TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To Taiwan Liposome Company, Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Liposome Company, Ltd. and subsidiaries (the "Group") as of June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the related consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Emphasis of Matter

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

Teng, Sheng-wei

Teng, Sheng-Wei

Chih-Cheng Hsieh

Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

July 30, 2019

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

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TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2019, DECEMBER 31, 2018 AND JUNE 30, 2018
(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2019 AND 2018 ARE UNAUDITED BUT REVIEWED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			June 30, 2019		December 31, 2018		June 30, 2018	
	Assets	Note	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 685,108	64	$ 807,484	57	$ 889,149	72
1136	Current financial assets at amortized cost	6(2)	-	-	307,150	22	-	-
1140	Current contract assets	6(19)	3,699	-	2,283	-	-	-
1170	Accounts receivable, net	6(3)	14,719	1	9,343	1	8,091	1
1200	Other receivables	6(20)	6,105	1	5,811	-	4,029	-
1220	Current income tax assets		558	-	113	-	421	-
1410	Prepayments	6(4)	56,944	5	56,511	4	118,351	10
11XX	**Total current assets**		767,133	71	1,188,695	84	1,020,041	83
	Non-current assets							
1600	Property, plant and equipment	6(5) and 8	68,345	6	158,245	11	143,663	12
1755	Right-of-use assets	6(6)	130,865	12	-	-	-	-
1780	Intangible assets	6(7)	4,672	1	4,030	-	5,659	-
1840	Deferred income tax assets		80	-	79	-	81	-
1900	Other non-current assets	6(8)	107,963	10	66,872	5	65,077	5
15XX	**Total non-current assets**		311,925	29	229,226	16	214,480	17
1XXX	**Total assets**		$ 1,079,058	100	$ 1,417,921	100	$ 1,234,521	100

(Continued)

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2019, DECEMBER 31, 2018 AND JUNE 30, 2018
(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2019 AND 2018 ARE UNAUDITED BUT REVIEWED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			June 30, 2019		December 31, 2018		June 30, 2018	
	Liabilities and equity	Note	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)	$ 46,000	4	$ 46,000	3	$ 46,000	4
2130	Current contract liabilities	6(19)	-	-	-	-	2,298	-
2150	Notes payable		-	-	-	-	505	-
2200	Other payables	6(10)(27)	114,568	11	206,268	15	116,581	10
2280	Current lease liabilities		66,919	6	-	-	-	-
2300	Other current liabilities	6(11)(12)	379,129	35	92,020	6	91,679	7
21XX	**Total current liabilities**		606,616	56	344,288	24	257,063	21
	Non-current liabilities							
2527	Non-current contract liabilities	6(19)	10,760	1	-	-	-	-
2540	Long-term borrowings	6(11)	58,189	5	368,010	26	369,099	30
2550	Provisions for liabilities-non-current	6(15)	6,432	1	6,922	1	6,922	1
2580	Non-current lease liabilities		59,489	5	-	-	-	-
2600	Other non-current liabilities	6(12)	5,502	1	29,505	2	5,103	-
25XX	**Total non-current liabilities**		140,372	13	404,437	29	381,124	31
2XXX	**Total liabilities**		746,988	69	748,725	53	638,187	52
	Equity							
	Equity attributable to owners of parent							
	Share capital	6(16)						
3110	Common shares		640,275	59	640,451	45	561,990	45
	Capital surplus	6(17)						
3200	Capital surplus		962,808	89	952,364	67	458,058	37
	Retained earnings							
3350	Accumulated deficit	6(18)	(1,263,203)	(117)	(910,042)	(64)	(406,813)	(33)
	Other equity							
3400	Other equity interest		(7,810)	-	(13,577)	(1)	(16,901)	(1)
31XX	**Equity attributable to owners of parent**		332,070	31	669,196	47	596,334	48
3XXX	**Total equity**		332,070	31	669,196	47	596,334	48
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after reporting period	11						
3X2X	**Total liabilities and equity**		$ 1,079,058	100	$ 1,417,921	100	$ 1,234,521	100

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

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE AMOUNTS)
(UNAUDITED BUT REVIEWED)

			Three months ended June 30,				Six months ended June 30,			
			2019		2018		2019		2018	
	Items	Note	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(19)	$ 20,592	100	$ 15,572	100	$ 178,357	100	$ 29,663	100
	Operating expenses	6(13)(14)(23)(24)								
6200	General and administrative expenses		(38,126)	(185)	(33,853)	(217)	(78,903)	(44)	(67,762)	(228)
6300	Research and development expenses		(224,217)	(1089)	(215,737)	(1386)	(453,372)	(254)	(366,842)	(1237)
6000	**Total operating expenses**		(262,343)	(1274)	(249,590)	(1603)	(532,275)	(298)	(434,604)	(1465)
6900	**Operating loss**		(241,751)	(1174)	(234,018)	(1503)	(353,918)	(198)	(404,941)	(1365)
	Non-operating income and expenses									
7010	Other income	6(20)	5,313	26	2,392	15	12,824	7	6,933	23
7020	Other gains and losses	6(21)	2,243	11	458	3	1,625	1	1,444	5
7050	Finance costs	6(22)	(6,427)	(32)	(1,159)	(7)	(12,561)	(7)	(1,897)	(6)
7000	**Total non-operating income and expenses**		1,129	5	1,691	11	1,888	1	6,480	22
7900	**Loss before income tax**		(240,622)	(1169)	(232,327)	(1492)	(352,030)	(197)	(398,461)	(1343)
7950	Income tax expense	6(25)	(854)	(4)	(242)	(1)	(1,131)	(1)	(411)	(2)
8200	**Net loss**		($ 241,476)	(1173)	($ 232,569)	(1493)	($ 353,161)	(198)	($ 398,872)	(1345)
	Other comprehensive income (loss)									
	Items that may be subsequently reclassified to profit or loss									
8361	Financial statement translation differences of foreign operations		$ 374	2	$ 2,051	13	$ 916	1	$ 417	2
8300	**Total other comprehensive income (loss)**		$ 374	2	$ 2,051	13	$ 916	1	$ 417	2
8500	**Total comprehensive loss**		($ 241,102)	(1171)	($ 230,518)	(1480)	($ 352,245)	(197)	($ 398,455)	(1343)
	Loss attributable to:									
8610	Owners of the parent		($ 241,476)	(1173)	($ 232,569)	(1494)	($ 353,161)	(198)	($ 398,872)	(1345)
	Total comprehensive loss attributable to:									
8710	Owners of the parent		($ 241,102)	(1171)	($ 230,518)	(1480)	($ 352,245)	(197)	($ 398,455)	(1343)
	Loss per share of common share	6(26)								
9750	**Basic loss per share (in dollars)**		($ 3.79)		($ 4.18)		($ 5.55)		($ 7.16)	
9850	**Diluted loss per share (in dollars)**		($ 3.79)		($ 4.18)		($ 5.55)		($ 7.16)	

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

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

		Equity attributable to owners of the parent								
			Capital surplus					Other equity interest		
	Notes	Common shares	Additional paid-in capital	Treasury stocks	Share options	Restricted stocks	Accumulated deficit	Exchange difference on translation of foreign financial statements	Unearned compensation	Total equity
2018										
Balance at January 1, 2018		$ 561,990	$ 1,058,608	$ 7,009	$ 229,214	$ 27,794	($ 874,086)	($ 1,712)	($ 21,533)	$ 987,284
Effects of retrospective application of new standards		-	-	-	-	-	(7,941)	-	-	(7,941)
Balance at January 1, 2018 after adjustments		561,990	1,058,608	7,009	229,214	27,794	(882,027)	(1,712)	(21,533)	979,343
Net loss		-	-	-	-	-	(398,872)	-	-	(398,872)
Other comprehensive income		-	-	-	-	-	-	417	-	417
Total comprehensive income (loss)		-	-	-	-	-	(398,872)	417	-	(398,455)
Share-based payments	6(14)	-	-	-	9,519	-	-	-	5,927	15,446
Share options forfeited		-	10,628	-	(10,628)	-	-	-	-	-
Capital surplus used to cover accumulated deficit	6(18)	-	(874,086)	-	-	-	874,086	-	-	-
Balance at June 30, 2018		$ 561,990	$ 195,150	$ 7,009	$ 228,105	$ 27,794	($ 406,813)	($ 1,295)	($ 15,606)	$ 596,334
2019										
Balance at January 1, 2019		$ 640,451	$ 732,816	$ 7,009	$ 186,849	$ 25,690	($ 910,042)	($ 2,439)	($ 11,138)	$ 669,196
Net loss		-	-	-	-	-	(353,161)	-	-	(353,161)
Other comprehensive income		-	-	-	-	-	-	916	-	916
Total comprehensive income (loss)		-	-	-	-	-	(353,161)	916	-	(352,245)
Share-based payments	6(14)	-	-	-	10,268	-	-	-	4,851	15,119
Share options forfeited		-	9,668	-	(9,668)	-	-	-	-	-
Cancellation of restricted stocks	6(14)(16)	(176)	-	-	-	176	-	-	-	-
Balance at June 30, 2019		$ 640,275	$ 742,484	$ 7,009	$ 187,449	$ 25,866	($ 1,263,203)	($ 1,523)	($ 6,287)	$ 332,070

