

**ASLAN Pharmaceuticals Limited and
Subsidiaries**

**Pro Forma Consolidated Financial Statements for the
Six Months Ended June 30, 2016 and 2015 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
ASLAN Pharmaceuticals Limited

We have audited the accompanying pro forma consolidated balance sheets of ASLAN Pharmaceuticals Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2016, December 31, 2015 and June 30, 2015, and the related pro forma consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2016 and 2015. These pro forma consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these pro forma consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the pro forma consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the pro forma consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall pro forma consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the pro forma consolidated financial statements referred to above present fairly, in all material respects, the pro forma consolidated financial position of the Group as of June 30, 2016, December 31, 2015 and June 30, 2015, and their pro forma consolidated financial performance and their pro forma consolidated cash flows for the six months ended June 30, 2016 and 2015, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

The pro forma consolidated financial statements referred to above were prepared for the purpose of the Company's proposed initial public offering and listing on the Taipei Exchange ("TPEX"). The basis of preparation was stated in Note 4, and the pro forma consolidated financial statements were prepared on the historical cost basis of the Group.

Deloitte & Touche

July 26, 2016

Notice to Readers

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

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



ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

PRO FORMA CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

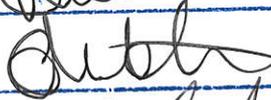
| ASSETS | June 30, 2016 | | December 31, 2015 | | June 30, 2015 | |
|---|---------------------|------------|-------------------|------------|------------------|--------------|
| | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 1,250,532 | 73 | \$ 889,728 | 99 | \$ 52,894 | 89 |
| Accounts receivable | 8,164 | 1 | - | - | - | - |
| Other receivables (Note 11) | 439,474 | 26 | - | - | - | - |
| Prepayments | 2,565 | - | 1,234 | - | 1,691 | 3 |
| Total current assets | <u>1,700,735</u> | <u>100</u> | <u>890,962</u> | <u>99</u> | <u>54,585</u> | <u>92</u> |
| NON-CURRENT ASSETS | | | | | | |
| Property, plant and equipment (Notes 4 and 7) | 3,227 | - | 2,919 | 1 | 3,159 | 5 |
| Intangible assets (Note 4) | 525 | - | 430 | - | 524 | 1 |
| Refundable deposits | 4,468 | - | 1,851 | - | 1,288 | 2 |
| Total non-current assets | <u>8,220</u> | <u>-</u> | <u>5,200</u> | <u>1</u> | <u>4,971</u> | <u>8</u> |
| TOTAL | <u>\$ 1,708,955</u> | <u>100</u> | <u>\$ 896,162</u> | <u>100</u> | <u>\$ 59,556</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Trade payables | \$ 5,170 | 1 | \$ 4,835 | 1 | \$ 26,871 | 45 |
| Other payables | 21,532 | 1 | 28,208 | 3 | 14,825 | 25 |
| Total current liabilities | <u>26,702</u> | <u>2</u> | <u>33,043</u> | <u>4</u> | <u>41,696</u> | <u>70</u> |
| NON-CURRENT LIABILITIES | | | | | | |
| Long-term borrowings (Note 9) | <u>290,299</u> | <u>17</u> | <u>279,491</u> | <u>31</u> | <u>267,422</u> | <u>449</u> |
| Total liabilities | <u>317,001</u> | <u>19</u> | <u>312,534</u> | <u>35</u> | <u>309,118</u> | <u>519</u> |
| EQUITY | | | | | | |
| Share capital | | | | | | |
| Ordinary shares | 1,156,709 | 68 | 862,799 | 96 | 521,857 | 876 |
| Capital surplus | 1,913,472 | 112 | 1,155,160 | 129 | 400,849 | 673 |
| Accumulated deficits | (1,666,089) | (98) | (1,432,094) | (160) | (1,179,180) | (1,980) |
| Other equity | (12,138) | (1) | (2,237) | - | 6,912 | 12 |
| Total equity | <u>1,391,954</u> | <u>81</u> | <u>583,628</u> | <u>65</u> | <u>(249,562)</u> | <u>(419)</u> |
| TOTAL | <u>\$ 1,708,955</u> | <u>100</u> | <u>\$ 896,162</u> | <u>100</u> | <u>\$ 59,556</u> | <u>100</u> |

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

(With Deloitte & Touche auditors' report dated July 26, 2016)

Authorized Signatories (Names)

Title


The above signers should be the same persons signing the management representation letter.



ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | For the Six Months Ended June 30 | | | |
|--|----------------------------------|---------|--------------|---|
| | 2016 | | 2015 | |
| | Amount | % | Amount | % |
| REVENUE (Notes 4 and 12) | \$ 8,213 | 100 | \$ - | - |
| OPERATING EXPENSES (Notes 10, 13 and 16) | | | | |
| General and administrative | (87,994) | (1,071) | (73,476) | - |
| Research and development | (139,852) | (1,703) | (117,728) | - |
| Total operating expenses | (227,846) | (2,774) | (191,204) | - |
| LOSS FROM OPERATIONS | (219,633) | (2,674) | (191,204) | - |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other gains and losses (Note 13) | (7,090) | (86) | 6,270 | - |
| Finance costs (Note 13) | (7,272) | (89) | (5,883) | - |
| Total non-operating income and expenses | (14,362) | (175) | 387 | - |
| LOSS BEFORE INCOME TAX | (233,995) | (2,849) | (190,817) | - |
| INCOME TAX EXPENSE (Notes 4, 5 and 14) | - | - | - | - |
| NET LOSS FOR THE PERIOD | (233,995) | (2,849) | (190,817) | - |
| OTHER COMPREHENSIVE INCOME (Notes 4 and 11) | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | (9,901) | (121) | 4,527 | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | \$ (243,896) | (2,970) | \$ (186,290) | - |
| EARNINGS PER SHARE (Note 15) | | | | |
| Basic | \$ (2.48) | | \$ (3.66) | |

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

(With Deloitte & Touche auditors' report dated July 26, 2016)

Title





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ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

| | Ordinary Shares | | Capital Surplus | | Accumulated Deficits | Other Equity Differences on Translating Foreign Operations | Total Equity |
|--|--------------------|--------------|-----------------|-----------------------|----------------------|--|--------------|
| | Shares (Thousands) | Amount | Ordinary Shares | Share Options Reserve | | | |
| BALANCE AT JANUARY 1, 2015 | 52,186 | \$ 521,857 | \$ 327,564 | \$ 66,908 | \$ (988,363) | \$ 2,385 | \$ (69,649) |
| Recognition of employee share options by the Company (Notes 4 and 16) | - | - | - | 6,377 | - | - | 6,377 |
| Net loss for the six months ended June 30, 2015 | - | - | - | - | (190,817) | - | (190,817) |
| Other comprehensive income six months ended June 30, 2015, net of income tax | - | - | - | - | - | 4,527 | 4,527 |
| Total comprehensive income six months ended June 30, 2015 | - | - | - | - | (190,817) | 4,527 | (186,290) |
| BALANCE AT JUNE 30, 2015 | 52,186 | \$ 521,857 | \$ 327,564 | \$ 73,285 | \$ (1,179,180) | \$ 6,912 | \$ (249,562) |
| BALANCE AT JANUARY 1, 2016 | 86,280 | \$ 862,799 | \$ 1,040,282 | \$ 114,878 | \$ (1,432,094) | \$ (2,237) | \$ 583,628 |
| Issue of new share capital (Notes 8 and 11) | 29,391 | 293,910 | 737,586 | - | - | - | 1,031,496 |
| Recognition of employee share options by the Company (Notes 4 and 16) | - | - | - | 20,726 | - | - | 20,726 |
| Net loss for the six months ended June 30, 2016 | - | - | - | - | (233,995) | - | (233,995) |
| Other comprehensive income for the six months ended June 30, 2016, net of income tax | - | - | - | - | - | (9,901) | (9,901) |
| Total comprehensive income for the six months ended June 30, 2016 | - | - | - | - | (233,995) | (9,901) | (243,896) |
| BALANCE AT JUNE 30, 2016 | 115,671 | \$ 1,156,709 | \$ 1,777,868 | \$ 135,604 | \$ (1,666,089) | \$ (12,138) | \$ 1,391,954 |

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

(With Deloitte & Touche auditors' report dated July 26, 2016)

AUTHORIZED SIGNATORIES (UNODS)

_____ Title

_____ Title

_____ Title

The above signatories should be the same persons signing the REPORT FORMS
Representation Letter.



ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

| | For the Six Months Ended June 30 | |
|---|-------------------------------------|------------------|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | \$ (233,995) | \$ (190,817) |
| Adjustments for: | | |
| Depreciation expenses | 726 | 687 |
| Amortization expenses | 157 | 123 |
| Compensation costs of employee share options | 20,726 | 6,377 |
| Finance costs | 7,272 | 5,883 |
| Loss on disposal of property, plant and equipment | - | 19 |
| Changes in operating assets and liabilities | | |
| Increase in accounts receivable | (8,164) | - |
| (Increase) decrease in prepayments | (1,331) | 438 |
| Increase in trade payables | 335 | 1,816 |
| (Decrease) increase in other payables | (7,117) | 13,148 |
| Net cash used in operating activities | <u>(221,391)</u> | <u>(162,326)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for property, plant and equipment | (1,049) | (782) |
| Payments for intangible assets | (255) | - |
| (Increase) decrease in refundable deposits | <u>(2,617)</u> | <u>303</u> |
| Net cash used in investing activities | <u>(3,921)</u> | <u>(479)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from new share capital | <u>592,022</u> | <u>-</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | |
| | <u>(5,906)</u> | <u>38,873</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 360,804 | (123,932) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>889,728</u> | <u>176,826</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>\$ 1,250,532</u> | <u>\$ 52,894</u> |

Authorized Signatories (Chops)

Title

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

(With Deloitte & Touche auditors' report dated July 26, 2016)

The above signers should be the same persons signing the management representation letter.

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

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

1. GENERAL INFORMATION

ASLAN Pharmaceuticals Limited (the “Company”) was incorporated in Cayman Islands in June 2014 as the listing vehicle for the proposed initial public offering and listing on the Taipei Exchange (“TPEX”).

ASLAN Pharmaceuticals Pte. Ltd. was incorporated in Singapore in April 2010, and its wholly-owned subsidiaries, ASLAN Pharmaceuticals Taiwan Limited, ASLAN Pharmaceuticals Australia Pty Ltd., ASLAN Pharmaceuticals Hong Kong Limited and ASLAN Pharmaceuticals (Shanghai) Co. Ltd., was incorporated in the Republic of China (“ROC”), Australia, Hong Kong and China in November 2013, July 2014, July 2015 and May 2016, respectively.

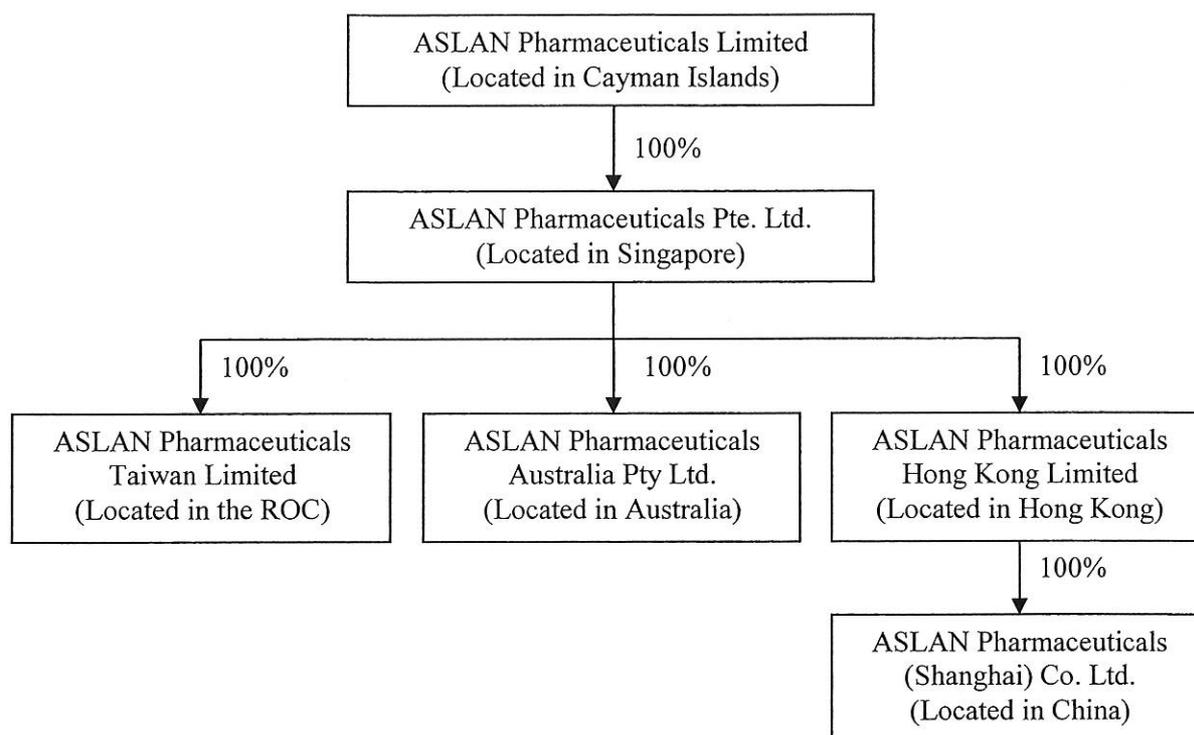
The Company completed the reconstruction with ASLAN Pharmaceuticals Pte. Ltd. through the share swap contract as of September 26, 2014. The shareholders of ASLAN Pharmaceuticals Pte. Ltd. transferred their respective shares, including ordinary shares, Series A and Series B Preference Shares, to the Company at a ratio of 1-for-1. After the completion of the reconstruction, the Company became the holding company of ASLAN Pharmaceuticals Pte. Ltd.

