the giving of notices to them; and
- (b) every Person entitled to a Share in consequence of the death or bankruptcy of a Shareholder, who but for his death or bankruptcy would be entitled to receive notice of the meeting.

No other Person shall be entitled to receive notices of general meetings.

INFORMATION

161. The Board of Directors shall keep at the office of its Shareholders' Service Agent in Taiwan copies of these Articles, the minutes of every meeting of the Shareholders and the financial statements, the Register of Members and the counterfoil of corporate bonds issued by the Company. Any Shareholder of the Company may at any time request, by submitting evidentiary document(s) to show the nature of his/her interest, indicating the scope of such interest and specifying the document(s) he/she/it wishes to inspect or make copies of, access to inspect and to make copies of such documents; and the Company shall procure its Shareholders' Service Agent to arrange accordingly. In the event that a general meeting is convened by the Board or any other person having a right to convene the general meeting in accordance with these Articles, such convener(s) may request that the Company or its Shareholders' Service Agent provide them with a copy of the Register.

Without prejudice to the rights set forth in these Articles, no Shareholder shall be entitled to require discovery of any information in respect of any detail of the Company's trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board would not be in the interests of the members of the Company to communicate to the public.

162. The Board shall be entitled to release or disclose to any regulatory or judicial authority any information in its possession, custody or control regarding the Company or its affairs to any of its Shareholder including, without limitation, information contained in the Register of Members and transfer books of the Company.

INDEMNITY

163. Every Director (including for the purposes of this Article any alternate Director appointed pursuant to the provisions of these Articles) and other officer for the time being and from time to time of the Company (each an "**Indemnified Person**") shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses,

losses, damages or liabilities incurred or sustained by such Indemnified Person, other than by reason of such Indemnified Person's own dishonesty, wilful default or fraud, in or about the conduct of the Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such Indemnified Person in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.

164. The Company may purchase and maintain insurance for the benefit of the Director or the officers of the Company against any liability incurred by him/her in his/her capacity as a Director or officer, as applicable, in order to minimize the relevant indemnity liabilities incurred or sustained by the Company and the Shareholders.

165. No Indemnified Person shall be liable to the Company unless such liability arises through such Indemnified Person's own dishonesty, wilful default or fraud.

NON-RECOGNITION OF TRUSTS

166. Subject to the proviso hereto, no Person shall be recognised by the Company as holding any Share upon any trust and the Company shall not, unless required by law, be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or (except only as otherwise provided by these Articles or as the Law requires) any other right in respect of any Share except an absolute right to the entirety thereof in each Shareholder registered in the Register, provided that, notwithstanding the foregoing, the Company shall be entitled to recognise any such interests as shall be determined by the Directors in their absolute discretion.



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FINANCIAL YEAR

167. Unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31st in each year and shall begin on January 1st in each year.

WINDING- UP

168. If the Company shall be wound up, and the assets available for distribution amongst the Shareholders shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the number of the Shares held by them. If in a winding up the assets available for distribution amongst the Shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Shareholders in proportion to the number of the Shares held by them at the commencement of the winding up. This Article is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may, with the sanction of an Special Resolution and any other sanction required by the Law and in compliance with the Applicable Listing Rules, divide amongst the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different Classes. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator, with the like sanction shall think fit, but so that no Shareholder shall be compelled to accept any asset whereon there is any liability.

169. The Company shall keep all statements, records of account and documents for a period of ten years from the date of the completion of liquidation, and the custodian thereof shall be appointed by the liquidator or the Company by Ordinary Resolution.



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Appendix 2: Rules of Procedure for Shareholders' Meeting

Article 1

To the extent permitted under the laws of the Cayman Islands and unless otherwise provided for in the memorandum and articles of association of the Company (as amended or substituted from time to time; hereinafter "Articles"), Applicable Listing Rules or the applicable laws and regulations in the country where the Company carries out its business, the Company's general meeting of its shareholders shall be held in accordance with the Rules and Procedures of Shareholders' Meetings ("Rules").