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

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

	Notes	Six months ended June 30, 2019	Six months ended June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 352,030)	($ 398,461)
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(14)	15,119	15,446
Depreciation	6(5)(6)(23)	34,656	19,284
Amortization	6(7)(23)	3,579	5,235
Interest expense	6(22)	12,561	1,897
Interest income	6(20)	(4,949)	(1,052)
Gain on disposal of property, plant and equipment	6(21)	(349)	-
Prepayments for equipment transferred to other expenses	6(27)	-	780
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(1,416)	-
Accounts receivable, net		(5,376)	531
Other receivables		(173)	15,593
Prepayments		(878)	1,971
Changes in operating liabilities			
Notes payable		-	5
Other payables		(90,009)	19,978
Other current liabilities		(199)	(211)
Non-current contract liabilities		10,760	(5,643)
Other non-current liabilities		(492)	-
Cash outflow generated from operations		(379,196)	(324,647)
Interest received		4,828	1,156
Interest paid		(12,033)	(1,441)
Income tax paid		(617)	(118)
Net cash flows used in operating activities		(387,018)	(325,050)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at amortized cost		308,505	-
Acquisition of property, plant and equipment	6(27)	(41,810)	(26,088)
Proceeds from disposal of property, plant and equipment		1,712	-
Acquisition of intangible assets	6(27)	(4,132)	(1,439)
Increase in refundable deposits		(26)	(23)
Net cash flows from/ (used in) investing activities		264,249	(27,550)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(28)	30,000	30,000
Payments of short-term borrowings	6(28)	(30,000)	(30,000)
Proceeds from long-term borrowings	6(28)	-	363,000
Payments of long-term borrowings	6(28)	(2,654)	(1,700)
Proceeds from finance lease arrangements	6(28)	30,000	-
Payments of lease liabilities	6(28)	(31,038)	-
Payments of finance lease liabilities	6(28)	-	(24,000)
Prepayments		-	(47,595)
Net cash flows (used in)/ from financing activities		(3,692)	289,705
Effect from foreign currency exchange		4,085	331
Net decrease in cash and cash equivalents		(122,376)	(62,564)
Cash and cash equivalents at beginning of period		807,484	951,713
Cash and cash equivalents at end of period		$ 685,108	$ 889,149

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

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED BUT REVIEWED)

1. HISTORY AND ORGANIZATION

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

The Company's financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company has financed its operations to date primarily through the issuance of common shares. The Company has incurred net losses of $353,161 for the six months ended June 30, 2019. As of June 30, 2019, the Company had an accumulated deficit of $1,263,203. The Company has reported a net loss in all fiscal periods since inception and expects to incur substantial and increased expenses to expand its development activities and advance its clinical programs. The Company expects to continue to generate operating losses in the foreseeable future.

As of June 30, 2019, the Company had cash and cash equivalents of $685,108. The Company borrowed a loan of $372,720 (US$12,000) from Cathay Bank in December 2018, which has a maturity date in June 2020 in accordance with the loan and security agreement. As disclosed in Note 6(11), the Group is required to maintain certain financial covenants quarterly and annually as agreed by both parties, and the bank can inspect at any time when necessary.

As the Company is in the research and development phase, the Company may seek future funding based on the need of capital. The Company is able to exercise discretion and flexibility to deploy its capital resources in the progress of the research and development according to the schedule of fund raising. Based on the Company's business plans, management believes that its cash and cash equivalents are sufficient to fund its operating expenses and capital expenditure requirements and meet its obligations for at least the next twelve months from June 30, 2019. However, the future viability of the Company beyond that date is dependent on its ability to raise additional capital to finance its operations. The Company will seek additional funding through public offerings. If the Company is unable to obtain sufficient funds on acceptable terms when needed, the Company could be required to delay, limit or reduce certain of its research and development programs, which could have effects on the Company's business prospects. The Company's business plans, consider, among others, the cost management, the issuance of its common stock, and renewal of its banking facilities with the financial institutions. Although management continues to pursue these plans, there can be no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on July 30, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, 'Leases'

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

(b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the "modified retrospective approach") when applying IFRS 16 effective in 2019. Lease agreements classified as operating lease under IAS 17, except for short-term leases or leases of low-value assets, are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing interest rate as of January 1, 2019. The right-of-use assets are measured at an amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments.

The Group calculated the present value of lease liabilities by using the incremental borrowing interest rate ranging from 1.85% to 4.10%. In determining a lessee's incremental borrowing interest rate used in discounting lease payments, a risk-free interest rate for relevant duration and the same currency is selected as a reference rate. The lessee's credit spread adjustments and lease specific adjustments are also taken into account.

For leases previously classified as finance leases under IAS 17, the Group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

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

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

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

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

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

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

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

	Carrying amount as of December 31, 2018	Adjustments arising from initial application	Adjusted carrying amount as of January 1, 2019
Property, plant and equipment	$ 158,245	($ 46,970)	$ 111,275
Right-of-use assets	-	119,991	119,991
Total effect on assets		$ 73,021	
Other current and non-current liabilities	$ 48,000	($ 48,000)	$ -
Lease liabilities	-	121,021	121,021
Total effect on liabilities		$ 73,021	

In addition, in applying IFRS 16, both operating cash flows will increase and financing cash flows will decrease by approximately $31,038 thousand given that repayment of the principal portion of the non-finance lease liabilities will be classified as cash flows from financing activities, where previously it was classified as operating activities.

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

None.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, these consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of Investor	Name of Subsidiary	Main Business Activities	June 30, 2019	December 31, 2018	June 30, 2018
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, Inc.	Research on new anti-cancer drugs and biotechnology services	100	100	100
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, B.V.	Technical authorization and product development	100	100	100
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, (H.K.) Limited	Biotechnology services and reinvestment	100	100	100
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals Pty Ltd.	Technical authorization and product development	100	100	100
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, Japan Co., Ltd.	Technical authorization and product development	100	100	100

TLC Biopharmaceuticals, (H.K.) Limited	TLC Biopharmaceuticals (Shanghai) Limited	Consulting and technical service of medication	100	100	100

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

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

E. Significant restrictions: None.

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

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

Effective 2019

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term.

At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, the importance of the underlying asset to the lessee’s operations, etc. The lease term is reassessed if a significant change in circumstances that are within the control of the Group occurs.

The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

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

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

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

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset’s useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(5) Employee benefits

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

(6) Income tax

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

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

(7) Revenue recognition

The Group's revenue is comprised of up-front payments and milestone payments under authorization collaboration and development contracts, and sales-based royalty payment under royalty contracts.

Authorization collaboration and development revenue

The Group's authorization collaboration and development transactions generally authorizes intellectual property rights of the drug products to pharmaceutical companies. Though the Group will continuously provide research and development services on the drug products, pharmaceutical companies could make use of the research and development outcome at any time. Pharmaceutical companies pay a non-refundable up-front payment upon signing of the contracts, and make milestone payments upon each milestone achieved. Based on the Group's assessment, the Group uses its proprietary drug delivery technologies to continue the research and development related services, which are unique such that pharmaceutical companies would have difficulty finding another service provider who offers the same services in terms of continuing research and development on the authorized drug products. The authorization and subsequent research and development services provided by the Group are bonded and highly interrelated and therefore not distinct and as such are accounted for as one performance obligation to be delivered over time. At the inception of an agreement that includes research and development milestone payments, the Group evaluates each milestone to determine when and how much of the milestone to be included in the transaction price. The Group first estimates the amount of the milestone payment that the Group could receive using the most likely amount approach. The Group primarily uses the most likely amount approach as that approach is generally most predictive for milestone payments with a binary outcome. Then, the Group considers whether any portion of that estimated amount is subject to the variable consideration constraint (that is, whether it is probable that a significant reversal of cumulative revenue would not occur upon resolution of the uncertainty.) The Group updates the estimate of variable consideration included in the transaction price at each reporting date which includes updating the assessment of the likely amount of consideration and the application of the constraint to reflect current facts and circumstances. The revenue is recognized based on the transaction price, excluding variable considerations considered not achievable, and the stage of completion, which is measured by the proportion of contract costs incurred for research and development services as of the financial reporting date to the estimated total research and development costs for the authorization collaboration and development contracts. As the Group's inputs, including costs of Contract Research Organizations, Contract Manufacture Organizations, and medicines, which have direct relationship with the transfer of control of services to customers, the Group uses the cost incurred method to measure progress towards complete satisfaction of a performance obligation. The Group evaluates the measure of progress each reporting period and, if necessary, adjust the measure of performance and related revenue recognition. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized. A contract liability is recognized as revenue through the performance obligation is satisfied over time.

