

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**

THREE MONTHS ENDED MARCH 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To Taiwan Liposome Company, Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Liposome Company, Ltd. and subsidiaries (the "Group") as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of our review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Emphasis of Matter

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



Lin, Chia-Hung



Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan
May 14, 2021

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

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020
(THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2021 AND 2020 ARE UNAUDITED BUT REVIEWED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Note	March 31, 2021		December 31, 2020		March 31, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,080,009	72	\$ 1,342,667	77	\$ 680,643	61
1170	Accounts receivable, net	6(2)	34,684	2	9,287	1	7,384	1
1200	Other receivables		2,971	-	25,489	1	1,282	-
1220	Current income tax assets		609	-	571	-	576	-
1410	Prepayments	6(3)	<u>55,334</u>	<u>4</u>	<u>53,963</u>	<u>3</u>	<u>152,510</u>	<u>13</u>
11XX	Total current assets		<u>1,173,607</u>	<u>78</u>	<u>1,431,977</u>	<u>82</u>	<u>842,395</u>	<u>75</u>
Non-current assets								
1600	Property, plant and equipment	6(4) and 8	119,298	8	124,499	7	58,512	5
1755	Right-of-use assets	6(5)	58,825	4	65,554	4	96,683	9
1780	Intangible assets	6(6)	998	-	1,002	-	2,859	-
1900	Other non-current assets	6(7)	<u>156,668</u>	<u>10</u>	<u>126,429</u>	<u>7</u>	<u>122,140</u>	<u>11</u>
15XX	Total non-current assets		<u>335,789</u>	<u>22</u>	<u>317,484</u>	<u>18</u>	<u>280,194</u>	<u>25</u>
1XXX	Total assets		<u>\$ 1,509,396</u>	<u>100</u>	<u>\$ 1,749,461</u>	<u>100</u>	<u>\$ 1,122,589</u>	<u>100</u>

(Continued)

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020
(THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2021 AND 2020 ARE UNAUDITED BUT REVIEWED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Liabilities and equity	Note	March 31, 2021		December 31, 2020		March 31, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(8)	\$ 16,000	1	\$ 16,000	1	\$ 46,000	4
2200	Other payables	6(9)	185,884	12	189,141	11	138,221	12
2230	Current income tax liabilities		-	-	31	-	-	-
2280	Current lease liabilities		24,480	2	25,097	1	54,649	5
2300	Other current liabilities	6(10)	<u>152,099</u>	<u>10</u>	<u>117,858</u>	<u>7</u>	<u>278,286</u>	<u>25</u>
21XX	Total current liabilities		<u>378,463</u>	<u>25</u>	<u>348,127</u>	<u>20</u>	<u>517,156</u>	<u>46</u>
Non-current liabilities								
2527	Non-current contract liabilities	6(17)	10,286	1	10,286	1	10,760	1
2540	Long-term borrowings	6(10)	421,589	28	469,076	27	53,314	5
2550	Provisions for liabilities-non-current	6(13)	6,432	1	6,432	-	6,432	1
2580	Non-current lease liabilities		36,025	2	42,024	2	20,984	2
2600	Other non-current liabilities	6(11)	<u>15,967</u>	<u>1</u>	<u>10,189</u>	<u>1</u>	<u>5,752</u>	<u>-</u>
25XX	Total non-current liabilities		<u>490,299</u>	<u>33</u>	<u>538,007</u>	<u>31</u>	<u>97,242</u>	<u>9</u>
2XXX	Total liabilities		<u>868,762</u>	<u>58</u>	<u>886,134</u>	<u>51</u>	<u>614,398</u>	<u>55</u>
Equity								
Equity attributable to owners of parent								
Share capital								
3110	Common shares	6(14)	841,549	56	841,549	48	741,889	66
Capital surplus								
3200	Capital surplus	6(15)	2,304,216	152	2,300,541	131	1,708,651	152
Retained earnings								
3350	Accumulated deficit	6(16)	(2,901,343)	(192)	(2,699,974)	(154)	(1,932,360)	(172)
Other equity								
3400	Other equity interest		(8,629)	(1)	(4,194)	-	(9,989)	(1)
31XX	Equity attributable to owners of parent		235,793	15	437,922	25	508,191	45
36XX	Non-controlling interests	6(28)	<u>404,841</u>	<u>27</u>	<u>425,405</u>	<u>24</u>	<u>-</u>	<u>-</u>
3XXX	Total equity		<u>640,634</u>	<u>42</u>	<u>863,327</u>	<u>49</u>	<u>508,191</u>	<u>45</u>
Significant contingent liabilities and unrecognized contract commitments								
3X2X	Total liabilities and equity	9	<u>\$ 1,509,396</u>	<u>100</u>	<u>\$ 1,749,461</u>	<u>100</u>	<u>\$ 1,122,589</u>	<u>100</u>

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

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE AMOUNTS)
(UNAUDITED BUT REVIEWED)

Items	Note	Three months ended March 31,			
		2021		2020	
		AMOUNT	%	AMOUNT	%
4000					
Operating revenue	6(17)	\$ 37,618	100	\$ 11,974	100
Operating expenses	6(11)(12) (22)(23)				
6200	General and administrative expenses	(31,047)	(82)	(32,880)	(275)
6300	Research and development expenses	(222,774)	(592)	(191,778)	(1,601)
6000	Total operating expenses	(253,821)	(674)	(224,658)	(1,876)
6900	Operating loss	(216,203)	(574)	(212,684)	(1,776)
	Non-operating income and expenses				
7100	Interest income	238	1	517	4
7010	Other income	153	-	204	2
7020	Other gains and losses	2,596	7	2,200	19
7050	Finance costs	(4,782)	(13)	(4,401)	(37)
7000	Total non-operating income and expenses	(1,795)	(5)	(1,480)	(12)
7900	Loss before income tax	(217,998)	(579)	(214,164)	(1,788)
7950	Income tax expense	(239)	(1)	(421)	(4)
8200	Net loss	<u>(\$ 218,237)</u>	<u>(580)</u>	<u>(\$ 214,585)</u>	<u>(1,792)</u>
	Other comprehensive income (loss)				
	Items that may be subsequently reclassified to profit or loss				
8361	Financial statement translation differences of foreign operations	(\$ 8,195)	(22)	(\$ 3,506)	(29)
8300	Total other comprehensive loss	<u>(\$ 8,195)</u>	<u>(22)</u>	<u>(\$ 3,506)</u>	<u>(29)</u>
8500	Total comprehensive loss	<u>(\$ 226,432)</u>	<u>(602)</u>	<u>(\$ 218,091)</u>	<u>(1,821)</u>
	Loss attributable to:				
8610	Owners of the parent	(\$ 201,369)	(535)	(\$ 214,585)	(1,792)
8620	Non-controlling interests	(\$ 16,868)	(45)	\$ -	-
	Total comprehensive loss attributable to:				
8710	Owners of the parent	(\$ 205,868)	(547)	(\$ 218,091)	(1,821)
8720	Non-controlling interests	(\$ 20,564)	(55)	\$ -	-
	Loss per share of common share				
9750	Basic loss per share (in dollars)	(\$ 2.39)		(\$ 2.90)	
9850	Diluted loss per share (in dollars)	(\$ 2.39)		(\$ 2.90)	