Unless otherwise defined in these Rules, any capital terms as used in these Rules shall have the same meanings as defined in the Articles.

Article 2

1. Unless otherwise provided by the laws of the Cayman Islands and the Articles, the general meeting of the Shareholders should be convened by the Board of Directors.
2. After the public offering of the shares of the Company, the Company shall prepare the notice of meeting, the proxy form, and the information about the subject and description of proposals for recognition and for discussion, election and/or dismissal of Directors in the form of an electronic file to be uploaded to the Market Observation Post System ("MOPS") thirty (30) days before an Annual General Meeting of shareholders or fifteen
3. After the public offering of the shares of the Company, the meeting agenda for general meetings and supplemental meeting information shall be prepared in the form of electronic file to be uploaded to the MOPS twenty-one (21) days before an Annual General Meeting of shareholders or fifteen (15) days before an Extraordinary General Meeting of shareholders. The meeting agenda and supplemental meeting information shall be ready for shareholders' review at all times by fifteen (15) days before the meeting of shareholders, and such information shall be available at the office of Company and its designated stock service agent thereby in Taiwan and be distributed at the meeting.
4. The cause(s) or subject(s) of a general meeting to be convened shall be indicated in the individual notice and the public notice to be given to shareholders; and the notice may, as an alternative, be given by means of electronic transmission, after obtaining the prior consent of the recipient(s) thereof.
5. The following matters shall be specified and the essential contents shall be explained in the notice of a general meeting, and shall not be proposed as ad hoc motions. The content of such matters shall be published on the website of the relevant securities authorities or the Company. The address of such website shall be provided in the notice of the general meeting.
 - (1) Election or discharge of Directors and Supervisors;
 - (2) Amendments to the Articles;
 - (3) Dissolution, Merger, Share Exchange or Spin-off of the Company;
 - (4) Entering into, amendment to, or termination of any contract for lease of its business in whole, or for entrusting business, or for regular joint operation with others;
 - (5) The transfer of the whole or any material part of its business or assets;
 - (6) Taking over another's whole business or assets, which will have a material effect on the business operation of the Company;
 - (7) Carrying out Private Placement of its securities;
 - (8) repurchase and cancellation of Shares out of the share capital of the Company pursuant to Article 42 of the Articles;
 - (9) Application for the cease of the Company's status as a public company;
 - (10) Granting waiver to the Director's engaging in any business within the scope of business of the Company;
 - (11) Distributing part or all of its dividends or bonus by way of issuance of new shares;
 - (12) Capitalization of the statutory reserve, or distributing cash out of legal reserve and the premium paid on the issuance of any share to the shareholders;

- (13) Authorising the transfer of Treasury Shares to employees of the Company or of any of its Subordinate Companies at a price that is less than the averaged repurchase price;
- (14) Issuance of employee stock options where the exercise price for such options is lower than the closing price of the shares of the Company as of the issuance date (provided such exercise price shall not be less than the par value per share); and
- (15) Matters with respect to the issuance of restricted shares for the employees as required by the Applicable Listing Rules.

When the re-election of Directors and Supervisors, and the date on which he/she assumed office have been specified in the reasons for convening a shareholders meeting, after the re-election is completed at the general meeting, it shall not be proposed as ad hoc motions or other methods to change the date on assuming the office at the same meeting.