If a license to the Group's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Group will recognize revenues when the license is transferred to the licensee and the licensee is able to use and benefit from the license.

Given that the period between the transfer of promised services to customers and payment by customers exceed one year for authorization collaboration and development contracts, the transaction price is adjusted using the discount rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception. The discount rate would reflect the credit characteristics of the Group receiving funding from financial institution.

Royalty revenue

The Group also entered into contracts with customers, where the Group is entitled to a sales-based royalty in exchange for a license of manufacturing and the right to sell pharmaceutical products. In accordance with the contracts, the Group will not undertake any activities that will significantly affect the intellectual property to which the customer has rights. The nature of the Group's promise in granting a license is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognized when transferring the license to a customer at a point in time. The Group recognizes revenue at the later of when the performance obligation has been satisfied and the subsequent sale occurs.

5. <u>CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY</u>

Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018, except for the items set out blow:

(1) Critical judgements in applying the Group's accounting policies:

<u>Identification of performance obligation</u>

The Group provides authorization collaboration and development services to its customers, which generally includes authorization of intellectual property rights of drug products to pharmaceutical companies together with continuing research and development services, which pharmaceutical companies can access and make use of the research outcome at any time. In determining the performance obligations under authorization collaboration and development contracts, the Group takes into account the guidance IFRS 15 par. 29:

Factors that indicate that an entity’s promise to transfer a good or service to a customer is separately identifiable (in accordance with paragraph 27(b)) include, but are not limited to, the following:

a. the entity does not provide a significant service of integrating the good or service with other goods or services promised in the contract into a bundle of goods or services that represent the combined output for which the customer has contracted. In other words, the entity is not using the good or service as an input to produce or deliver the combined output specified by the customer.
b. the good or service does not significantly modify or customize another good or service promised in the contract.
c. the good or service is not highly dependent on, or highly interrelated with, other goods or services promised in the contract. For example, the fact that a customer could decide to not purchase the good or service without significantly affecting the other promised goods or services in the contract might indicate that the good or service is not highly dependent on, or highly interrelated with, those other promised goods or services.

Based on the Group’s assessment, the Group uses its proprietary drug delivery technologies to continue the research and development related services, which are unique, and based on the intellectual property rights authorized and therefore, pharmaceutical companies would have difficulty finding alternative service provider in offering the same services. In addition, the authorization and subsequent research and development services provided by the Group are bonded and highly interrelated and therefore not distinct and are identified as one performance obligation to be delivered over time. If the Group assesses that the technologies or intellectual property rights authorized are well developed and the licensee is able to benefit from the license, the authorization and subsequent research and development services provided by the Group are not combined and therefore distinct.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	$ 50	$ 56	$ 111
Checking and demand deposits	405,518	807,428	769,638
Time deposits	279,540	-	119,400
	$ 685,108	$ 807,484	$ 889,149

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

(2) Financial assets at amortized cost

Items	June 30, 2019	December 31, 2018	June 30, 2018
Current items:			
Time deposits with maturity over three months	$ -	$ 307,150	$ -

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

	Three months ended June 30,	
	2019	2018
Interest income	$ -	$ -

	Six months ended June 30,	
	2019	2018
Interest income	$ 787	$ -

(3) Accounts receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable	$ 32,851	$ 27,475	$ 26,223
Less: Allowance for doubtful accounts	(18,132)	(18,132)	(18,132)
	$ 14,719	$ 9,343	$ 8,091

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

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

	June 30, 2019	December 31, 2018	June 30, 2018
Not past due	$ 14,719	$ 9,343	$ 8,091
Up to 30 days	-	-	-
31 to 90 days	-	-	-
91 to 180 days	-	-	-
Over 181 days	18,132	18,132	18,132
	$ 32,851	$ 27,475	$ 26,223

The above ageing analysis was based on past due date.

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

(4) Prepayments

	June 30, 2019	December 31, 2018	June 30, 2018
Net input VAT	$ 33,822	$ 40,614	$ 39,027
Prepaid insurance expenses	16,495	1,568	704
Prepaid service charges	2,103	-	63,363
Prepaid handling charges	1,800	1,294	711
Prepaid repair expense	1,141	1,580	946
Prepaid rent	857	487	1,219
Prepaid expense for medical research	3	3	2,968
Others	723	10,965	9,413
	$ 56,944	$ 56,511	$ 118,351

(5) Property, plant and equipment

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

	Land	Buildings	Testing equipment	Office equipment	Transportation equipment	Leasehold assets	Leasehold improvements	Total
At January 1, 2019								
Cost	$ 14,962	$ 29,532	$ 82,584	$ 19,878	$ -	$ 50,013	$ 77,208	$ 274,177
Accumulated depreciation	-	(6,016)	(29,653)	(13,822)	-	(3,043)	(63,398)	(115,932)
	$ 14,962	$ 23,516	$ 52,931	$ 6,056	$ -	$ 46,970	$ 13,810	$ 158,245
2019								
Opening net book amount	$ 14,962	$ 23,516	$ 52,931	$ 6,056	$ -	$ 46,970	$ 13,810	$ 158,245
Additions	-	-	4,287	34	120	-	487	4,928
Disposals	-	-	(863)	(10)	-	-	(490)	(1,363)
Reclassifications (Note 1)	-	-	(36,315)	-	-	(46,970)	-	(83,285)
Transfers (Note 2)	-	-	71	-	-	-	-	71
Depreciation charges	-	(328)	(2,513)	(1,596)	(3)	-	(5,904)	(10,344)
Net exchange differences	-	-	24	22	-	-	47	93
Closing net book amount	$ 14,962	$ 23,188	$ 17,622	$ 4,506	$ 117	$ -	$ 7,950	$ 68,345
At June 30, 2019								
Cost	$ 14,962	$ 29,532	$ 44,370	$ 19,257	$ 120	$ -	$ 66,485	$ 174,726
Accumulated depreciation	-	(6,344)	(26,748)	(14,751)	(3)	-	(58,535)	(106,381)
	$ 14,962	$ 23,188	$ 17,622	$ 4,506	$ 117	$ -	$ 7,950	$ 68,345

	Land	Buildings	Testing equipment	Office equipment	Leasehold assets	Leasehold improvements	Total
At January 1, 2018							
Cost	$ 14,962	$ 29,532	$ 40,708	$ 18,329	$ 98,170	$ 73,014	$ 274,715
Accumulated depreciation	-	(5,360)	(25,771)	(12,277)	(23,681)	(53,791)	(120,880)
	$ 14,962	$ 24,172	$ 14,937	$ 6,052	$ 74,489	$ 19,223	$ 153,835
2018							
Opening net book amount	$ 14,962	$ 24,172	$ 14,937	$ 6,052	$ 74,489	$ 19,223	$ 153,835
Additions	-	-	2,058	952	-	5,902	8,912
Reclassification	-	-	-	1,831	-	(1,831)	-
Transfers (Note 2)	-	-	143	-	-	-	143
Depreciation charges	-	(328)	(2,560)	(1,505)	(10,242)	(4,649)	(19,284)
Net exchange differences	-	-	52	(1)	-	6	57
Closing net book amount	$ 14,962	$ 23,844	$ 14,630	$ 7,329	$ 64,247	$ 18,651	$ 143,663
At June 30, 2018							
Cost	$ 14,962	$ 29,532	$ 43,125	$ 20,261	$ 98,170	$ 77,151	$ 283,201
Accumulated depreciation	-	(5,688)	(28,495)	(12,932)	(33,923)	(58,500)	(139,538)
	$ 14,962	$ 23,844	$ 14,630	$ 7,329	$ 64,247	$ 18,651	$ 143,663

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

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

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

C. Information about the leasehold assets for June 30, 2018 is provided in Note 6(12).

D. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(6) Leasing arrangements-lessee

Effective 2019

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

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

	June 30, 2019 Carrying amount
Buildings	$ 57,658
Testing equipment	72,554
Transportation equipment	653
	$ 130,865