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

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(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	Non-Controlling Interests	Total equity	
<u>2020</u>												
	Balance at January 1, 2020	\$ 741,939	\$ 1,512,438	\$ 7,009	\$ 168,856	\$ 17,021	(\$ 1,717,775)	(\$ 5,010)	(\$ 2,568)	\$ 721,910	\$ -	\$ 721,910
	Net loss	-	-	-	-	-	(214,585)	-	-	(214,585)	-	(214,585)
	Other comprehensive loss	-	-	-	-	-	(3,506)	-	-	(3,506)	-	(3,506)
	Total comprehensive loss	-	-	-	-	-	(214,585)	(3,506)	-	(218,091)	-	(218,091)
	Share-based payments 6(12)	-	-	-	3,447	-	-	-	1,095	4,542	-	4,542
	Share options forfeited	-	39,954	-	(39,954)	-	-	-	-	-	-	-
	Cancellation of restricted stocks 6(14)	(50)	-	-	-	(120)	-	-	-	(170)	-	(170)
	Balance at March 31, 2020	\$ 741,889	\$ 1,552,392	\$ 7,009	\$ 132,349	\$ 16,901	(\$ 1,932,360)	(\$ 8,516)	(\$ 1,473)	\$ 508,191	\$ -	\$ 508,191
<u>2021</u>												
	Balance at January 1, 2021	\$ 841,549	\$ 2,167,954	\$ 7,009	\$ 120,143	\$ 5,435	(\$ 2,699,974)	(\$ 4,066)	(\$ 128)	\$ 437,922	\$ 425,405	\$ 863,327
	Net loss	-	-	-	-	-	(201,369)	-	-	(201,369)	(16,868)	(218,237)
	Other comprehensive loss	-	-	-	-	-	(4,499)	-	-	(4,499)	(3,696)	(8,195)
	Total comprehensive loss	-	-	-	-	-	(201,369)	(4,499)	-	(205,868)	(20,564)	(226,432)
	Share-based payments 6(12)	-	-	-	3,675	-	-	-	64	3,739	-	3,739
	Share options forfeited	-	29,549	-	(29,549)	-	-	-	-	-	-	-
	Balance at March 31, 2021	\$ 841,549	\$ 2,197,503	\$ 7,009	\$ 94,269	\$ 5,435	(\$ 2,901,343)	(\$ 8,565)	(\$ 64)	\$ 235,793	\$ 404,841	\$ 640,634

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

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED BUT REVIEWED)

	<u>Notes</u>	<u>Three months ended March 31,</u>	
		<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 217,998)	(\$ 214,164)
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(12)	3,739	4,542
Depreciation	6(4)(5)(22)	12,801	14,555
Amortization	6(6)(22)	372	970
Interest expense	6(21)	4,782	4,401
Interest income	6(18)	(238)	(571)
Gain on disposal of property, plant and equipment	6(20)	-	(181)
Unrealized foreign exchange loss		660	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		(25,397)	7,736
Other receivables		22,518	3,310
Prepayments		(1,371)	(101,120)
Changes in operating liabilities			
Other payables		(4,281)	7,582
Other current liabilities		(41)	(296)
Other non-current liabilities		<u>5,778</u>	<u>250</u>
Cash outflow generated from operations		(198,676)	(272,932)
Interest received		239	579
Interest paid		(4,783)	(5,674)
Income tax paid		(278)	(421)
Net cash flows used in operating activities		<u>(203,498)</u>	<u>(278,448)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(26)	(30,468)	(3,972)
Acquisition of intangible assets	6(26)	-	(484)
Decrease in refundable deposits		<u>-</u>	<u>234</u>
Net cash flows used in investing activities		<u>(30,468)</u>	<u>(4,222)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(27)	16,000	-
Payments of short-term borrowings	6(27)	(16,000)	-
Proceeds from long-term borrowings	6(27)	-	30,000
Payments of long-term borrowings	6(27)	(13,865)	(72,158)
Payments of lease liabilities	6(27)	(6,629)	(17,202)
Cancellation of restricted stocks		<u>-</u>	<u>(170)</u>
Net cash flows used in financing activities		<u>(20,494)</u>	<u>(59,530)</u>
Effect from foreign currency exchange		<u>(8,198)</u>	<u>(1,031)</u>
Net decrease in cash and cash equivalents		(262,658)	(343,231)
Cash and cash equivalents at beginning of period		<u>1,342,667</u>	<u>1,023,874</u>
Cash and cash equivalents at end of period		<u>\$ 1,080,009</u>	<u>\$ 680,643</u>

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

TAIWAN LIPOSOME COMPANY, LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020

(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”) were 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 attributable to owners of the parents of \$201,369 for the three months ended March 31, 2021. As of March 31, 2021, the Company had an accumulated deficit of \$2,901,343. The Company has reported a net loss in all fiscal periods since inception and expects to incur substantial and increased expenses to expand its development activities and advance its clinical programs. The Company expects to continue to generate operating losses in the foreseeable future.

As of March 31, 2021, the Company had cash and cash equivalents of \$1,080,009. As the Company is in the research and development phase, the Company may seek future funding based on the need of capital. The Company is able to exercise discretion and flexibility to deploy its capital resources in the progress of the research and development according to the schedule of fund raising. Based on the Company’s business plans, management believes that its cash and cash equivalents are sufficient to fund its operating expenses and capital expenditure requirements and meet its obligations for at least the next twelve months from March 31, 2021. However, the future viability of the Company beyond that date is dependent on its ability to raise additional capital to finance its operations.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 14, 2021.

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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“IASB”)</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by FSC.

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

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
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, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts-cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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, 2020, 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, 2020.

(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, 2020.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
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	
Taiwan Liposome Company, Ltd.	TLC Holding Corp.	Investment activities	100	100	-	Note
TLC Holding Corp.	InspirMed Inc.	Investment activities	51	51	-	Note
Inspir Med Inc.	InspirMed Corp.	Technical authorization and product development	100	100	-	Note

Note: The company invested and established a 100% owned subsidiary, TLC Holding Corp. in November 2020, and indirectly invested and established a 100%-owned subsidiary, InspirMed Inc. Thereafter, InspirMed Inc. invested and established a 100%-owned subsidiary, InspirMed Corp..

InspirMed Inc., increased its capital by issuing new shares in November 2020 and subscribed by the Company's subsidiary, TLC Holing Corp., and non-controlling interests. Information related to the transactions with non-controlling interests are provided in Note 6(28).

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

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

E. Significant restrictions on the funds transfer from subsidiaries to parent company:

According to the Regulations on the Foreign Exchange System of the People's Republic of China ("P.R.C."), capital inward and outward remittance of TLC Biopharmaceuticals (Shanghai) Limited have to be approved by the regulatory foreign exchange administrations and designated banks.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of March 31, 2021, the non-controlling interests amounted to \$404,841. The information of non-controlling interests and respective subsidiary is as follows:

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>	
		<u>March 31, 2021</u>	
		<u>Amount</u>	<u>Ownership</u>
InspirMed Inc.	British Cayman Islands	\$ 404,841	\$ 49%

Summarized financial information of the subsidiaries:

Balance sheets

	<u>InspirMed Inc.</u>	
	<u>March 31, 2021</u>	
Current assets	\$	811,277
Non-current assets		454,112
Current liabilities	(441,467)
Total net assets	\$	<u>823,922</u>

Statement of comprehensive income

	<u>InspirMed Inc.</u>	
	<u>Three months ended</u>	
	<u>March 31, 2021</u>	
Revenue	\$	-
Loss before income tax	(34,424)
Income tax expense		-
Loss for the period from continuing operations	(34,424)
Loss for the period	(34,424)
Other comprehensive income, net of tax		-
Total comprehensive loss for the period	(\$	<u>34,424</u>)
Comprehensive income attributable to non-controlling interests	(\$	<u>16,868</u>)
Dividends paid to non-controlling interests	\$	<u>-</u>

Statement of cash flows

	<u>InspirMed Inc.</u>	
	Three months ended	
	<u>March 31, 2021</u>	
Net cash used in operating activities	(\$	76,600)
Net cash provided by (used in) investing activities		-
Net cash provided by (used in) financing activities		-
Effect of exchange rates on cash and cash equivalents	(<u>7,223)</u>
Decrease in cash and cash equivalents	(<u>83,823)</u>
Cash and cash equivalents, beginning of period		<u>427,197</u>
Cash and cash equivalents, end of period	\$	<u><u>343,374</u></u>

There were no non-controlling interests in March 31, 2020.