The Company completed the restructuring of the shares capital through the subdivision of the Company’s authorized share capital, the conversion of preference shares into ordinary shares, and the repurchase of their USD shares in consideration for the issue of an equal number of NTD shares, subject to the resolutions of shareholders’ meeting on May 27, 2016, for the purpose of the proposed initial public offering and listing on TPEX.

The pro forma consolidated financial statements incorporate the financial statements of the Company, ASLAN Pharmaceuticals Pte. Ltd., ASLAN Pharmaceuticals Taiwan Limited, ASLAN Pharmaceuticals Australia Pty Ltd., ASLAN Pharmaceutical Hong Kong Limited and ASLAN Pharmaceuticals (Shanghai) Co. Ltd. (collectively referred to as the “Group”). The main businesses of the Group were as follows:

| <u>Name</u> | <u>Main Business</u> |
|---|------------------------------------|
| ASLAN Pharmaceuticals Limited | Investment holding |
| ASLAN Pharmaceuticals Pte. Ltd. | New drugs research and development |
| ASLAN Pharmaceuticals Taiwan Limited | New drugs research and development |
| ASLAN Pharmaceuticals Australia Pty Ltd. | New drugs research and development |
| ASLAN Pharmaceuticals Hong Kong Limited | New drugs research and development |
| ASLAN Pharmaceuticals (Shanghai) Co. Ltd. | New drugs research and development |

The relationship of the Group was as follows:



The functional currency of the Company is U.S. dollars. For greater comparability and consistency of financial reporting, the pro forma consolidated financial statements are presented in New Taiwan dollars for the purpose of the Company to propose initial public offering and listing on TPEX.

2. APPROVAL OF FINANCIAL STATEMENTS

The pro forma consolidated financial statements were approved by the board of directors and authorized for issue on July 26, 2016.

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

- a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB (Note 1) |
|---|--|
| Annual Improvements to IFRSs 2010-2012 Cycle | July 1, 2014 (Note 2) |
| Annual Improvements to IFRSs 2011-2013 Cycle | July 1, 2014 |
| Annual Improvements to IFRSs 2012-2014 Cycle | January 1, 2016 (Note 3) |
| Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception" | January 1, 2016 |

(Continued)

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective Date Issued by IASB (Note 1)</u> |
|--|---|
| Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations” | January 1, 2016 |
| IFRS 14 “Regulatory Deferral Accounts” | January 1, 2016 |
| Amendment to IAS 1 “Disclosure Initiative” | January 1, 2016 |
| Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization” | January 1, 2016 |
| Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants” | January 1, 2016 |
| Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions” | July 1, 2014 |
| Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets” | January 1, 2014 |
| Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting” | January 1, 2014 |
| IFRIC 21 “Levies” | January 1, 2014 |

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application of the above New or amended IFRSs in 2017 would not have any material impact on the Group’s accounting policies:

1) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

2) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Except for the above impacts, as of the date the pro forma consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective Date Issued by IASB (Note)</u> |
|--|---|
| Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions” | January 1, 2018 |
| IFRS 9 “Financial Instruments” | January 1, 2018 |
| Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures” | January 1, 2018 |
| 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 15 “Revenue from Contracts with Customers” | January 1, 2018 |
| IFRS 16 “Leases” | January 1, 2019 |
| Amendment to IAS 7 “Disclosure Initiative” | January 1, 2017 |
| Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses” | January 1, 2017 |

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The pro forma consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;

- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of pro forma consolidation

The pro forma consolidated financial statements, for the six months ended June 30, 2016 and 2015, were prepared as reference for the Company's proposed initial public offering and listing on TPEX. The basis of preparation was on the hypothesis that the Company had been incorporated from the beginning, and issued Ordinary Shares and Preference Shares through the share swap contract at the actual ratio with ASLAN Pharmaceuticals Pte. Ltd. Also assume the Company had completed the subdivision of the share capital, the conversion of preference shares into ordinary shares, and the share exchange for the par value of NT\$10 from the beginning. During the pro forma period, all the transactions of the shares of ASLAN Pharmaceuticals Pte. Ltd. would be regarded as those of the Company.

The pro forma consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

e. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting pro forma consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

f. Property, plant and equipment

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

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

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

g. Intangible assets

Intangible assets acquired, are computer software, are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives.

h. Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into loans and receivables.

Loans and receivables (including cash and cash equivalent, accounts receivable, other receivables, prepayments and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, and if it is becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

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

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

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

j. Revenue recognition

The upfront payments received in advance under new drug license agreements are deferred and recognized over the estimated development period on a straight-line basis if the development and clinical trial were conducted by the Group. In the case where, in accordance with the agreement, the development and clinical trial were not conducted by the Group, revenue was recognized upon the receipt of the upfront payment. Milestone payments received are recognized as revenue when the milestones are achieved. Royalties on marketed drug are recognized as revenue on an accrual basis in accordance with the substance of the contracts.

Royalties are recognized when:

- 1) It is probable that the economic benefits of a transaction will flow to the Group; and
- 2) The revenue can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

k. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

l. Share-based payment arrangements

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

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

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

m. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the pro forma consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Income Taxes

No deferred tax asset has been recognized on tax losses due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

6. CASH AND CASH EQUIVALENTS

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|---------------------------------------|---------------------|----------------------|------------------|
| Cash on hand | \$ 34 | \$ 33 | \$ 33 |
| Checking accounts and demand deposits | <u>1,250,498</u> | <u>889,695</u> | <u>52,861</u> |
| | <u>\$ 1,250,532</u> | <u>\$ 889,728</u> | <u>\$ 52,894</u> |

7. PROPERTY, PLANT AND EQUIPMENT

| | Office Equipment | Other Equipment | Leasehold Improvements | Total |
|--|---------------------|--------------------|---------------------------|-----------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2015 | \$ 2,142 | \$ 998 | \$ 4,875 | \$ 8,015 |
| Additions | 602 | 180 | - | 782 |
| Disposal | (436) | (54) | - | (490) |
| Effect of foreign currency exchange differences | <u>(64)</u> | <u>(30)</u> | <u>(145)</u> | <u>(239)</u> |
| Balance at June 30, 2015 | <u>\$ 2,244</u> | <u>\$ 1,094</u> | <u>\$ 4,730</u> | <u>\$ 8,068</u> |

(Continued)