	Three months ended June 30, 2019 Depreciation charges	Six months ended June 30, 2019 Depreciation charges
Buildings	$ 6,793	$ 13,539
Testing equipment	5,477	10,729
Transportation equipment	44	44
	$ 12,314	$ 24,312

C. For the six months ended June 30, 2019, the additions to right-of-use assets were $697.

D. The information on income and expense accounts relating to lease agreements is as follows:

	Three months ended June 30, 2019	Six months ended June 30, 2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 923	$ 1,200
Expense on short-term lease contracts	1,582	2,024
Expense on leases of low-value assets	100	167

E. For the six months ended June 30, 2019, the Group's total cash outflow for leases were $34,429.

(7) Intangible assets

A. The details of intangible assets are as follows:

	Professional technology	Computer software	Total
At January 1, 2019			
Cost	$ 49,290	$ 27,058	$ 76,348
Accumulated amortization	(49,290)	(23,028)	(72,318)
	$ -	$ 4,030	$ 4,030
2019			
Opening net book amount	$ -	$ 4,030	$ 4,030
Additions	-	3,978	3,978
Transfers (Note)	-	243	243
Amortization charges	-	(3,579)	(3,579)
Closing net book amount	$ -	$ 4,672	$ 4,672
At June 30, 2019			
Cost	$ 49,244	$ 31,279	$ 80,523
Accumulated amortization	(49,244)	(26,607)	(75,851)
	$ -	$ 4,672	$ 4,672

	Professional technology	Computer software	Total
At January 1, 2018			
Cost	$ 49,114	$ 23,522	$ 72,636
Accumulated amortization	(46,315)	(17,684)	(63,999)
	$ 2,799	$ 5,838	$ 8,637
2018			
Opening net book amount	$ 2,799	$ 5,838	$ 8,637
Additions	-	2,256	2,256
Amortization charges	(2,415)	(2,820)	(5,235)
Net exchange differences	1	-	1
Closing net book amount	$ 385	$ 5,274	$ 5,659
At June 30, 2018			
Cost	$ 49,184	$ 25,778	$ 74,962
Accumulated amortization	(48,799)	(20,504)	(69,303)
	$ 385	$ 5,274	$ 5,659

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

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

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

	Three months ended June 30, 2019	Three months ended June 30, 2018
General and administrative expenses	$ 764	$ 754
Research and development expenses	1,036	1,765
	$ 1,800	$ 2,519

	Six months ended June 30, 2019	Six months ended June 30, 2018
General and administrative expenses	$ 1,533	$ 1,640
Research and development expenses	2,046	3,595
	$ 3,579	$ 5,235

(8) Other non-current assets

	June 30, 2019	December 31, 2018	June 30, 2018
Refundable deposits	$ 26,348	$ 18,930	$ 27,239
Prepaid expense for medical research-non-current	20,000	20,000	20,000
Prepayments for equipment	61,615	27,942	17,838
	$ 107,963	$ 66,872	$ 65,077

(9) Short-term borrowings

Type of borrowing	June 30, 2019	December 31, 2018	June 30, 2018
Bank unsecured borrowings	$ 46,000	$ 46,000	$ 46,000
Interest rate	1.95%	1.95%~2.10%	1.95%~2.10%
Credit line	$ 30,000	$ -	$ -

Interest expense recognized in profit or loss amounted to $234, $232, $466 and $467 for the three months and six months ended June 30, 2019 and 2018, respectively.

(10) Other payables

	June 30, 2019	December 31, 2018	June 30, 2018
Research expenses	$ 55,483	$ 97,930	$ 63,196
Salaries and bonuses	21,614	31,049	26,134
Service expenses	15,768	48,137	11,580
Medical research expenses	4,684	2,707	3,185
Labor and health insurance	1,799	2,191	2,262
Payables on machinery, equipment and intangible assets	628	3,677	1,479
Repair expenses	544	676	1,835
Other accrued expenses	14,048	19,901	6,910
	$ 114,568	$ 206,268	$ 116,581

(11) Long-term borrowings

Type of loans	Borrowing period and repayment term	Interest rate	Collateral	June 30, 2019
Taiwan Cooperative Bank -secured borrowings	Note 1	1.85%	Note 4	$ 36,324
Taiwan Cooperative Bank -secured borrowings	Note 2	1.85%	Note 4	27,200
Cathay Bank -secured borrowings	Note 3	5.50%	Note 4	372,720
				436,244
Less: Current portion (Shown as "Other current liabilities")				(378,055)
				$ 58,189

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

Type of loans	Borrowing period and repayment term	Interest rate	Collateral	June 30, 2018
Taiwan Cooperative Bank -secured borrowings	Note 1	1.85%	Note 4	$ 37,750
Taiwan Cooperative Bank -secured borrowings	Note 2	1.85%	Note 4	30,600
Cathay Bank -secured borrowings	Note 3	4.1%~ 5.25%	Note 4	363,000
				431,350
Less: Current portion (Shown as "Other current liabilities")				(62,251)
				$ 369,099

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

Note 2: The Company entered into a mid-term loan contract with Taiwan Cooperative Bank on September 4, 2015 in the amount of $34,000. The contract period is from September 2015 to September 2022. The interest is payable monthly for the first 2 years and payable semi-annually along with 5% of the principal starting from September 2017. The remaining 50% of principal is required to be repaid in September 2022.

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

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

A. According to the above two bank loan contracts with Taiwan Cooperative Bank, the Company is restricted from paying cash dividends or other distributions on the common shares and Taiwan Cooperative Bank retains the right in requesting the Company to raise paid-in capital or to improve financial structure if certain conditions are met.

B. According to the above bank loan contract with Cathay Bank, if the Company and its subsidiary violate any of the following covenants, Cathay Bank has the right to ask the Company and its subsidiary to repay early the outstanding loan:

(i) The Group must maintain an adjusted quick ratio ("Adjusted Quick Ratio") of at least a minimum of 2.25 to 1.00 and (ii) the Group must maintain an adjusted tangible net worth ("Adjusted Tangible Net Worth") of no less than US$12 million as per its quarterly and yearly consolidated financial statements.

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

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

The loan and security agreement with Cathay Bank also prohibits the Company from paying cash dividends or making distributions on account of the Company's capital stock without the consent of Cathay Bank, subject to certain exceptions.

C. As of June 30, 2019, December 31, 2018 and June 30, 2018, the undrawn loan facilities amounted to $9,277, $6,623 and $4,450, respectively. The information about the Group's liquidity risk is provided in Note 12(2) C(c).

(12) <u>Finance lease liabilities</u>

The Group leases testing equipment under finance lease as of December 31, 2018 and June 30, 2018. The leasehold assets are shown as "Property, plant and equipment" as of December 31, 2018 and June 30, 2018, and remeasured and shown as "Right-of-use assets" as of June 30, 2019. Please refer to Notes 6(5) and (6) for details of related information.

Future minimum lease payments and their present values as of December 31 and June 30, 2018 are as follows:

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

	June 30, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
Not later than one year (Note)	$ 28,143	($ 143)	$ 28,000

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

(13) Pensions

A. Defined benefit plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned methods to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover for the deficit by next March.

(b) For the aforementioned pension plan, the Group recognized pension costs of $44, $49, $89 and $96 for the three months and six months ended June 30, 2019 and 2018, respectively.

(c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 is $194.

B. Defined contribution plans

Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the three months and six months ended June 30, 2019 and 2018 are $1,795, $2,238, $3,814 and $4,432, respectively.

C. The subsidiaries have defined contribution plans in accordance with the local regulations, and contributions are based on a certain percentage of employees' salaries and wages. Other than the yearly contributions, the subsidiaries have no further obligations. The pension costs of the subsidiaries for the three months and six months ended June 30, 2019 and 2018 are $320, $379, $653 and $750, respectively.