- 6. Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares may propose in writing or by electronic transmission to the Company a proposal for discussion at a regular meeting, provided that only one matter shall be allowed in each single proposal and no proposal containing more than one item will be included in the meeting agenda.
- 7. Prior to the relevant book closure day before the convention of an Annual General Meeting, the Company shall give a public notice announcing acceptance of proposal in writing or by way of electronic transmission, the place and the period for shareholders to submit proposals to be discussed at the Annual General Meeting; and the period for accepting such proposals shall not be less than ten (10) days. The number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words, and any proposal containing more than three hundred (300) words shall not be included in the agenda of the shareholders' meeting.
- 8. Unless any of the following circumstances occurs, the Board of Directors of the Company shall include the proposal submitted by a shareholder in the agenda. Where the proposal made by the shareholder(s) is to allow the Company to improve the public interest or to fulfill its social responsibility, the Board of Directors may include such proposal in the agenda:
 - (1) Where the subject (the issue) of the said proposal cannot be settled or resolved by a resolution to be adopted at a meeting of shareholders;
 - (2) Where the number of shares of the Company in the possession of the shareholder making the said proposal is less than one percent (1%) of the total number of outstanding shares at the time when the share transfer registration is suspended by the Company; and
 - (3) Where the said proposal is submitted on a day beyond the deadline fixed and announced by the company for accepting shareholders' proposals.
- 9. The Company shall, prior to preparing and delivering the general meeting notice, inform, by a notice, the proposal submitting shareholders of the proposal screening results, and shall list in the general meeting notice the proposals conforming to the requirements set out in these Articles. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the general meeting to be convened.
- 10. Subject to the Articles, the Rules and the applicable laws of the Cayman Islands, a shareholder may, if so approved by the chairman of the relevant general meeting and to the extent permitted under the laws of the Cayman Islands, bring forward any matter(s) for the consideration, discussion or approval by the shareholders during a general meeting, provided such matter(s) fall(s) within the scope and directly relates to a matter included in the notice of general meeting.

Article 3

- 1. Any shareholder entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote on behalf of him at a general meeting of the Company. The instrument appointing a proxy shall be in writing. The instrument of proxy shall be in a form determined by the Board shall include such proxy voting instruction.

2. A shareholder may only appoint one (1) proxy to represent him and vote on his behalf. The instrument appointing a proxy shall be delivered to the place as is specified in the notice of the meeting not less than five (5) days before the time appointed for holding the meeting. Where multiple instruments of proxy are received by the Company from the same shareholder, the first written duly executed and valid instrument of proxy received by the Company shall prevail, unless an explicit written statement revoking the previous instrument(s) appointing a proxy is made in the subsequent duly executed and valid instrument of proxy received by the Company.
3. After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person, or exercise his voting power and cast his votes in writing or by way of electronic transmission, a written notice of proxy cancellation shall be submitted to the Company's designated stock service agent at least two (2) days prior to the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 4

The place for convening a general meeting of the shareholders of the Company shall be the premises of the Company, or any other place convenient for the presence of shareholders, and suitable for holding the said meeting. The time for commencing the said meeting shall be no earlier than 9 o'clock in the morning or later than 3 o'clock in the afternoon, and the opinions of the Independent Directors shall be taken into consideration.

Article 5

1. The Company shall specify the registration time, place, and other meeting guidelines on the meeting notice.
2. The registration time discussed in the preceding paragraph shall be at least thirty (30) minutes prior to the commencement of the general meeting. Registration place shall be with visible sign and sufficient and qualified meeting staff shall be dispatched to handle the registration.
3. The Company shall provide an attendance book allowing attending shareholders, or their appointed proxies, to sign in or require attending shareholders to submit attendance cards in lieu of signing in.
4. The Company shall furnish attending shareholders or their appointed proxies with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of Directors, pre-printed ballots shall also be furnished.
5. The shareholders or their appointed proxies (collectively, "shareholders") shall present the attendance pass, attendance cards or other certificate to attend the general meeting. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. A solicitor of the proxies shall bring his/her personal ID for verification.
6. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a general meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 6

1. If a general meeting of the shareholders is called by the Board of Directors, the Chairman of the Board of Directors shall preside at the said general meeting of the Shareholders. In case the Chairman is on leave of absence, or cannot exercise his powers and authority, the Vice Chairman shall act in lieu of him. If there is no Vice Chairman, or the Vice Chairman is also on leave of absence, or cannot exercise his powers and authority, the Chairman shall designate a Managing Director to act in lieu of him; if there is no Managing Director, the Chairman shall designate a Director to act in lieu of him. If the Chairman does not designate a Director, the Managing Directors or Directors shall elect one from among themselves to act in lieu of the Chairman.
2. When a Managing Director or a Director serves as chair, as referred to in the preceding paragraph, the Managing Director or Director shall be one who has held that position for six (6) months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