(4) 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.

(5) Income tax

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash on hand	\$ 50	\$ 50	\$ 50
Checking and demand deposits	<u>1,079,959</u>	<u>1,342,617</u>	<u>680,593</u>
	<u>\$ 1,080,009</u>	<u>\$ 1,342,667</u>	<u>\$ 680,643</u>

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

(2) Accounts receivable

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts receivable	\$ 34,684	\$ 9,287	\$ 25,516
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>(18,132)</u>
	<u>\$ 34,684</u>	<u>\$ 9,287</u>	<u>\$ 7,384</u>

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Not past due	\$ 34,684	\$ 9,287	\$ 7,384
Up to 30 days	-	-	-
31 to 90 days	-	-	-
91 to 180 days	-	-	-
Over 181 days	<u>-</u>	<u>-</u>	<u>18,132</u>
	<u>\$ 34,684</u>	<u>\$ 9,287</u>	<u>\$ 25,516</u>

The above ageing analysis was based on past due date.

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

(3) Prepayments

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Net input VAT	\$ 35,920	\$ 37,759	\$ 34,909
Prepaid research and development expenses	11,060	9,644	111,084
Prepaid expense for medical research	1,953	2,416	171
Prepaid insurance expense	1,338	1,052	2,327
Prepaid repair expense	1,229	815	832
Prepaid handling charges	243	575	914
Others	<u>3,591</u>	<u>1,702</u>	<u>2,273</u>
	<u>\$ 55,334</u>	<u>\$ 53,963</u>	<u>\$ 152,510</u>

(4) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Equipment under installation</u>	<u>Total</u>
<u>At January 1, 2021</u>								
Cost	\$ 14,962	\$ 29,532	\$ 127,668	\$ 13,372	\$ 120	\$ 10,863	\$ 5,269	\$ 201,786
Accumulated depreciation	-	(7,328)	(49,032)	(12,147)	(63)	(8,717)	-	(77,287)
	<u>\$ 14,962</u>	<u>\$ 22,204</u>	<u>\$ 78,636</u>	<u>\$ 1,225</u>	<u>\$ 57</u>	<u>\$ 2,146</u>	<u>\$ 5,269</u>	<u>\$ 124,499</u>
<u>2021</u>								
Opening net book amount	\$ 14,962	\$ 22,204	\$ 78,636	\$ 1,225	\$ 57	\$ 2,146	\$ 5,269	\$ 124,499
Additions	-	-	903	-	-	-	-	903
Transfers	-	-	5,221	-	-	-	(5,269)	(48)
Depreciation charges	-	(164)	(5,386)	(223)	(10)	(277)	-	(6,060)
Net exchange differences	-	-	1	-	-	3	-	4
Closing net book amount	<u>\$ 14,962</u>	<u>\$ 22,040</u>	<u>\$ 79,375</u>	<u>\$ 1,002</u>	<u>\$ 47</u>	<u>\$ 1,872</u>	<u>\$ -</u>	<u>\$ 119,298</u>
<u>At March 31, 2021</u>								
Cost	\$ 14,962	\$ 29,532	\$ 124,356	\$ 13,376	\$ 120	\$ 10,871	\$ -	\$ 193,217
Accumulated depreciation	-	(7,492)	(44,981)	(12,374)	(73)	(8,999)	-	(73,919)
	<u>\$ 14,962</u>	<u>\$ 22,040</u>	<u>\$ 79,375</u>	<u>\$ 1,002</u>	<u>\$ 47</u>	<u>\$ 1,872</u>	<u>\$ -</u>	<u>\$ 119,298</u>

	<u>Land</u>	<u>Buildings</u>	<u>Testing equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>At January 1, 2020</u>							
Cost	\$ 14,962	\$ 29,532	\$ 40,307	\$ 18,675	\$ 120	\$ 63,767	\$ 167,363
Accumulated depreciation	-	(6,672)	(24,461)	(15,404)	(23)	(59,120)	(105,680)
	<u>\$ 14,962</u>	<u>\$ 22,860</u>	<u>\$ 15,846</u>	<u>\$ 3,271</u>	<u>\$ 97</u>	<u>\$ 4,647</u>	<u>\$ 61,683</u>
<u>2020</u>							
Opening net book amount	\$ 14,962	\$ 22,860	\$ 15,846	\$ 3,271	\$ 97	\$ 4,647	\$ 61,683
Additions	-	-	95	-	-	-	95
Depreciation charges	-	(164)	(683)	(886)	(10)	(1,562)	(3,305)
Net exchange differences	-	-	6	10	-	23	39
Closing net book amount	<u>\$ 14,962</u>	<u>\$ 22,696</u>	<u>\$ 15,264</u>	<u>\$ 2,395</u>	<u>\$ 87</u>	<u>\$ 3,108</u>	<u>\$ 58,512</u>
<u>At March 31, 2020</u>							
Cost	\$ 14,962	\$ 29,532	\$ 22,005	\$ 13,594	\$ 120	\$ 63,802	\$ 144,015
Accumulated depreciation	-	(6,836)	(6,741)	(11,199)	(33)	(60,694)	(85,503)
	<u>\$ 14,962</u>	<u>\$ 22,696</u>	<u>\$ 15,264</u>	<u>\$ 2,395</u>	<u>\$ 87</u>	<u>\$ 3,108</u>	<u>\$ 58,512</u>

- B. Amount of borrowing costs capitalized as part of property, plant and equipment for the three months ended March 31, 2021 and 2020: None.
- C. Information about the investing activities that were partially paid by cash is provided in Note 6(26).
- D. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(5) Leasing arrangements-lessee

A. The Group leases various assets including buildings, testing equipment and transportation equipment. Lease agreements are typically made for periods of 1 to 5 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:

	<u>March 31, 2021</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
Buildings	\$ 105,458	(\$ 46,981)	\$ 58,477
Transportation equipment	697	(349)	348
	<u>\$ 106,155</u>	<u>(\$ 47,330)</u>	<u>\$ 58,825</u>

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
Buildings	\$ 105,634	(\$ 40,472)	\$ 65,162
Testing equipment	697	(305)	392
	<u>\$ 106,331</u>	<u>(\$ 40,777)</u>	<u>\$ 65,554</u>

	<u>March 31, 2020</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
Buildings	\$ 71,610	(\$ 33,712)	\$ 37,898
Testing equipment	86,328	(28,066)	58,262
Transportation equipment	697	(174)	523
	<u>\$ 158,635</u>	<u>(\$ 61,952)</u>	<u>\$ 96,683</u>

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charges</u>	<u>Depreciation charges</u>
Buildings	\$ 6,697	\$ 6,838
Testing equipment	-	4,368
Transportation equipment	44	44
	<u>\$ 6,741</u>	<u>\$ 11,250</u>

C. For the three months ended March 31, 2021 and 2020, the additions to right-of-use assets amounted to \$0 and \$210, respectively.

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

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 355	\$ 453
Expense on leases of low-value assets	58	133

E. For the three months ended March 31, 2021 and 2020, the Group's total cash outflow for leases amounted to \$7,042 and \$17,788, respectively.