(14) Share-based payment

A. For the six months ended June 30, 2019 and 2018, the Company's equity-settled share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	2013.11.14	883.0	5 years	Gradually vested after 2 years service (Note 1)
"	2014.03.20	153.0	5 years	Gradually vested after 2 years service (Note 1)
"	2014.08.15	82.3	5 years	Gradually vested after 2 years service (Note 1)
"	2015.02.26	1,102.0	5 years	Gradually vested after 2 years service (Note 1)
"	2015.04.30	16.0	5 years	Gradually vested after 2 years service (Note 1)
"	2015.05.04	35.0	5 years	Gradually vested after 2 years service (Note 1)
"	2015.07.30	50.0	5 years	Gradually vested after 2 years service (Note 1)
"	2015.10.29	180.0	5 years	Gradually vested after 2 years service (Note 1)
"	2016.02.25	1,391.0	5 years	Gradually vested after 2 years service (Note 1)
"	2016.08.11	140.0	5 years	Gradually vested after 2 years service (Note 1)
"	2016.11.03	73.0	5 years	Gradually vested after 2 years service (Note 1)
"	2018.06.29	1,320.0	5 years	Gradually vested after 2 years service (Note 1)
"	2018.07.02	65.0	5 years	Gradually vested after 2 years service (Note 1)
"	2019.03.07	115.0	5 years	Gradually vested after 2 years service (Note 1)
"	2019.05.08	300.0	5 years	Gradually vested after 2 years service (Note 1)
Restricted stocks to employees (Note 2)	2017.11.16	500.0	3 years	(Note 3)
"	2018.07.02	50.0	3 years	(Note 3)

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

(Note 2) The restricted stocks issued by the Company cannot be transferred within the vesting period, but voting rights and dividend rights are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period.

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

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

(a) Employee stock options

	2019		2018	
Stock options	No. of units (in thousands)	Weighted-average exercise price (in dollars)	No. of units (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	3,729	$ 152	3,513	$ 239
Options granted	415	93	1,320	101
Options expired	(119)	272	-	-
Options forfeited	(273)	173	(175)	258
Options outstanding at end of the period	3,752	141	4,658	199
Options exercisable at end of the period	1,832	183	2,552	260
Options permitted but not yet granted at end of the period	-		-	

(b) Restricted stocks to employees

	2019	2018
	Shares (in thousands)	Shares (in thousands)
At January 1	422	500
Forfeited during the period (Note)	(18)	(15)
At June 30	404	485

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

C. No employee stock options were exercised for the six months ended June 30, 2019 and 2018.

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

		June 30, 2019			
		Options outstanding at end of period		Options exercisable at end of period	
Exercise price (in dollars)	Quantity (in thousands)	Remaining contractual life (years)	Exercise price (in dollars)	Quantity (in thousands)	Exercise price (in dollars)
$ 191.7	30.0	0.12	$ 191.7	30.0	$ 191.7
227.3	765.0	0.66	227.3	765.0	227.3
208.4	8.0	0.84	208.4	8.0	208.4
208.4	35.0	0.85	208.4	35.0	208.4
140.8	37.0	1.08	140.8	37.0	140.8
134.7	125.0	1.33	134.7	115.0	134.7
150.5	931.0	1.66	150.5	792.0	150.5
123.7	21.0	2.12	123.7	18.0	123.7
118.0	50.0	2.35	118.0	32.0	118.0
99.2	1,270.0	4.00	99.2	-	-
101.2	65.0	4.01	101.2	-	-
97.4	115.0	4.69	97.4	-	-
91.3	300.0	4.86	91.3	-	-
	3,752.0			1,832.0	

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

		June 30, 2018			
		Options outstanding at end of period		Options exercisable at end of period	
Exercise price (in dollars)	Quantity (in thousands)	Remaining contractual life (years)	Exercise price (in dollars)	Quantity (in thousands)	Exercise price (in dollars)
$ 379.0	784.0	0.37	$ 379.0	784.0	$ 379.0
272.0	131.0	0.72	272.0	131.0	272.0
206.0	52.0	1.12	206.0	50.0	206.0
246.5	899.0	1.66	246.5	760.0	246.5
225.0	16.0	1.83	225.0	12.0	225.0
225.0	35.0	1.84	225.0	27.0	225.0
148.0	38.0	2.08	148.0	28.0	148.0
141.0	138.0	2.33	141.0	92.0	141.0
159.0	1,119.0	2.65	159.0	668.0	159.0
128.5	53.0	3.11	128.5	-	-
122.0	73.0	3.34	122.0	-	-
100.5	1,320.0	5.00	100.5	-	-
	4,658.0			2,552.0	

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

Employee stock options		
Grant date	March 7, 2019	May 8, 2019
Dividend yield	-	-
Expected volatility	41.76%~42.66%	38.85%~41.63%
Risk-free interest rate	0.62%~0.65%	0.57%~0.60%
Expected life (years)	3.5~4.5	3.5~4.5
Per share exercise price (in dollars)	$97.4	$91.3
Weighted average stock options fair value (in dollars)	$31~$35	$27~$32

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

	Three months ended June 30,	
	2019	2018
Equity-settled	$ 7,878	$ 7,596

	Six months ended June 30,	
	2019	2018
Equity-settled	$ 15,119	$ 15,446

(15) Provisions (decommissioning liabilities)

	2019	2018
At January 1	$ 6,922	$ 6,922
Unused amounts reversed	(490)	-
At June 30	$ 6,432	$ 6,922

Analysis of total provisions is shown below:

	June 30, 2019	December 31, 2018	June 30, 2018
Non-current	$ 6,432	$ 6,922	$ 6,922

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

(16) Common shares

A. As of June 30, 2019, the Company's authorized capital was $2,000,000, and the paid-in capital was $640,275 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2019	2018
At January 1	64,045	56,199
Restricted stocks retrieved from employees and cancelled	(18)	-
At June 30	64,027	56,199

B. To increase the Company's working capital, the shareholders at their extraordinary stockholders' meeting on March 10, 2011 adopted a resolution to raise additional cash through private placement with the effective date set on March 25, 2011. The maximum number of shares to be issued through the private placement was 4,711 thousand shares at a subscription price of $42.45 (in dollars) per share. The amount of capital raised through the private placement was $200,000, which had been registered. Pursuant to the Securities and Exchange Act of the ROC, the common shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have applied for retroactive handling of public issuance procedures. Other than these restrictions, the rights and obligations of the common shares raised through the private placement are the same as other issued common shares.

C. In February 2018, the Company filed the registration statement on Form F-1, with the U.S. Securities and Exchange Commission ("SEC") for the initial public offering in the United States of its American Depositary Shares ("ADSs") representing common shares. The registration statement for listing its ADSs in the Nasdaq Global Market was declared effective by the SEC on November 21, 2018, and the Company' s ADSs began trading on the Nasdaq Global Market under the Ticker symbol "TLC".

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

The terms of ADS are as follows:

(a) Voting rights

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

(b) Dividends, stock warrants and other rights

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

D. Employee restricted stocks

(a) As 25,000 shares of employee restricted stocks granted to certain employees in June and July 2018 did not meet the vesting conditions in accordance with the terms of restricted stocks, the Board of Director has resolved on August 1, 2018 to buy back the restricted stocks to retire for capital reduction. The registration was completed on August 29, 2018.

(b) As 10,000 shares of employee restricted stocks granted to certain employees in November 2018 did not meet the vesting conditions in accordance with the terms of restricted stocks, the Board of Directors has resolved on October 31, 2018 to buy back the restricted stocks to retire for capital reduction. The registration was completed on January 3, 2019.

(c) The stockholders at their annual stockholders' meeting on May 31, 2017 adopted a resolution to issue employee restricted stocks (see Note 6(14)) with the effective date set on November 16, 2017 and July 2, 2018. The subscription price is $10 (in dollars) per share. The employee restricted stocks issued are subject to certain restrictions on selling, pledging as collateral, transfer, donation or other methods to dispose before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued common shares.

(d) As 17,600 shares of employee restricted stocks granted to certain employees in February and April 2019 did not meet the vesting conditions in accordance with the terms of restricted stocks, the Board of Directors has resolved on May 8, 2019 to buy back the restricted stocks to retire for capital reduction. The registration was completed on June 25, 2019.

(17) Capital surplus

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

(18) Accumulated deficit

A. Under the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:

   (a) Payment of taxes and duties;

   (b) Cover prior years' accumulated deficit, if any;

   (c) After deducting items a and b, set aside 10% of the remaining amount as legal reserve;

   (d) Appropriate or reverse special reserve in accordance with the relevant laws and regulations, if necessary; and

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

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

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

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

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

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

E. As of June 30, 2019, the Company had an accumulated deficit. Therefore, the earnings distribution information disclosure is not applicable.