3. For the general meetings of the shareholders that are convened by the Board of Directors, it is advisable that the meeting to be chaired by the chairperson of the Board in person and have a majority of the Directors and at least one member of each functional committee on behalf of the committee to attend the meeting in person. The attendance shall be recorded in the meeting minutes.
4. As for a general meeting of the shareholders convened by any other person with the convening right, he/she shall act as the chairman of that meeting. However, if there are two or more persons with the convening right, the chairman of the meeting shall be elected from among themselves.
5. The Company may designate its lawyer, certified public accountant or other relevant persons to attend the general meeting of the shareholders.

Article 7

1. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.
2. The preceding tape-recorded and videotaped materials shall be preserved for at least one (1) year. If litigation occurs regarding any matter resolved by the meeting and procedures, the relevant audio or video recordings shall continue to be retained until the litigation is concluded.

Article 8

1. Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book, attendance cards handed in, and the number of shares whose voting rights are exercised by correspondence or electronically.
2. The Chairman shall call the general meeting to order at the time scheduled. If the number of shares represented by the attending shareholders has not yet constituted the quorum (more than one-half of total issued shares) at the time scheduled for the meeting, the Chairman may postpone the time for the meeting. The postponements shall be limited to two (2) times at most, and the meeting shall not be postponed for more than one (1) hour in total. If after two (2) postponements the number of shares represented by the attending shareholders has not yet constituted more than one third of the total issued shares, the Chairman shall announce the dissolution of the meeting.
3. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.
4. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.
5. In the aforesaid meeting of shareholders convened within 1 month after the tentative resolution, if the tentative resolution is again adopted by a majority of the attending shareholders who represent one-third or more of the total number of issued shares, such tentative resolution shall be deemed to be a resolution by Article 174 of the Company Act.

Article 9

1. The agenda of the general meeting shall be set by the Board of Directors, if it is convened by the Board of Directors. Unless otherwise approved by the shareholders at the general meeting, the relevant motions (including extraordinary motions and amendments to original proposals) shall be voted on a case-by-case basis, and a general meeting shall proceed in accordance with the agenda.
2. The above provision applies to cases where the general meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting.

3. The Chairman cannot announce adjournment of the meeting before all items listed in the agenda are resolved. If the Chairman adjourns the general meeting in violation of these Rules, other members of the Board of Directors shall promptly assist the attending shareholders to elect, by a majority of votes represented by attending shareholders present in the meeting, another person to serve as the Chairman to continue the meeting in accordance with procedure.
4. The Chairman shall provide sufficient time for the explanation and discussion of all items listed in the agenda and amendments submitted or ad hoc motions put forward by the shareholders. The Chairman may announce an end of discussion, submit an item for a vote and arrange adequate voting time if the Chairman deems that the agenda item is ready for voting.

Article 10

1. When a shareholder attending the meeting wishes to speak, a speech note should be filled out with summary of the speech, the shareholder's account number (or the number of attendance card) and the account name of the shareholder. The sequence of speeches shall be determined by the Chairman.
2. If any attending shareholder at the meeting submits a speech note but does not speak, no speech shall be deemed to have been made by such shareholder. In the event that content of a shareholder's speech is inconsistent with the content on the speech note, the content of the actual speech shall prevail.
3. The same shareholder may not speak more than twice concerning the same item without the Chairman's consent, and each speech time may not exceed five minutes. In case the speech of any shareholder violates the above provision, or is outside the scope of the agenda item, the Chairman may stop the speech of such a shareholder.
4. Unless otherwise permitted by the Chairman and the speaking shareholder, no shareholder shall interrupt the speech of the other shareholder. The Chairman shall stop such interruption.
5. If a corporate shareholder/ legal entity has appointed two or more representatives to attend the general meeting, only one representative can speak for each agenda item.
6. After the speech of a shareholder, the Chairman may make responses by himself/herself or appoint an appropriate person to respond.