(6) Intangible assets

A. The details of intangible assets are as follows:

	<u>Professional technology</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2021</u>			
Cost	\$ 46,138	\$ 33,886	\$ 80,024
Accumulated amortization	(46,138)	(32,884)	(79,022)
	<u>\$ -</u>	<u>\$ 1,002</u>	<u>\$ 1,002</u>
<u>2021</u>			
Opening net book amount	\$ -	\$ 1,002	\$ 1,002
Additions	-	368	368
Amortization charges	-	(372)	(372)
Closing net book amount	<u>\$ -</u>	<u>\$ 998</u>	<u>\$ 998</u>
<u>At March 31, 2021</u>			
Cost	\$ 46,138	\$ 34,253	\$ 80,391
Accumulated amortization	(46,138)	(33,255)	(79,393)
	<u>\$ -</u>	<u>\$ 998</u>	<u>\$ 998</u>

	<u>Professional technology</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2020</u>			
Cost	\$ 49,136	\$ 31,479	\$ 80,615
Accumulated amortization	(<u>49,136</u>)	(<u>29,677</u>)	(<u>78,813</u>)
	<u>\$ -</u>	<u>\$ 1,802</u>	<u>\$ 1,802</u>
<u>2020</u>			
Opening net book amount	\$ -	\$ 1,802	\$ 1,802
Additions	-	1,422	1,422
Transfers (Note)	-	605	605
Amortization charges	<u>-</u>	(<u>970</u>)	(<u>970</u>)
Closing net book amount	<u>\$ -</u>	<u>\$ 2,859</u>	<u>\$ 2,859</u>
<u>At March 31, 2020</u>			
Cost	\$ 46,138	\$ 33,506	\$ 79,644
Accumulated amortization	(<u>46,138</u>)	(<u>30,647</u>)	(<u>76,785</u>)
	<u>\$ -</u>	<u>\$ 2,859</u>	<u>\$ 2,859</u>

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

- B. Information about the investing activities that were partially paid by cash is provided in Note 6(26).
- C. The details of the amortization charges of intangible assets (shown as “Operating expenses”) are as follows:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
General and administrative expenses	\$ 264	\$ 626
Research and development expenses	<u>108</u>	<u>344</u>
	<u>\$ 372</u>	<u>\$ 970</u>

(7) Other non-current assets

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Refundable deposits	\$ 25,711	\$ 25,711	\$ 24,117
Prepaid expense for medical research-non-current	20,000	20,000	20,000
Prepayments for equipment	<u>110,957</u>	<u>80,718</u>	<u>78,023</u>
	<u>\$ 156,668</u>	<u>\$ 126,429</u>	<u>\$ 122,140</u>

(8) Short-term borrowings

<u>Type of borrowing</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Bank unsecured borrowings	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 46,000</u>
Interest rate	<u>1.88%</u>	<u>1.95%</u>	<u>1.95%</u>
Credit line	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest expense recognized in profit or loss amounted to \$75 and \$224 for the three months ended March 31, 2021 and 2020, respectively.

(9) Other payables

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Research expenses	\$ 99,151	\$ 130,790	\$ 81,366
Medical research expenses	31,579	6,632	6,629
Salaries and bonuses	15,120	20,035	16,815
Service expenses	11,016	12,529	11,008
Labor and health insurance	1,860	1,602	1,720
Payables on machinery, equipment and intangible assets	1,307	313	1,112
Repair expenses	387	564	477
Other accrued expenses	<u>25,464</u>	<u>16,676</u>	<u>19,094</u>
	<u>\$ 185,884</u>	<u>\$ 189,141</u>	<u>\$ 138,221</u>

(10) Long-term borrowings

<u>Type of loans</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>March 31, 2021</u>
Taiwan Cooperative Bank -secured borrowings	Note 1	1.80%	Note 6	\$ 33,238
Taiwan Cooperative Bank -secured borrowings	Note 2	1.80%	Note 6	20,400
Cathay Bank -secured borrowings	Note 3	4.00%	Note 6	342,420
Non-financial institution -secured borrowings	Note 4	1.35%	Note 6	55,000
Chang Hwa Commercial Bank -unsecured borrowings	Note 5	1.78%	-	<u>120,000</u>
				571,058
Less: Current portion (Shown as "Other current liabilities")				(<u>149,469</u>)
				<u>\$ 421,589</u>

Type of loans	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2020
Taiwan Cooperative Bank -secured borrowings	Note 1	1.80%	Note 6	\$ 33,403
Taiwan Cooperative Bank -secured borrowings	Note 2	1.80%	Note 6	22,100
Cathay Bank -secured borrowings	Note 3	4.00%	Note 6	341,760
Non-financial institution -secured borrowings	Note 4	1.35%	Note 6	67,000
Chang Hwa Commercial Bank -unsecured borrowings	Note 5	1.78%	-	<u>120,000</u>
				584,263
Less: Current portion (Shown as “Other current liabilities”)				(<u>115,187</u>)
				<u>\$ 469,076</u>

Type of loans	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2020
Taiwan Cooperative Bank -secured borrowings	Note 1	1.85%	Note 6	\$ 34,875
Taiwan Cooperative Bank -secured borrowings	Note 2	1.85%	Note 6	23,800
Cathay Bank -secured borrowings	Note 3	4.75%	Note 6	<u>272,025</u>
				330,700
Less: Current portion (Shown as “Other current liabilities”)				(<u>277,386</u>)
				<u>\$ 53,314</u>

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

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

Note 3: The Company and its subsidiary, TLC Biopharmaceuticals, Inc. (“TLC US”) entered into a mid-term loan and security agreement with Cathay Bank on December 27, 2018 in the amount of US\$12 million. The contract period is from December 2018 to June 2020. The interest is payable monthly for the first six months and payable monthly along with the same amount of principal starting from July 2019. On June 18, 2020, the Company and its subsidiary, TLC US made amendments to the aforementioned mid-term loan and security agreement with Cathay Bank. The main amendments are that the Company would settle all remaining amount of previous loan in June 2020, and raise a new loan of US\$12 million with the maturity date in June 2023, the interest is payable monthly for the first twelve months and payable monthly along with the same amount of principal starting from July 2021, and modification of certain covenants.

Note 4: The Company entered into a long-term loan and security agreement with a non-financial institution on May 27, 2020 in the amount of \$95,000. The contract period is from May 2020 to May 2022. The principal and interest are amortized and repaid monthly.

Note 5: The Company received a loan of \$120,000 from Chang-Hwa Commercial Bank on October 23, 2020. The loan period is 5 years with 1 year grace period. The interest is payable for the first year and payable monthly along with the same amount of principal starting from the second year through the fifth year. The Small & Medium Enterprise Credit Guarantee Fund of Taiwan provides 80% of the guarantee, and the Company’s Chairman, Keelung Hong, provides the guarantee as well.

Note 6: Information about the collateral provided for the loans is provided 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:
 - (a) 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 of US\$4 million 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.

(b) On January 9, 2020, Cathay Bank agreed to amend the agreement pursuant to which the Adjusted Quick Ratio covenant was amended so that the Adjusted Quick Ratio must be at least 1.75 to 1.00, which became effective beginning January 9, 2020.

“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, but excluding lease liabilities recognized under IFRS 16.

(c) On June 18, 2020, Cathay Bank agreed to further amend the agreement pursuant to which the Adjusted Quick Ratio covenant was amended so that the Adjusted Quick Ratio must be at least 1.50 to 1.00, which became effective beginning June 18, 2020.