| | Office Equipment | Other Equipment | Leasehold Improvements | Total |
|---|---------------------|--------------------|---------------------------|--------------------------------|
| <u>Accumulated depreciation and impairment</u> | | | | |
| Balance at January 1, 2015 | \$ 1,293 | \$ 847 | \$ 2,707 | \$ 4,847 |
| Depreciation expense | 268 | 101 | 318 | 687 |
| Disposal | (417) | (54) | - | (471) |
| Effect of foreign currency exchange differences | (42) | (27) | (85) | (154) |
| Balance at June 30, 2015 | <u>\$ 1,102</u> | <u>\$ 867</u> | <u>\$ 2,940</u> | <u>\$ 4,909</u> |
| Carrying amounts at June 30, 2015 | <u>\$ 1,142</u> | <u>\$ 227</u> | <u>\$ 1,790</u> | <u>\$ 3,159</u> |
| <u>Cost</u> | | | | |
| Balance at January 1, 2016 | \$ 2,523 | \$ 1,233 | \$ 5,043 | \$ 8,799 |
| Additions | 488 | 307 | 254 | 1,049 |
| Effect of foreign currency exchange differences | (16) | (9) | (34) | (59) |
| Balance at June 30, 2016 | <u>\$ 2,995</u> | <u>\$ 1,531</u> | <u>\$ 5,263</u> | <u>\$ 9,789</u> |
| <u>Accumulated depreciation and impairment</u> | | | | |
| Balance at January 1, 2016 | \$ 1,440 | \$ 991 | \$ 3,449 | \$ 5,880 |
| Depreciation expense | 356 | 96 | 274 | 726 |
| Effect of foreign currency exchange differences | (12) | (7) | (25) | (44) |
| Balance at June 30, 2016 | <u>\$ 1,784</u> | <u>\$ 1,080</u> | <u>\$ 3,698</u> | <u>\$ 6,562</u> |
| Carrying amounts at December 31, 2015 and January 1, 2016 | <u>\$ 1,083</u> | <u>\$ 242</u> | <u>\$ 1,594</u> | <u>\$ 2,919</u> |
| Carrying amounts at June 30, 2016 | <u>\$ 1,211</u> | <u>\$ 451</u> | <u>\$ 1,565</u> | <u>\$ 3,227</u> (Concluded) |

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

| | |
|------------------------|-----------|
| Office equipment | 3-4 years |
| Other equipment | 3 years |
| Leasehold improvements | 3-5 years |

8. FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST

ASLAN Pharmaceuticals Pte. Ltd. issued 16,409,521 Series B Preference Shares at US\$1.36 per share on October 9, 2013, and ASLAN Pharmaceuticals Limited issued 17,047,095 and 4,860,948 Series C Preference Shares at US\$1.88 per share on November 27, 2015 and January 29, 2016, respectively. Both accounted for as financial liabilities measured at amortized cost. At the option of the holders, the preference shares shall be redeemed in full at any time on or after the sixth anniversary of the issue date if the Company has not already completed a Trade Sale or IPO. The redemption amount shall be equal to the sum of the issue amount plus interest at the rate of 8% per annum compounded annually from the issue date to the date of redemption.

Series B and Series C Preference Shares had converted to ordinary shares, subject to the resolutions of shareholders' meeting on May 27, 2016, for the purpose of the Company's proposed initial public offering and listing on TPEX. The carrying amount of the financial liabilities measured at amortized cost had been reclassified as equity based on the substance of the agreements and the definition of equity at that time.

9. LONG-TERM BORROWINGS

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|-----------------------------|-------------------|----------------------|-------------------|
| <u>Unsecured borrowings</u> | | | |
| EDB loan | \$ 277,989 | \$ 267,098 | \$ 255,799 |
| CSL loan | <u>12,310</u> | <u>12,393</u> | <u>11,623</u> |
| | <u>\$ 290,299</u> | <u>\$ 279,491</u> | <u>\$ 267,422</u> |

a. EDB loan

On April 27, 2011, ASLAN Pharmaceuticals Pte. Ltd. obtained a repayable grant of SGD10,000 thousand from Singapore Economic Development Board ("EDB"), subject to certain conditions, and 96% of the grant was provided to the Group as of June 30, 2016. For each project that achieves success within the Company's portfolio, as defined by the execution of a commercial out licensing agreement which is accompanied by a positive cash flow situation, the Company shall repay to EDB at least 25% of the total grant amount for the relevant project. The full grant amount with an interest rate of 6% shall be returned in full to EDB, latest upon any project achieving phase III approval.

b. CSL loan

On May 12, 2014, ASLAN Pharmaceuticals Pte. Ltd. obtained a loan facility of US\$4,500,000 from CSL Finance Pty Ltd. The loan will be granted based on 75% of research and development costs approved by CSL Finance Pty Ltd at each drawdown period. The loan is repayable 10 years from the date of the facility agreement. Interest on the loan is computed at 6% plus LIBOR and is payable on a quarterly basis.