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

(19) Operating revenue

	Three months ended June 30,	
	2019	2018
Revenue from contracts with customers	$ 20,592	$ 15,572

	Six months ended June 30,	
	2019	2018
Revenue from contracts with customers	$ 178,357	$ 29,663

A. Disaggregation of revenue from contracts with customers

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

Three months ended June 30, 2019	Royalty revenue	Authorization collaboration and development revenue	Total
Timing of revenue recognition			
At a point in time	$ 13,292	$ 6,216	$ 19,508
Over time	-	1,084	1,084
	$ 13,292	$ 7,300	$ 20,592

Three months ended June 30, 2018	Royalty revenue	Authorization collaboration and development revenue	Total
Timing of revenue recognition			
At a point in time	$ 12,023	$ -	$ 12,023
Over time	-	3,549	3,549
	$ 12,023	$ 3,549	$ 15,572

Six months ended June 30, 2019	Royalty revenue	Authorization collaboration and development revenue	Total
Timing of revenue recognition			
At a point in time	$ 27,885	$ 149,056	$ 176,941
Over time	-	1,416	1,416
	$ 27,885	$ 150,472	$ 178,357

Six months ended June 30, 2018	Royalty revenue	Authorization collaboration and development revenue	Total
Timing of revenue recognition			
At a point in time	$ 24,020	$ -	$ 24,020
Over time	-	5,643	5,643
	$ 24,020	$ 5,643	$ 29,663

B. Contract assets and liabilities

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

	June 30, 2019	December 31, 2018	June 30, 2018
Contract assets – authorization collaboration and development revenue	$ 3,699	$ 2,283	$ -
Current contract liabilities – authorization collaboration and development revenue	$ -	$ -	$ 2,298
Non-current contract liabilities – authorization collaboration and development revenue	$ 10,760	$ -	$ -

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

	Three months ended June 30,	
	2019	2018
Revenue recognized that was included in the contract liability balance at the beginning of the period	$ -	$ 3,549

	Six months ended June 30,	
	2019	2018
Revenue recognized that was included in the contract liability balance at the beginning of the period	$ -	$ 5,643

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

Aggregate amount of the transaction price allocated to long-term authorization collaboration and development contracts that are partially unsatisfied as of June 30, 2019 amounted to $46,960. Considering the progress of research and development, management expects that the transaction price allocated to the unsatisfied contracts amounting to $46,960 as of June 30, 2019 will be recognized as revenue in the next three years, which is subject to the management's plan in terms of completion of clinical and bioequivalence study.

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

(a) In December 2013, the Company entered into a license and collaboration agreement with Sandoz AG. ("Sandoz") for the development and commercialization of products in Europe and in the USA. Under the terms of the agreement, the Company received an upfront, non-refundable payment of US$100 thousand in January 2014, and aggregated milestone payments of US$2,275 thousand related to the Europe submission in March 2014, April 2014, and January 2015, respectively.

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

(b) In March 2019, the Company entered into a commercialization agreement with Hong Kong Sansheng Medical Limited ("3SBio") to commercialize two liposomal products utilizing the Company's NanoX technology platform in mainland China. Under the terms of the agreement, the Company received an upfront, non-refundable payment in March 2019, and the Company may receive development and sales milestones for a total of up to US$25,000 thousand. Once the new drug is launched in the market, a royalty fee equal to an agreed upon percentage of net sales will be received by the Company.

(c) In June 2019, the Company entered into a development and license agreement with Birdie Biopharmaceuticals, Inc. ("Birdie"). Under the terms of the development and license agreement, the Company granted Birdie the right to use its intellectual property of NanoX technology to develop and commercialize Birdie's liposomal formulated dual agonist product. Birdie will be responsible for the product's preclinical and clinical development, regulatory filing and commercialization. The Company will be assisting with Birdie in the formulation development and manufacturing process of Birdie's product. Birdie will fund all the development and manufacturing costs. The Company is eligible to receive upfront payment and future milestone payments up to US$49,000 thousand. Milestones include conduct of sequential clinical trials, achievement of regulatory approvals and certain commercial milestones in China, USA and Europe. Once the new drug is launched in the market, Birdie will pay the Company a royalty payment based on a certain percentage of the net sales.

D. The details of royalty revenue are as follows:

(a) The Company granted TTY Biopharm Company Limited ("TTY") the exclusive right in Taiwan to produce and promote LIPO-DOX, a medicinal product developed by the Company. Under the contract, royalty payments are based on 12% of the net product sales.

(b) The Company authorizes Yung Shin Pharm. Ind. Co., Ltd. ("YSP") the exclusive right in Taiwan to produce and promote generic drugs. Under the contract, the Company will receive a royalty payment based on a certain percentage of the net sales.

(20) Other income

	Three months ended June 30,	
	2019	2018
Interest income	$ 2,492	$ 498
Government subsidy income (Note)	695	1,373
Others	2,126	521
	$ 5,313	$ 2,392

	Six months ended June 30,	
	2019	2018
Interest income	$ 4,949	$ 1,052
Government subsidy income (Note)	790	1,797
Others	7,085	4,084
	$ 12,824	$ 6,933

Note: The Company has entered into contracts of "A phase IIa trial of lipid-based investigational drug TLC399 in the subjects with macular edema due to retinal vein occlusion in the United States" and "A phase I/II trial of lipid-based, sustained release investigational drug TLC399 (ProDex®) for treating macular edema due to retinal vein occlusion" with the Institute for Information Industry in 2017 and 2014, respectively. The Company has accrued government subsidy income in accordance with the progress of the plan. The aforesaid subsidy plan has recognized income of $695, $1,373, $790, and $1,797 for the three months and six months ended June 30, 2019 and 2018, respectively. As of June 30, 2019, the Company has not received the government subsidy of $3,451 (shown as "Other receivables").

(21) Other gains and losses

	Three months ended June 30,	
	2019	2018
Net currency exchange gain	$ 1,894	$ 589
Gain on disposal of property, plant and equipment	349	-
Other losses	-	(131)
	$ 2,243	$ 458

	Six months ended June 30,	
	2019	2018
Net currency exchange gain	$ 1,329	$ 1,575
Gain on disposal of property, plant and equipment	349	-
Other losses	(53)	(131)
	$ 1,625	$ 1,444

(22) Finance costs

	Three months ended June 30,	
	2019	2018
Bank borrowings	$ 5,504	$ 1,024
Finance lease liabilities	-	135
Lease liabilities	923	-
	$ 6,427	$ 1,159

	Six months ended June 30,	
	2019	2018
Bank borrowings	$ 11,361	$ 1,581
Finance lease liabilities	-	316
Lease liabilities	1,200	-
	$ 12,561	$ 1,897

(23) Expenses by nature (Shown as "Operating expenses")

	Three months ended June 30,	
	2019	2018
Employee benefit expenses	$ 65,666	$ 77,136
Depreciation charges	$ 15,904	$ 9,712
Amortization charges	$ 1,800	$ 2,519

	Six months ended June 30,	
	2019	2018
Employee benefit expenses	$ 153,921	$ 152,443
Depreciation charges	$ 34,656	$ 19,284
Amortization charges	$ 3,579	$ 5,235

(24) Employee benefit expenses

	Three months ended June 30,	
	2019	2018
Wages and salaries	$ 49,777	$ 60,270
Share-based payment compensation costs	7,878	7,596
Labor and health insurance fees	4,148	4,634
Pension costs	2,159	2,666
Other personnel expenses	1,704	1,970
	$ 65,666	$ 77,136

	Six months ended June 30,	
	2019	2018
Wages and salaries	$ 121,278	$ 117,248
Share-based payment compensation costs	15,119	15,446
Labor and health insurance fees	9,109	9,435
Pension costs	4,556	5,278
Other personnel expenses	3,859	5,036
	$ 153,921	$ 152,443

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated deficit, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 2%~8% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. Through June 30, 2019, the Company had an accumulated deficit and did not accrue employees' compensation and directors' remuneration.