Article 11

1. Presenting and voting at a general meeting shall be based on the number of shares.
2. The shares of shareholders with no voting rights shall not be included in the total number of issued shares while voting on resolutions.

Article 12

1. Subject to any rights and restrictions for the time being attached to any share, every shareholder shall have one vote for each share of which he, or the Person represented by proxy, is the holder. For so long as the shares are registered in the Emerging Market or listed on the Taipei Exchange or TWSE -subject to the laws of the Cayman Islands and in accordance with the Applicable Listing Rules -a shareholder shall not exercise the votes with respect to the shares he/she/it holds separately, unless he/she/it holds certain shares for the benefit of others; the qualifications, scope, methods of exercise, operating procedures and other matters with respect to the exercise of votes separately by the shareholders shall be in compliance with the Applicable Listing Rules.
2. No vote may be exercised with respect to any of the following shares, and such shares shall not be counted in determining the number of issued shares:
 - (1) The shares held directly or indirectly by any subsidiary of the Company, where the total number of voting shares, or total shares equity held by the Company in such a subsidiary, represents more than one half of the total number of voting shares or the total shares equity of such a subsidiary; or

- (2) The shares held by another company, where the total number of the shares, or total shares equity of that company held by the Company and its subsidiaries, directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company; or
 - (3) Treasury Shares.
3. Except in the case of a trust enterprise or securities proxy organization approved by the competent securities authority, a proxy agent of non-solicited proxies shall not accept the mandate of more than 30 persons. The proxy voting rights of a person serving as a proxy for two or more shareholders may not exceed three percent (3%) of total issued shares voting rights; the shares represented by a proxy agent accepting the mandate of more than 3 shareholders shall, in addition to not being more than 4 times the number of shares held by it, also not exceed 3 percent (3%) of the total number of issued shares of the Company. If it does exceed three percent (3%), the excess portion shall not be counted. A proxy agent who accepts the mandate of three or more shareholders shall submit an itemized statement of the declarations and proxies together with the signed or sealed proxies to the Company or its stock service agent five (5) days before the date of a shareholders meeting.
 4. When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.
 5. The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.
 6. If a Director creates pledge on more than 50% of the number of shares he/she/it held at the time he/she/it was elected as a Director of the Company, no vote may be exercised with respect to the excess portion, and such excess portion shall not be counted in determining the number of the shares present at the general meeting.

Article 13

1. When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the ad hoc motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two (2) days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two (2) business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the laws and in the Articles, an agenda item shall require affirmative votes of a majority of the voting rights represented by the attending shareholders. In voting, the Chairman or its designated person shall announce the total number of votes by the attending shareholders for each proposal, and the voting for each proposal shall be made on a poll. After the public offering of the shares of the Company, the Company shall publish the voting results (including the consent votes, the objection votes and those who waive their voting rights) to the MOPS on the same day of the meeting.

2. Should there be an amendment or alternative to one motion, the Chairman may combine the amendment or alternative into the original motion, and determine their order for resolution. If any one of the above shall be resolved, the others shall be considered as rejected, upon which no further resolution shall be required.

Article 14

The Chairman shall appoint persons responsible for checking and counting ballots during votes on agenda items. However, the persons responsible for checking ballots must be shareholders. The ballots shall be publicly counted at the meeting venue and the result of voting shall be announced at the Meeting, including the numbers of votes, and placed on record.

Article 15

1. If the election of Directors is held at a general meeting, such an election shall be held in accordance with the Company's relevant election rules and procedures and the Articles. The result of the election must be announced at the meeting, including the names of those elected as directors and the numbers of votes with which they were elected.
2. The ballots cast in the election in the foregoing paragraph must be given proper safekeeping and kept for at least one year upon sealed by and with signatures of the persons responsible for checking. If litigation occurs regarding any matter resolved by the shareholders before the above retention period expires, the relevant voting tickets shall continue to be retained until the litigation is concluded.