Mandatory prepayment of the loan is required either upon a successful product launch or Initial Public Offering ("IPO") of the Company occurring before maturity of the loan. A minimum of 20% of any license income earned from successful commercialisation of the products shall be applied as mandatory prepayment. In the case of a successful IPO, the proceeds shall be used to prepay the loan.

10. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The employees of the Group's subsidiary in Singapore defined contribution plans are post-employment benefit plans under which the subsidiary pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The subsidiary has no further payment obligations once the contributions have been paid. The subsidiaries' contributions are recognised as employee compensation expense when they are due.

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

11. EQUITY

As stated in Note 4 of the pro forma consolidated financial statements, the Company prepared the pro forma consolidated financial statements based on the underlying assumption of the pro forma consolidated financial statements. The basis for the presentation of the stockholder's equity was on pro forma company's operation before organizational structuring. Also, it was assumed that the Company had completed the stock split of the share capital, and converted preference shares into ordinary share, the par value of which was NT\$10, from the beginning.

a. Preference shares

- 1) On April 21, 2011, ASLAN Pharmaceuticals Pte. Ltd. issued 3,295,833 Series A Preference Shares at US\$0.8 per share to its investors. The shares are non-redeemable and dividends shall accrue on each preference share at 8% per annum, which shall be payable only upon liquidation.
- 2) On October 9, 2013, ASLAN Pharmaceuticals Pte. Ltd. issued 16,409,521 Series B Preference Shares with redemption right. On November 27, 2015 and January 29, 2016, ASLAN Pharmaceuticals Limited issued 17,047,095 and 4,861,948 Series C Preference Share with redemption right, respectively. Please refer to Note 8.
- 3) ASLAN Pharmaceuticals Pte. Ltd. shall declare at the same time a dividend payable upon the outstanding preference shares, in an amount equal to the amount of dividends per share of preference shares as would have been paid if such preference shares had been converted to ordinary shares.
- 4) The preference shares may, at the option of the holders thereof, be converted at any time into fully-paid ordinary shares. Preference shares shall automatically be converted into ordinary shares upon (i) the approval of the holders of at least two-thirds of the Series A Preference Shares but 75% of the Series B or Series C Preference Shares; or (ii) in connection with IPO based on the conversion price.
- 5) For any return of capital upon liquidation or dissolution, the assets of the Company available for distribution among the shareholders shall be applied as follows: Firstly, in paying to the Series C Preference Shareholders, followed by the Series B Preference Shareholders, an amount in cash equivalent to the sum of the issue amount plus interest at the rate of 8% per annum compounded annually from the issue date to the date of liquidation; secondly, the balance shall go towards the payment of the subscription price paid by the holders of the Series A Preference Shares plus any unpaid dividends thereon; thirdly, the balance shall belong to and be distributed among the Series C Preference Shareholders, the Series B Preference Shareholders and the holders of the ordinary shares on a pari passu basis.

- 6) Subject to the supermajority approval of the holders of the Preference Shares on May 27, 2016, all the Preference Shares had been converted into an equal number of Ordinary Shares.
- 7) Subject to the resolutions of shareholders' meeting on May 27, 2016, the repurchase of their USD Shares in consideration for the issue of an equal number of Shares of a par value of NTD 10, after the subdivision of the share capital at a ratio of 1-for-2 and the conversion of Preference Shares into Ordinary Shares, was approved for the purpose of the proposed initial public offering and listing on TPEX.
- 8) On May 27, 2016, the Company's board of directors resolved to issue 19,667,141 ordinary shares, with a par value of NT\$10 each, for consideration of US\$1.13 per share, which increase the share capital to \$1,156,709 thousand. As of June 30, 2016, subscription receivables amounted to \$439,474 thousand were recognized in other receivables, and fully paid before the date of the financial report.

b. Capital surplus

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|--|---------------------|----------------------|-------------------|
| Arising from issuance of new share capital | \$ 1,777,868 | \$ 1,040,069 | \$ 327,564 |
| Arising from employee share options | <u>135,604</u> | <u>114,878</u> | <u>73,285</u> |
| | <u>\$ 1,913,472</u> | <u>\$ 1,154,947</u> | <u>\$ 400,849</u> |

c. Retained earnings and dividend policy

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

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

d. Others equity items

Exchange differences on translating the financial statements of foreign operations:

| | For the Six Months Ended June 30 | |
|--|-------------------------------------|-----------------|
| | 2016 | 2015 |
| Balance at beginning of the period | \$ (2,237) | \$ 2,385 |
| Exchange differences arising on translating the financial statements of foreign operations | <u>(9,901)</u> | <u>4,527</u> |
| Balance at end of the period | <u>\$ (12,138)</u> | <u>\$ 6,912</u> |

12. LICENSE AGREEMENT

Hyundai Pharm Co. Ltd.