   Information about the appropriation of employees' compensation and directors' remuneration by the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Components of income tax expense:

	Three months ended June 30,	
	2019	2018
Current income tax:		
Current income tax on profits for the period	$ 514	$ 242
Prior year income tax underestimation	340	-
Income tax expense	$ 854	$ 242

	Six months ended June 30,	
	2019	2018
Current income tax:		
Current income tax on profits for the period	$ 514	$ 255
Prior year income tax underestimation	617	156
Income tax expense	$ 1,131	$ 411

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

(26) Loss per share

	Three months ended June 30, 2019		
	Amount after tax	Weighted average number of common shares outstanding (in thousands of shares)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to common shareholders of the Company	($ 241,476)	63,623	($ 3.79)
Dilutive effect of common shares equivalents:			
Employees' stock options	-	(Note)	
Restricted stocks	-	(Note)	
Diluted loss per share			
Loss attributable to common shareholders of the Company plus assumed conversion of all dilutive potential common shares	($ 241,476)	63,623	($ 3.79)

	Three months ended June 30, 2018		
	Amount after tax	Weighted average number of common shares outstanding (in thousands of shares)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to common shareholders of the Company	($ 232,569)	55,699	($ 4.18)
Dilutive effect of common shares equivalents:			
Employees' stock options	-	(Note)	
Restricted stocks	-	(Note)	
Diluted loss per share			
Loss attributable to common shareholders of the Company plus assumed conversion of all dilutive potential common shares	($ 232,569)	55,699	($ 4.18)

	Six months ended June 30, 2019		
	Amount after tax	Weighted average number of common shares outstanding (in thousands of shares)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to common shareholders of the Company	($ 353,161)	63,623	($ 5.55)
Dilutive effect of common shares equivalents:			
Employees' stock options	-	(Note)	
Restricted stocks	-	(Note)	
Diluted loss per share			
Loss attributable to common shareholders of the Company plus assumed conversion of all dilutive potential common shares	($ 353,161)	63,623	($ 5.55)

	Six months ended June 30, 2018		
	Amount after tax	Weighted average number of common shares outstanding (in thousands of shares)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to common shareholders of the Company	($ 398,872)	55,699	($ 7.16)
Dilutive effect of common shares equivalents:			
Employees' stock options	-	(Note)	
Restricted stocks	-	(Note)	
Diluted loss per share			
Loss attributable to common shareholders of the Company plus assumed conversion of all dilutive potential common shares	($ 398,872)	55,699	($ 7.16)

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

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	Six months ended June 30, 2019	Six months ended June 30, 2018
Acquisition of property, plant and equipment (including transfers)	$ 4,999	$ 9,055
Add: Opening balance of payables on machinery, equipment and intangible assets	3,303	-
Ending balance of prepayments for equipment	61,615	17,838
Opening balance of prepayments for equipment being transferred to other expenses	-	780
Opening balance of prepayments for equipment being transferred to intangible assets	243	-
Less: Ending balance of payables on machinery, equipment and intangible assets	(408)	(662)
Opening balance of prepayments for equipment	(27,942)	(923)
Cash paid	$ 41,810	$ 26,088

	Six months ended June 30, 2019	Six months ended June 30, 2018
Acquisition of intangible assets (including transfers)	$ 4,221	$ 2,256
Add: Opening balance of payables on machinery, equipment and intangible assets	374	-
Less: Ending balance of payables on machinery, equipment and intangible assets	(220)	(817)
Opening balance of prepayments for equipment being transferred to intangible assets	(243)	-
Cash paid	$ 4,132	$ 1,439

(28) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities -2019 Finance lease liabilities -2018 (including current portion)	Liabilities from financing activities
At January 1, 2019	$ 46,000	$ 434,757	$ 48,000	$ 528,757
Effect on initial application of IFRS 16	-	-	73,021	73,021
Adjusted balance at January 1, 2019	$ 46,000	$ 434,757	$ 121,021	$ 601,778
Changes in cash flow from financing activities	-	(2,654)	(2,238)	(4,892)
Changes in other non-cash items	-	-	7,388	7,388
Net exchange differences	-	4,141	237	4,378
At June 30, 2019	$ 46,000	$ 436,244	$ 126,408	$ 608,652

	Short-term borrowings	Long-term borrowings (including current portion)	Finance lease liabilities (including current portion)	Liabilities from financing activities
At January 1, 2018	$ 46,000	$ 70,050	$ 52,000	$ 168,050
Changes in cash flow from financing activities	-	361,300	(24,000)	337,300
At June 30, 2018	$ 46,000	$ 431,350	$ 28,000	$ 505,350

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Keelung Hong	The Group’s Chairman
George Yeh	The Group’s General Manager

(2) Significant transactions and balances with related parties

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

B. The Company’s Chairman and General Manager provided guarantees for the Company’s short-term borrowings with E. SUN Commercial Bank.

C. The Company’s Chairman provided guarantees for the Company’s short-term borrowings with Taishin International Bank.

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

As of June 30, 2019, December 31, 2018, and June 30, 2018, details of loans are described in Notes 6(9) and 6(11).

(3) Key management personnel compensation

	Three months ended June 30, 2019	Three months ended June 30, 2018
Salaries and other short-term employee benefits	$ 7,965	$ 10,423
Post-employment benefits	135	108
Share-based payment	2,817	1,901
	$ 10,917	$ 12,432

	Six months ended June 30, 2019	Six months ended June 30, 2018
Salaries and other short-term employee benefits	$ 17,387	$ 19,806
Post-employment benefits	270	216
Share-based payment	4,461	3,354
	$ 22,118	$ 23,376

8. PLEDGED ASSETS

(1)

Assets pledged	June 30, 2019	December 31, 2018	June 30, 2018	Pledge purpose
Shown as "Property, plant and equipment"				
Land	$ 14,962	$ 14,962	$ 14,962	Note
Buildings	23,188	23,516	23,844	Note
	$ 38,150	$ 38,478	$ 38,806	

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

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

(2) Commitments

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

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

	June 30, 2019	December 31, 2018	June 30, 2018
Property, plant and equipment	$ 5,419	$ 11,037	$ 30,954

B. Operating lease commitments

2018

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

	December 31, 2018	June 30, 2018
Not later than one year	$ 31,787	$ 32,118
Later than one year but not later than five years	46,315	62,269
	$ 78,102	$ 94,387

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

June 30, 2019	December 31, 2018	June 30, 2018
$ 151,059	$ 120,707	$ 77,523

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

June 30, 2019	December 31, 2018	June 30, 2018
$ 803,475	$ 603,178	$ 591,651

E. The Company has signed a licensing agreement for technology transition with TWI Pharmaceuticals, Inc. with maximum royalty charges of US$5,000 thousand according to the R&D achievement in October 2013. Once the new drug is launched in the market, the Company will pay a royalty fee based on a certain percentage of the net product sales.

F. The Company's subsidiary entered into a synthesis technology of novel camptothecin derivative transfer agreement with Sutter West Bay Hospitals (SWBH, formerly known as California Pacific Medical Center) in June 2005. Under the agreement, SWBH charges the Company's subsidiary a patent usage fee of US$10 thousand per annum, royalty fees up to US$300 thousand according to the R&D achievement and royalty fees to a certain percentage of relevant product sales volume. Through June 30, 2019, the Company's subsidiary had paid US$100 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

12. OTHERS

(1) Capital risk management

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

As of June 30, 2019, December 31, 2018, and June 30, 2018, the Group's debt ratios are as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Total debt	$ 746,988	$ 748,725	$ 638,187
Total capital	$ 640,275	$ 640,451	$ 561,990
Debt ratio	116.67%	116.91%	113.56%

(2) Financial instruments

A. Financial instruments by category

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets			
Financial assets at amortized cost/loans and receivables			
Cash and cash equivalents	$ 685,108	$ 807,484	$ 889,149
Current financial assets at amortized cost	-	307,150	-
Accounts receivable, net	14,719	9,343	8,091
Other receivables	6,105	5,811	4,029
Refundable deposits	26,348	18,930	27,239
	$ 732,280	$ 1,148,718	$ 928,508

	June 30, 2019	December 31, 2018	June 30, 2018
Financial liabilities			
Financial liabilities at amortized cost			
Short-term borrowings	$ 46,000	$ 46,000	$ 46,000
Notes payable	-	-	505
Other payables	114,568	206,268	116,581
Finance lease liabilities (including current portion)	-	48,000	28,000
Lease liabilities (including current portion)	126,408	-	-
Long-term borrowings (including current portion)	436,244	434,757	431,350
	$ 723,220	$ 735,025	$ 622,436

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group adopts overall risk management program and control system to identify all financial risks and seeks to control and balance potential adverse effects from those aforesaid financial risks.

(b) The goal of market risk management is to appropriately consider the impacts of economic environment, competition and market value risk in order to achieve the best risk position, to maintain appropriate liquidity position and to centrally manage all market risks.

(c) To meet its risk management objectives, the Group's procedures of hedge focus on market risk and cash flow interest rate risk.