“Adjusted Quick Ratio” means a ratio of cash and cash equivalents plus net trade receivables to the amount of 70% of principal payments (up to US\$4 million) owing to Cathay Bank under this contract for the next 12 months plus all other current liabilities, but excluding lease liabilities recognized under IFRS 16.

(d) The Company was in compliance with all of the loan covenants as of March 31, 2021, December 31, 2020 and March 31, 2020.

(e) 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.

(11) 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 \$509 and \$509 for the three months ended March 31, 2021 and 2020, respectively.

(c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 is \$2,035.

B. Defined contribution plans

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the three months ended March 31, 2021 and 2020 are \$1,574 and \$1,719, respectively.

C. The subsidiaries have defined contribution plans in accordance with the local regulations, and contributions are based on a certain percentage of employees’ salaries and wages. Other than the yearly contributions, the subsidiaries have no further obligations. The pension costs of the subsidiaries for the three months ended March 31, 2021 and 2020 are \$263 and \$175, respectively.

(12) Share-based payment

A. For the three months ended March 31, 2021 and 2020, the Company's equity-settled, share-based payment arrangements are as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	2015.02.26	1,102	5 years	Gradually vested after 2 years service (Note 1)
"	2015.04.30	16	5 years	Gradually vested after 2 years service (Note 1)
"	2015.05.04	35	5 years	Gradually vested after 2 years service (Note 1)
"	2015.07.30	50	5 years	Gradually vested after 2 years service (Note 1)
"	2015.10.29	180	5 years	Gradually vested after 2 years service (Note 1)
"	2016.02.25	1,391	5 years	Gradually vested after 2 years service (Note 1)
"	2016.08.11	140	5 years	Gradually vested after 2 years service (Note 1)
"	2016.11.03	73	5 years	Gradually vested after 2 years service (Note 1)
"	2018.06.29	1,320	5 years	Gradually vested after 2 years service (Note 1)
"	2018.07.02	65	5 years	Gradually vested after 2 years service (Note 1)
"	2019.03.07	115	5 years	Gradually vested after 2 years service (Note 1)
"	2019.05.08	300	5 years	Gradually vested after 2 years service (Note 1)
"	2020.11.27	1,800	5 years	Gradually vested after 2 years service (Note 1)
Restricted stocks to employees (Note 2)	2017.11.16	500	3 years	(Note 3)
"	2018.07.02	50	3 years	(Note 3)

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

<u>Stock options</u>	<u>2021</u>		<u>2020</u>	
	<u>No. of units (in thousands)</u>	<u>Weighted- average exercise price (in dollars)</u>	<u>No. of units (in thousands)</u>	<u>Weighted- average exercise price (in dollars)</u>
Options outstanding at beginning of the period	3,832	\$ 86	3,224	\$ 134
Options expired	(717)	132	(671)	207
Options forfeited	(47)	87	(92)	101
Options outstanding at end of the period	<u>3,068</u>	75	<u>2,461</u>	115
Options exercisable at end of the period	<u>761</u>	98	<u>1,025</u>	140
Options permitted but not yet granted at end of the period	<u>200</u>		<u>-</u>	

(b) Restricted stocks to employees

	<u>2021</u>		<u>2020</u>	
	<u>Shares (in thousands)</u>		<u>Shares (in thousands)</u>	
At January 1		10		277
Expired for the period (Note)		-	(12)	
At March 31		<u>10</u>		<u>215</u>

Note: Please refer to Note 6(14) E.

C. No employee stock options were exercised for the three months ended March 31, 2021 and 2020.

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

March 31, 2021						
			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)	
\$ 112.1	8	0.36	\$ 112.1	8	\$ 112.1	
97.6	1,040	2.25	97.6	715	97.6	
95.8	75	2.94	95.8	38	95.8	
89.8	185	3.11	89.8	-	-	
59.4	1,760	4.66	59.4	-	-	
	<u>3,068</u>			<u>761</u>		

December 31, 2020						
			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)	
\$ 132.4	725	0.16	\$ 132.4	725	\$ 132.4	
112.1	8	0.61	112.1	8	112.1	
97.6	1,059	2.50	97.6	669	97.6	
95.8	75	3.19	95.8	-	-	
89.8	185	3.36	89.8	-	-	
59.4	1,780	4.91	59.4	-	-	
	<u>3,832</u>			<u>1,402</u>		

March 31, 2020						
			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)	
\$ 191.0	8	0.08	\$ 191.0	8	\$ 191.0	
191.0	35	0.09	191.0	35	191.0	
132.7	30	0.33	132.7	30	132.7	
127.5	120	0.58	127.5	120	127.5	
141.1	784	0.91	141.1	784	141.1	
118.0	8	1.37	118.0	7	118.0	
113.1	41	1.60	113.1	41	113.1	
98.4	1,165	3.25	98.4	-	-	
96.6	75	3.94	96.6	-	-	
90.6	195	4.11	90.6	-	-	
	<u>2,461</u>			<u>1,025</u>		

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

Employee stock options	November 27, 2020
Grant date	-
Dividend yield	37.03%~39.63%
Expected volatility	0.18%~0.19%
Risk-free interest rate	3.5~4.5
Expected life (years)	\$59.4
Per share exercise price (in dollars)	\$17~\$18
Weighted average stock options fair value (in dollars)	

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

	Three months ended March 31,	
	2021	2020
Equity-settled	\$ 3,739	\$ 4,542

(13) Provisions (decommissioning liabilities)

	<u>2021</u>	<u>2020</u>
At January 1	\$ 6,432	\$ 6,432
At March 31	<u>\$ 6,432</u>	<u>\$ 6,432</u>

Analysis of total provisions is shown below:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Non-current	<u>\$ 6,432</u>	<u>\$ 6,432</u>	<u>\$ 6,432</u>

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

(14) Common shares

A. As of March 31, 2021, the Company's authorized capital was \$2,000,000 and the paid-in capital was \$841,549 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	<u>2021</u>	<u>2020</u>
Issued common shares at January 1 and March 31	84,155	74,189
Restricted stocks retrieved from employees and to be cancelled	-	(12)
Outstanding common shares at March 31	<u>84,155</u>	<u>74,177</u>

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

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

The actual units of ADSs for this offering were 3,915,550, and each ADS represents two of the Company's common shares, which in the aggregate represents 7,831,100 common shares. The offering price per ADS was US\$5.80 (in dollars), equivalent to a price per common share of \$89.32 (in dollars). As of March 31, 2021, the outstanding ADRs were 3,566,172 units, or 7,132,344 common shares, representing 8.47% of the Company's issued common shares.

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 shares 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. In order to raise funds for drug development, the Board of Directors during the meeting on March 17, 2020 resolved to increase its capital for cash, and the registration has been approved by the FSC on May 13, 2020. For this capital increase for cash, the 10,000,000 common shares were issued with an offering price of \$68 (in dollars) per share. The total paid-in capital is \$680,000, which has been fully collected. The Company set the record date of the capital increase on June 30, 2020. The registration was completed.

E. Employee restricted stocks

(a) As 12,000 shares of employee restricted stocks granted to certain employees in February 2020 did not meet the vesting conditions in accordance with the terms of restricted stocks, the Board of Directors has resolved on May 12, 2020 to buy back the restricted stocks to retire for capital reduction. The registration was completed on August 7, 2020.

(b) As 10,000 shares of employee restricted stocks granted to certain employees in June 2020 did not meet the vesting conditions in accordance with the terms of restricted stocks, the Board of Directors has resolved on August 5, 2020 to buy back the restricted stocks to retire for capital reduction. The registration was completed on September 18, 2020.