Article 16

1. Resolutions made at a general meeting shall be compiled in the form of minutes. The Chairman shall affix his/her signature or seal to the minutes, which shall be issued to shareholders within twenty (20) days after the end of the meeting. Minutes may be produced and issued to shareholders in electronic form. After the public offering of the shares of the Company, the distribution of the preceding minutes may be published on the MOPS.
2. The minutes must faithfully record the meeting's date (year, month, day), place, Chairman's name, resolution method, summary of proceedings, and results of resolutions (including the statistical tallies of the numbers of votes). When there is an election of directors or supervisors, the number of votes for each candidate should be disclosed. Meeting minutes shall be kept for as long as the Company exists.
3. The number of votes casted for or against a resolution and the total number of votes cast shall be recorded in the minutes.
4. On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.
5. If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or Taipei Exchange) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17

1. The persons who handle the business of a general meeting of the shareholders shall wear an identification card or a badge.
2. The Chairman may direct disciplinary personnel or security personnel to maintain the order of the meeting. For doing so, they shall wear an identification badge.
3. If there is any speaker device at the meeting venue, the Chairman of the meeting may prevent shareholders from delivering a speech using a device not provided by the Company.
4. The Chairman may direct the disciplinary personnel or security personnel to ask the shareholder who refuses to obey these Rules or the orders of the Chairman and disturbs the proceedings of the meeting to leave the meeting premises.

Article 18

1. During the meeting, the Chairman may, at his discretion, set time for intermission. In case of incident of force majeure, the Chairman may decide to temporarily suspend the meeting and announce, depending on the

situation, when the meeting will resume or, by resolution of the shareholders present at the meeting, the chairman may resume the Meeting within five (5) days without further notice or public announcement.

2. Before the agenda set for the general meeting (including ad hoc motions) are completed, if the meeting venue cannot continue to be used for the meeting, the Shareholders may resolve to find another location to continue the meeting.

Article 19

Notwithstanding any provision to the contrary herein, any laws and regulations of any jurisdiction other than the laws of the Cayman Islands and any procedural rule set out herein shall only apply to the maximum extent permitted under the laws of the Cayman Islands and the Law.

Article 20

Establishment and amendment to these Rules shall take effect upon adoption by the shareholders at a general meeting.

Appendix 3: Shareholdings of Directors and Supervisors

ASLAN Pharmaceuticals Limited

Shareholdings of Directors and Supervisors

Record date (Book-closure date): 6 August 2020

Position	Name	Date elected	Number of shares held while elected (Note1)	Number of shares currently hold
Chairperson	Andrew James Howden	21 June 2019	439,510 (Note 3)	439,510 (Note 3)
Director	Carl Firth	21 June 2019	0	3,344,340
Director	BV Healthcare II Pte. Ltd.	21 June 2019	7,542,112	7,542,112
Director	Alnair Investment	21 June 2019	8,823,528	8,823,528
Total shares held by directors			16,365,640	19,709,980
Independent Director	Andrew James Howden	21 June 2019	439,510	439,510
Independent Director	孫慶鋒 (Chin-Feng Sun)	21 June 2019	0	0
Independent Director	Robert E. Hoffman	21 June 2019	0	0
Total shares held by independent directors			439,510	439,510
Number of shares held by all directors				20,149,490
Number of shares shall be held by all directors as per regulatory requirement				11,397,298

Note 1: In accordance with the Article 26 of Securities and Exchange Act and Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, where the paid-in capital of the company is more than NT\$1 billion, the total registered shares owned by all directors shall not be less than 7.5 percent of the total issued shares and shall not be less than 10,000,000 shares; if a public company has elected two or more independent directors, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors and supervisors other than the independent directors and shall be decreased by 20 percent. If a public company has set up an audit committee in accordance with the Act, the provisions on the minimum percentage requirements for the shareholding of supervisors in the preceding two paragraphs shall not apply.

Note 2: The paid-in capital and total issued shares of the Company was NT\$ 1,899,549,700 and 189,954,970 shares as of the book closure date for this AGM (6 August 2020). The shareholding of individual and all directors are listed as the table above.

Note 3: Andrew James Howden is the chairman and an independent director of the Company. The number of shares he holds is counted in independent directors.