C. Significant financial risks and degree of financial risks

(a) Market risk

i. Foreign exchange risk

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

	June 30, 2019		
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD) (in thousands)
Financial assets			
Monetary items			
USD : NTD	$ 12,419	31.060	$ 385,734
Non-monetary items			
USD : NTD	1,611	31.060	50,038
AUD : NTD	1,771	21.795	38,599
Financial liabilities			
Monetary items			
USD : NTD	14,376	31.060	446,519
AUD : NTD	1,823	21.795	39,732

	December 31, 2018		
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD) (in thousands)
Financial assets			
Monetary items			
USD : NTD	$ 29,933	30.715	$ 919,392
Non-monetary items			
USD : NTD	1,529	30.715	46,963
AUD : NTD	1,754	21.665	38,000
Financial liabilities			
Monetary items			
USD : NTD	17,886	30.715	549,368
AUD : NTD	2,544	21.665	55,116

	June 30, 2018		
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD) (in thousands)
Financial assets			
Monetary items			
USD : NTD	$ 12,578	30.460	$ 383,126
Non-monetary items			
USD : NTD	1,439	30.460	43,832
AUD : NTD	1,100	22.495	24,755
Financial liabilities			
Monetary items			
USD : NTD	14,201	30.460	432,562

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

	Six months ended June 30, 2019		
	Sensitivity analysis		
(Foreign currency: functional currency)	Extent of variation	Effect on profit or loss (in thousands)	Effect on other comprehensive income (in thousands)
Financial assets			
Monetary items			
USD : NTD	1%	$ 3,857	$ -
Non-monetary items			
USD : NTD	1%	-	500
AUD : NTD	1%	-	386
Financial liabilities			
Monetary items			
USD : NTD	1%	4,465	-
AUD : NTD	1%	397	-

	Six months ended June 30, 2018		
	Sensitivity analysis		
(Foreign currency: functional currency)	Extent of variation	Effect on profit or loss (in thousands)	Effect on other comprehensive income (in thousands)
Financial assets			
Monetary items			
USD : NTD	1%	$ 3,831	$ -
Non-monetary items			
USD : NTD	1%	-	438
AUD : NTD	1%	-	248
Financial liabilities			
Monetary items			
USD : NTD	1%	4,326	-

(iii) The unrealized exchange gain arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2019 and 2018 are $1,740, $1,326, $1,899 and 1,748, respectively.

ii. Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at floating interest rates expose the Group to cash flow interest rate risk. During the six months ended June 30, 2019 and 2018, the Group's borrowings at floating interest rate were denominated in the NT dollars.

At June 30, 2019 and 2018, if interest rate had been 0.2% higher/lower with all other conditions held constant, net loss for the six months ended June 30, 2019 and 2018, would have been by $482 and $477 higher/lower, respectively. The main factor is that the floating rate borrowings resulted in changes in interest expense.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from cash and deposits with banks and financial institutions, as well as default by the customers on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire Group's concern. For banks and financial institutions, only financial institutions with a good credit rating are accepted. According to the Group's credit policy, each entity in the Group is responsible for managing and analyzing the credit risk for each of their new customers before entering into license contracts. Internal risk control assesses the credit quality of the customers, taking into account their financial positions, past experience and other factors.

iii. The default occurs when the contract payments are past due based on the agreed terms.

iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments.

v. The Group classifies customers' accounts receivable in accordance with credit rating of customers. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.

vi. The Group wrote off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. The Group assesses the expected credit losses based on the payment terms stipulated in the contracts with the customers. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables. Except for loss allowance of $18,132 established based on the delay payment of the balances due from one customer, the Group has not identified impairments on the trade receivables. The Group has therefore concluded that the expected loss rates for the trade receivables and contract assets is very low, and the loss allowance for the trade receivables and contract assets recognized is immaterial as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively. As of June 30, 2019, December 31, 2018 and June 30, 2018, the balance of allowance for doubtful accounts was all $18,132.

viii. As of June 30, 2019, December 31, 2018 and June 30, 2018, with no collateral held or other credit enhancements, maximum exposure to credit risk in respect of the Group's accounts receivable and contract assets was $18,418, $11,626 and $8,091 respectively.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Additionally, the Group closely monitors the execution and covenants compliance of the loan and security agreement and intitiates discussing with the banks as needed.

ii. The table below analyzes the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	June 30, 2019				
	Within 1 year	Between 1 and 2 years	Between 3 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 46,370	$ -	$ -	$ -	$ -
Other payables	114,568	-	-	-	-
Lease liabilities (including current portion)	68,906	43,457	12,750	4,709	-
Long-term borrowings (including current portion)	395,980	6,399	6,336	22,258	29,134

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

	June 30, 2018				
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 46,421	$ -	$ -	$ -	$ -
Notes payable	505	-	-	-	-
Other payables	116,581	-	-	-	-
Finance lease liabilities (including current portion)	28,143	-	-	-	-
Long-term borrowings (including current portion)	78,388	135,370	197,364	26,004	31,724

(3) Fair value information

A. The Group had no financial instruments measured at fair value, using certain valuation methods, as of June 30, 2019, December 31, 2018, and June 30, 2018.

B. Management considers that the carrying amounts of financial assets and liabilities not measured at fair value are approximate to their fair values, including cash and cash equivalents, financial assets at amortized cost, receivables, refundable deposits, short-term borrowings, long-term borrowings (including current portion), payables, finance lease liabilities (including current portion), and lease liabilities (including current and non-current).

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

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

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

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

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

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

I. Derivative financial instruments undertaken during the six months ended June 30, 2019: None.

J. Significant inter-company transactions during the six months ended June 30, 2019: Please refer to table 1.

(2) Information on investees

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

(3) Information on investments in mainland China

A. Basic information: Please refer to table 3.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.

14. SEGMENT INFORMATION

(1) General information

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

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

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

(3) Reconciliation for segment income (loss)

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

Taiwan Liposome Company, Ltd. and Subsidiaries
Significant inter-company transactions
Six months ended June 30, 2019

Table 1

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 5)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
1	TLC Biopharmaceuticals, Inc.	Taiwan Liposome Company, Ltd.	2	Operating revenue	$ 34,448	(Note 4)	19.31%
2	TLC Biopharmaceuticals, Pty Ltd.	Taiwan Liposome Company, Ltd.	2	Operating revenue	7,755	(Note 4)	4.35%
1	TLC Biopharmaceuticals, Inc.	Taiwan Liposome Company, Ltd.	2	Accounts receivable	21,119	(Note 4)	1.96%
2	TLC Biopharmaceuticals, Pty Ltd.	Taiwan Liposome Company, Ltd.	2	Accounts receivable	29,996	(Note 4)	2.78%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

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

Note 4: Transaction items follow the agreement.

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

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

Taiwan Liposome Company, Ltd. and Subsidiaries
Names, locations and other information of investee companies (not including investee in mainland China)
Six months ended June 30, 2019

Table 2

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of June 30, 2019			Income of the investee for the six months ended June 30, 2019	Investment income (loss) recognized by the Company for the six months ended June 30, 2019	Footnote
				Balance as of June 30, 2019	Balance as of December 31, 2018	Number of shares	Ownership (%)	Book value			
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, Inc.	USA	Research on new anti-cancer drugs and biotechnology services	$ 55,433	$ 55,433	3,100,000	100%	$ 50,044	$ 2,574	$ 2,574	
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals B.V.	Netherlands	Technical authorization and product development	4,410	4,410	1,000,000	100%	1,622	15	15	
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, (H.K.) Limited	Hong Kong	Biotechnology service and reinvestment	3,023	3,023	780,000	100%	3,794	38	38	
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals Pty Ltd.	Australia	Technical authorization and product development	23,399	23,399	1,000,000	100%	38,589	366	366	
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals Japan Co., Ltd.	Japan	Technical authorization and product development	2,670	2,670	1,000	100%	3,680	67	67	

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

Taiwan Liposome Company, Ltd. and Subsidiaries
Information on investments in mainland China - Basic information
Six months ended June 30, 2019

Table 3

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to mainland China as of January 1, 2019	Amount remitted from Taiwan to mainland China/Amount remitted back to Taiwan for the six months ended June 30, 2019		Accumulated amount of remittance from Taiwan to mainland China as of June 30, 2019	Income of investee for the six months ended June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income recognized by the Company for the six months ended June 30, 2019 (Note 2(2)B)	Book value of investments in mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
TLC Biopharmaceuticals, (Shanghai) Limited	Consulting and technical service of medication	$ 2,261	Reinvestment in mainland China through third region company (TLC Biopharmaceuticals, (H.K.) Limited)	$ 2,268	$ -	$ -	$ 2,268	$ 19	100	$ 19	$ 3,127	$ -	

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

(1) Directly invest in a company in mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in mainland China.

(3) Others

Note 2: In the ‘Investment income recognized by the Company for the six months ended June 30, 2019’ column:

(1) It should be indicated if the investee was still in the incorporation arrangements and has not yet generated any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. The financial statements were audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B. The financial statements were audited and attested by R.O.C. parent company’s CPA.

C. Others (The financial statements were reviewed by R.O.C. parent company’s CPA.).

Company name	Accumulated amount of remittance from Taiwan to mainland China as of June 30, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)(Note)	Ceiling on investments in mainland China imposed by the Investment Commission of MOEA
Taiwan Liposome Company, Ltd.	$ 2,268	$ 2,268	$ 199,242

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