- (c) As 12,000 shares of employee restricted stocks granted to certain employee in August 2020 did not meet the vesting conditions in accordance with the terms of restricted stocks, the Board of Director has resolved on August 28, 2020 to buy back the restricted stocks to retain for capital reduction. The registration was complete on September 18, 2020.

(15) 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.

(16) 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. As of March 31, 2021, the Company had an accumulated deficit. Therefore, the earnings distribution information disclosure is not applicable.

(17) Operating revenue

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers	<u>\$ 37,618</u>	<u>\$ 11,974</u>

A. Disaggregation of revenue from contracts with customers

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

<u>Three months ended</u> <u>March 31, 2021</u>	<u>Royalty</u> <u>revenue</u>	<u>Authorization</u> <u>collaboration and</u> <u>development revenue</u>	<u>Other</u>	<u>Total</u>
Timing of revenue recognition				
At a point in time	<u>\$ 37,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,618</u>

<u>Three months ended</u> <u>March 31, 2020</u>	<u>Royalty</u> <u>revenue</u>	<u>Other</u>	<u>Total</u>
Timing of revenue recognition			
At a point in time	<u>\$ 10,359</u>	<u>\$ 1,615</u>	<u>\$ 11,974</u>

B. Contract assets and liabilities

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2021</u>
Non-current contract liabilities – authorization collaboration and development revenue	<u>\$ 10,286</u>	<u>\$ 10,286</u>	<u>\$ 10,760</u>

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

Revenue recognized that was included in the contract liability balance at the beginning of the period amounted to \$0 for the three months ended March 31, 2021 and 2020.

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

Aggregate amount of the transaction price allocated to long-term authorization collaboration and development contracts that are partially unsatisfied as of March 31, 2021 and 2020 amounted to \$10,286 and \$10,760, respectively. The above transaction prices disclosed do not include any estimated amounts of variable consideration that are constrained. Considering the progress of research and development, management expects that the transaction price allocated to the unsatisfied contracts amounting to \$10,286 and \$10,760 as of March 31, 2021 and 2020, respectively, 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.

The Company negotiated with Sandoz to terminate the above agreement on August 28, 2020, and the termination date was August 31, 2020.

(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. In addition, the Company is also eligible to receive double-digit profit shares from the potential sales of products.

(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 a certain percentage 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.

(18) Interest income

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 227	\$ 503
Other interest income	<u>11</u>	<u>14</u>
	<u>\$ 238</u>	<u>\$ 517</u>

(19) Other income

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Government subsidy income (Note)	\$ -	\$ 91
Others	<u>153</u>	<u>113</u>
	<u>\$ 153</u>	<u>\$ 204</u>

Note: The Company has entered into contracts of “TLC590 Phase II Clinical Study for Postsurgical Pain Following Bunionectomy: A Double-blind, Randomized Trial”, “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 Taipei Computer Association (was originally Institute for Information Industry) in 2020, 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 \$0 and \$91 for the three months ended March 31, 2021 and 2020, respectively. As of March 31, 2021, the above government subsidy has been fully recovered.

(20) Other gains and losses

	Three months ended March 31,	
	2021	2020
Net currency exchange gain	\$ 2,794	\$ 2,316
Gain on disposal of property, plant and equipment	-	181
Other losses	(198)	(297)
	<u>\$ 2,596</u>	<u>\$ 2,200</u>

(21) Finance costs

	Three months ended March 31,	
	2021	2020
Bank borrowings	\$ 4,216	\$ 3,911
Lease liabilities	355	453
Other borrowings	211	37
	<u>\$ 4,782</u>	<u>\$ 4,401</u>

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

	Three months ended March 31,	
	2021	2020
Employee benefit expenses	<u>\$ 53,662</u>	<u>\$ 51,984</u>
Depreciation charges	<u>\$ 12,801</u>	<u>\$ 14,555</u>
Amortization charges	<u>\$ 372</u>	<u>\$ 970</u>

(23) Employee benefit expenses

	Three months ended March 31,	
	2021	2020
Wages and salaries	\$ 42,491	\$ 40,303
Share-based payment compensation costs	3,739	4,542
Labor and health insurance fees	3,538	3,154
Pension costs	2,346	2,403
Other personnel expenses	1,548	1,582
	<u>\$ 53,662</u>	<u>\$ 51,984</u>

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

B. Through March 31, 2021, 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.

(24) Income tax

A. Components of income tax expense:

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax:		
Current income tax on profits for the period	\$ -	\$ -
Prior year income tax underestimation	<u>239</u>	<u>421</u>
Income tax expense	<u>\$ 239</u>	<u>\$ 421</u>

B. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(25) Loss per share

	<u>Three months ended March 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of common shares outstanding (in thousands of shares)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to common shareholders of the Company	(\$ <u>201,369</u>)	84,145	(\$ <u>2.39</u>)
Dilutive effect of common shares equivalents:			
Employees' stock options	-	(Note)	
Restricted stocks	<u>-</u>	<u>(Note)</u>	
<u>Diluted loss per share</u>			
Loss attributable to common shareholders of the Company plus assumed conversion of all dilutive potential common shares	(\$ <u>201,369</u>)	<u>84,145</u>	(\$ <u>2.39</u>)

Three months ended March 31, 2020			
	Amount after tax	Weighted average number of common shares outstanding (in thousands of shares)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to common shareholders of the Company	(\$ 214,585)	73,962	(\$ 2.90)
Dilutive effect of common shares equivalents:			
Employees' stock options	-	(Note)	
Restricted stocks	-	(Note)	
<u>Diluted loss per share</u>			
Loss attributable to common shareholders of the Company plus assumed conversion of all dilutive potential common shares	(\$ 214,585)	73,962	(\$ 2.90)

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

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Three months ended March 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 903	\$ 95
Add: Opening balance of payables on machinery, equipment and intangible assets	313	190
Ending balance of prepayments for equipment	110,957	78,023
Opening balance of prepayments for equipment being transferred to intangible assets	-	605
Less: Ending balance of payables on machinery, equipment and intangible assets	(939)	(100)
Opening balance of prepayments for equipment	(80,718)	(74,841)
Prepayments for equipment being transferred to equipment under installation	(48)	-
Cash paid	<u>\$ 30,468</u>	<u>\$ 3,972</u>

	Three months ended March 31,	
	2021	2020
Acquisition of intangible assets	\$ 368	\$ 2,207
Add: Opening balance of payables on machinery, equipment and intangible assets	-	74
Less: Ending balance of payables on machinery, equipment and intangible assets	(368)	(1,012)
Opening balance of prepayments for equipment being transferred to intangible assets	-	(605)
Cash paid	<u>\$ -</u>	<u>\$ 484</u>

(27) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities (including current portion)	Liabilities from financing activities
At January 1, 2021	\$ 16,000	\$ 584,263	\$ 67,120	\$ 667,383
Changes in cash flow from financing activities	-	(13,865)	(6,984)	(20,849)
Changes in other non-cash items	-	-	355	355
Net exchange differences	-	660	14	674
At March 31, 2021	<u>\$ 16,000</u>	<u>\$ 571,058</u>	<u>\$ 60,505</u>	<u>\$ 647,563</u>

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities (including current portion)	Liabilities from financing activities
At January 1, 2020	\$ 46,000	\$ 370,653	\$ 92,509	\$ 509,162
Changes in cash flow from financing activities	-	(42,158)	(17,202)	(59,360)
Changes in other non-cash items	-	-	210	210
Net exchange differences	-	2,205	116	2,321
At March 31, 2020	<u>\$ 46,000</u>	<u>\$ 330,700</u>	<u>\$ 75,633</u>	<u>\$ 452,333</u>

(28) Transactions with non-controlling interests

The Group did not have non-controlling interest in the three months ended March 31, 2021.

The company invested and established a 100% owned subsidiary, TLC Holding Corp. in November 2020, and indirectly invested and established a 100%-owned subsidiary, InspiMed Inc. InspiMed Inc., increased its capital by issuing new shares in November 2020 and the Group did not participate proportionally to its capital increase. As a result, the Group decreased its share interest by 49% and the transaction increased non-controlling interest by \$427,197.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship with the Group

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

(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 provided guarantees to Taiwan Cooperative Bank for the Company's government grant in relation to the research and development program from the Taipei Computer Association (previously was "Institute for Information Industry").
- C. The Company's Chairman provided guarantees for the Company's long-term borrowings with non-financial institution.
- D. The Company's Chairman provided guarantees for the Company's long-term borrowings with Chang Hwa Commercial Bank.

As of March 31, 2021, December 31, 2020, and March 31, 2020, details of loans are described in Notes 6(8) and 6(10).

(3) Key management personnel compensation

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 11,498	\$ 10,433
Post-employment benefits	279	204
Share-based payment	1,072	1,098
	<u>\$ 12,849</u>	<u>\$ 11,735</u>

8. PLEDGED ASSETS

(1) The Group's assets pledged as collateral were as follows:

<u>Assets pledged</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>	<u>Pledge purpose</u>
Shown as "Property, plant and equipment"				
Land	\$ 14,962	\$ 14,962	\$ 14,962	Note 1
Buildings	22,040	22,204	22,696	Note 1
Testing equipment	54,675	58,808	-	Note 2
Shown as "Other non-current assets"				
Prepayment for equipment	22,423	22,423	-	Note 2
	<u>\$ 114,100</u>	<u>\$ 118,397</u>	<u>\$ 37,658</u>	

Note 1 : Provided as collateral for long-term borrowings with Taiwan Cooperative Bank.

Note 2 : Provided as collateral for long-term borrowings with non-financial institution.

(2) Pursuant to the loan and security agreement and second amendment to the loan and security

agreement entered into between Cathay Bank and the Company and its subsidiary, TLC US, on December 27, 2018 and June 18, 2020, respectively, 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

None.

(2) Commitments

In addition to the commitments mentioned in Note 6(10) A and B, the Group's significant commitments are as follows:

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Property, plant and equipment	\$ <u>111,587</u>	\$ <u>117,436</u>	\$ <u>19,945</u>

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
	\$ <u>205,992</u>	\$ <u>211,983</u>	\$ <u>193,192</u>

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
	\$ <u>548,637</u>	\$ <u>834,686</u>	\$ <u>1,196,682</u>

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 to capital ratio. The Group monitors capital on the basis of the debt to capital ratio. This ratio is calculated as total debt to capital divided by total capital.

As of March 31, 2021, December 31, 2020, and March 31, 2020, the Group's debt to capital ratios are as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Total debt	\$ <u>868,762</u>	\$ <u>886,134</u>	\$ <u>614,398</u>
Total capital	\$ <u>841,549</u>	\$ <u>841,549</u>	\$ <u>741,889</u>
Debt to capital ratio	<u>103.23%</u>	<u>105.30%</u>	<u>82.82%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Financial assets</u>			
Financial assets at amortized cost			
Cash and cash equivalents	\$ 1,080,009	\$ 1,342,667	\$ 680,643
Accounts receivable, net	34,684	9,287	7,384
Other receivables	2,971	25,489	1,282
Refundable deposits	<u>25,711</u>	<u>25,711</u>	<u>24,117</u>
	<u>\$ 1,143,375</u>	<u>\$ 1,403,154</u>	<u>\$ 713,426</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$ 16,000	\$ 16,000	\$ 46,000
Other payables	185,884	189,141	138,221
Lease liabilities (including current portion)	60,505	67,120	75,633
Long-term borrowings (including current portion)	<u>571,058</u>	<u>584,263</u>	<u>330,700</u>
	<u>\$ 833,447</u>	<u>\$ 856,524</u>	<u>\$ 590,554</u>

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group adopts overall risk management

program and control system to identify all financial risks and seeks to control and balance potential adverse effects from those aforesaid financial risks.

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

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

C. Significant financial risks and degree of financial risks

(a) Market risk

i. Foreign exchange risk

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

	<u>March 31, 2021</u>		
(Foreign currency: functional currency)	Foreign currency amount <u>(in thousands)</u>	Exchange rate <u>rate</u>	Book value (NTD) <u>(in thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 9,803	28.535	\$ 279,729
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	18,740	28.535	543,746
AUD : NTD	1,575	21.710	34,193
	<u>December 31, 2020</u>		
(Foreign currency: functional currency)	Foreign currency amount <u>(in thousands)</u>	Exchange rate <u>rate</u>	Book value (NTD) <u>(in thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 8,733	28.480	\$ 248,716
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	18,505	28.480	527,022
AUD : NTD	1,513	21.950	33,210

(Foreign currency: functional currency)	March 31, 2020		
	Foreign currency amount <u>(in thousands)</u>	Exchange rate	Book value (NTD) <u>(in thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 3,294	30.225	\$ 99,561
<u>Non-monetary items</u>			
USD : NTD	1,694	30.225	51,201
AUD : NTD	1,651	18,635	30,766
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	13,339	30.225	403,171
AUD : NTD	1,491	18.635	27,785

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

(Foreign currency: functional currency)	Three months ended March 31, 2021		
	Sensitivity analysis		
	Extent of variation	Effect on profit or loss <u>(in thousands)</u>	Effect on other comprehensive income <u>(in thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 2,797	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	5,347	-
AUD : NTD	1%	342	-

Three months ended March 31, 2020			
<u>Sensitivity analysis</u>			
(Foreign currency: functional currency)	<u>Extent of variation</u>	<u>Effect on profit or loss (in thousands)</u>	<u>Effect on other comprehensive income (in thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 996	\$ -
<u>Non-monetary items</u>			
USD : NTD	1%	-	512
AUD : NTD	1%	-	308
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	4,032	-
AUD : NTD	1%	278	-

(iii) The unrealized exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2021 and 2020 were \$2,839 and \$4,479, respectively.

ii. Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at floating interest rates expose the Group to cash flow interest rate risk. During the three months ended March 31, 2021 and 2020, the Group's borrowings at floating interest rate were denominated in the NT dollars and US dollars.

At March 31, 2021 and 2020, if interest rate had been 0.2% higher/lower with all other conditions held constant, net loss for the three months ended March 31, 2021 and 2020, would have been \$294 and \$188 higher/lower, respectively. The main factor is that the floating rate borrowings resulted in changes in interest expense.

(b) Credit risk

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

- factors.
- iii. The default occurs when the contract payments are past due based on the agreed terms.
 - iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments.
 - v. The Group classifies customers' accounts receivable in accordance with credit rating of customers. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.
 - vi. The Group wrote off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
 - vii. The Group assesses the expected credit losses based on the payment terms stipulated in the contracts with the customers. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables. Except for loss allowance of \$18,132 established based on the delay payment of the balances due from one customer, the Group has not identified impairments on the trade receivables. The Group has therefore concluded that the expected loss rates for the trade receivables and contract assets is very low, and the loss allowance for the trade receivables and contract assets recognized is immaterial as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively. As of March 31, 2021, December 31, 2020 and March 31, 2020, the balance of allowance for doubtful accounts was \$0, \$0 and \$18,132, respectively.
 - viii. As of March 31, 2021, December 31, 2020 and March 31, 2020, with no collateral held or other credit enhancements, maximum exposure to credit risk in respect of the Group's accounts receivable and contract assets were \$34,684, \$9,287 and \$7,384, respectively.
- (c) Liquidity risk
- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Additionally, the Group closely monitors the execution and covenants compliance of the loan and security agreement and initiates discussing with the banks as needed.

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

	March 31, 2021				
	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 16,252	\$ -	\$ -	\$ -	\$ -
Other payables	185,884	-	-	-	-
Lease liabilities (including current portion)	25,513	14,742	11,083	11,218	-
Long-term borrowings (including current portion)	165,572	180,452	177,870	54,737	26,080

	December 31, 2020				
	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 16,000	\$ -	\$ -	\$ -	\$ -
Other payables	189,141	-	-	-	-
Lease liabilities (including current portion)	26,299	17,299	12,192	13,806	-
Long-term borrowings (including current portion)	132,065	195,011	207,511	62,163	25,157

	March 31, 2020				
	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 46,296	\$ -	\$ -	\$ -	\$ -
Other payables	138,221	-	-	-	-
Lease liabilities (including current portion)	60,411	20,414	10,622	1,601	-
Long-term borrowings (including current portion)	281,878	6,352	19,747	5,180	27,192

(3) Fair value information

- A. The Group had no financial instruments measured at fair value, using certain valuation methods, as of March 31, 2021, December 31, 2020, and March 31, 2020.
- 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, receivables, refundable deposits, short-term borrowings, long-term borrowings (including current portion), payables and lease liabilities (including current and non-current).

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20% of paid-in capital or more: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Derivative financial instruments undertaken during the three months ended March 31, 2021: None.
- J. Significant inter-company transactions during the three months ended March 31, 2021: 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.

(4) Major shareholders information

Major shareholders information: Please refer to table 4.

14. SEGMENT INFORMATION

(1) General information

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

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

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

(3) Reconciliation for segment income (loss)

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

Taiwan Liposome Company, Ltd. and Subsidiaries
Significant inter-company transactions
Three months ended March 31, 2021

Table 1

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 5)	Transaction terms	
1	TLC Biopharmaceuticals, Inc.	Taiwan Liposome Company, Ltd.	2	Operating revenue	\$ 11,782	(Note 4)	31.32%
4	TLC Biopharmaceuticals Pty Ltd.	Taiwan Liposome Company, Ltd.	2	Operating revenue	1,056	(Note 4)	2.81%
9	InspirMed Corp.	Taiwan Liposome Company, Ltd.	2	Research and development expenses	21,000	(Note 4)	55.82%
1	TLC Biopharmaceuticals, Inc.	Taiwan Liposome Company, Ltd.	2	Accounts receivable	56,172	(Note 4)	3.72%
3	TLC Biopharmaceuticals, (Shanghai) Limited	Taiwan Liposome Company, Ltd.	2	Accounts receivable	2,650	(Note 4)	0.18%
4	TLC Biopharmaceuticals Pty Ltd.	Taiwan Liposome Company, Ltd.	2	Accounts receivable	32,950	(Note 4)	2.18%

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

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 4: Transaction items follow the agreement.

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

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

Taiwan Liposome Company, Ltd. and Subsidiaries
Names, locations and other information of investee companies (not including investee in mainland China)
Three months ended March 31, 2021

Table 2

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of March 31, 2021			Income of the investee for the three months ended March 31, 2021	Investment income (loss) recognized by the Company for the three months ended March 31, 2021	Footnote
				Balance as of March 31, 2021	Balance as of December 31, 2020	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%	\$ 51,314	\$ 870	\$ 870	(Note 2)
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals B.V.	Netherlands	Technical authorization and product development	4,410	4,410	1,000,000	100%	1,939	6	6	(Note 2)
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals, (H.K.) Limited	Hong Kong	Biotechnology service and reinvestment	3,023	3,023	780,000	100%	3,847	1	1	(Note 2)
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals Pty Ltd.	Australia	Technical authorization and product development	23,399	23,399	1,000,000	100%	36,614	50	50	(Note 2)
Taiwan Liposome Company, Ltd.	TLC Biopharmaceuticals Japan Co., Ltd.	Japan	Technical authorization and product development	2,670	2,670	1,000	100%	3,309	14	14	(Note 2)
Taiwan Liposome Company, Ltd.	TLC Holding Corp.	British Cayman Islands	Investment activities	440,581	440,581	31,224,490	100%	(35,425)	(17,681)	(17,681)	(Note 1 and 2)
TLC Holding Corp.	InspirMed Inc.	British Cayman Islands	Investment activities	440,581	440,581	31,224,490	51%	419,082	(34,424)	(17,556)	(Note 2)
InspirMed Inc.	InspirMed Corp.	Taiwan	Technical authorization and product development	419,361	564	15,020,000	100%	381,571	(34,205)	(34,205)	

Note 1: Investment income (loss) includes the unrealized gain (loss) on downstream transactions.

Note 2: Investment accounted for using equity method includes adjustments for foreign exchange.

Taiwan Liposome Company, Ltd. and Subsidiaries
Information on investments in mainland China - Basic information
Three months ended March 31, 2021

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, 2021	Amount remitted from Taiwan to mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2021		Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2021	Income of investee for the three months ended March 31, 2021	Ownership held by the Company (direct or indirect)	Investment income recognized by the Company for the three months ended March 31, 2021 (Note 2(2)C)	Book value of investments in mainland China as of March 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
TLC Biopharmaceuticals, (Shanghai) Limited	Consulting and technical service of medication	\$ 2,172	Reinvestment in mainland China through third region company (TLC Biopharmaceuticals, (H.K.) Limited)	\$ 2,179	\$ -	\$ -	\$ 2,179	(\$ 4)	100	(\$ 4)	\$ 3,205	\$ -	

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

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

Note 2: In the 'Investment income recognized by the Company for the three months ended March 31, 2021' 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 reviewed and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements were reviewed and attested by R.O.C. parent company's CPA.
 - C. Others (The financial statements were reviewed by R.O.C. parent company's CPA.).

Company name	Accumulated amount of remittance from Taiwan to mainland China as of March 31, 2021	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.	\$ 2,179	\$ 2,179	\$ 384,380

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

Taiwan Liposome Company, Ltd.
Major shareholders information
March 31, 2021

Table 4

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative of the holders of American Depositary Receipts (ADRS) pursuant to a depositary agreement amongst JPMorgan Chase Bank, N.A. as depositary, Taiwan Liposome Company Ltd. and all holders of ADRS	7,132,344	8.47%
Tsang-Hai Lin	5,302,946	6.30%

Note 1: The main shareholder information using total number of ordinary shares and preferred shares held by the shareholders who have completed the company's non-physical registration and delivery (including treasury shares) is more than 5% on the last business day at the end of each quarter. As for the share capital recorded in the company's financial report and the number of shares which the company actually have completed the non-physical registration and delivery, may be different from computational basis.

Note 2: Above information, if belonging to shareholders who deliver the shares to the trust, will be disclosed by the principal individual account of the trustee who opened the trust account. As for shareholders who handle the declaration of insider equity holding more than 10% of their shares in accordance with the Securities and Exchange Act, their shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, etc. Please refer to the information in the website of the Taiwan Stock Exchange for insider equity declaration information.

Note 3: The compiling principle of this table is to calculate the distribution of the surplus of each credit transaction according to the register of securities owners whose transfers are suspended at the extraordinary shareholders meeting.

Note 4: Ownership (%) = The total number of shares held by this shareholder / The total number of shares that have been delivered without physical registration.

Note 5: The total number of shares that have been delivered without physical registration (including treasury stocks) are 84,154,934 = 84,154,934 (common shares) + 0 (preferred shares).