On October 2015, the Company entered a license agreement with Hyundai Pharm Co. Ltd. (Hyundai), to develop and commercialize ASLAN001 for Cholangiocarcinoma treatment. Under the terms of the license agreement, the Company has billed an upfront payment from Hyundai on June 2016. The Company is eligible for additional regulatory and commercial milestones as well as royalties on product sales in the futures.

13. LOSS BEFORE INCOME TAX

a. Other gains and losses

| | For the Six Months Ended June 30 | |
|-------------------------------------|-------------------------------------|-----------------|
| | 2016 | 2015 |
| Net foreign exchange gains (losses) | \$ (6,567) | \$ 6,521 |
| Others | <u>(523)</u> | <u>(251)</u> |
| | <u>\$ (7,090)</u> | <u>\$ 6,270</u> |

b. Finance costs

| | For the Six Months Ended June 30 | |
|---------------------------------|-------------------------------------|-----------------|
| | 2016 | 2015 |
| Interest on CSL and other loans | \$ 429 | \$ 318 |
| Interest on EDB loan | 6,831 | 5,565 |
| Others | <u>12</u> | <u>-</u> |
| | <u>\$ 7,272</u> | <u>\$ 5,883</u> |

c. Depreciation and amortization

| | For the Six Months Ended June 30 | |
|---|-------------------------------------|---------------|
| | 2016 | 2015 |
| Property, plant and equipment | \$ 726 | \$ 687 |
| Intangible assets | <u>157</u> | <u>123</u> |
| | <u>\$ 883</u> | <u>\$ 810</u> |
| An analysis of depreciation by function | | |
| Operating expenses | <u>\$ 726</u> | <u>\$ 687</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 157</u> | <u>\$ 123</u> |

d. Employee benefits expense

| | For the Six Months Ended June 30 | |
|--|---|------------------|
| | 2016 | 2015 |
| Short-term benefits | \$ 71,347 | \$ 56,528 |
| Post-employment benefits | 3,491 | 2,508 |
| Share-based payments (Note 16) | | |
| Equity-settled share-based payments | <u>20,726</u> | <u>6,377</u> |
| Total employee benefits expense | <u>\$ 95,564</u> | <u>\$ 65,413</u> |
| An analysis of employee benefits expense by function | | |
| Operating expenses | <u>\$ 95,564</u> | <u>\$ 65,413</u> |

14. INCOME TAX EXPENSE

a. Integrated income tax

As of June 30, 2016, there were no imputation credits which can be allocated to the shareholders of ASLAN Pharmaceuticals Taiwan Limited.

b. Income tax assessments

The tax returns of ASLAN Pharmaceuticals Taiwan Limited through 2014 have been assessed by the tax authorities.

15. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | For the Six Months Ended June 30 | |
|--------------------------|---|------------------|
| | 2016 | 2015 |
| Basic earnings per share | <u>\$ (2.48)</u> | <u>\$ (3.66)</u> |

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

| | For the Six Months Ended June 30 | |
|---|---|---------------------|
| | 2016 | 2015 |
| Earnings (loss) used in the computation of earnings (loss) per share | <u>\$ (233,995)</u> | <u>\$ (190,817)</u> |
| Weighted average number of ordinary shares in computation of earnings per share | <u>94,492</u> | <u>52,186</u> |

If the outstanding convertible preference shares and employee share options issued by the Company were converted to ordinary shares, they were anti-dilutive and, therefore, excluded from the computation of diluted earnings per share.

16. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

Qualified employees of the Company and its subsidiaries were granted 2,477,336 options in July 2015, 680,625 options in July 2014, 619,250 options in July 2013, 669,750 options in July 2012, 910,000 options in July 2011 and 661,000 options in July 2010. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 10 years and exercisable at certain percentages when meeting the vesting conditions.

Information on employee share options was as follows:

| | For the Six Months Ended June 30, 2016 | | | | | | | | | | | |
|---|--|--|----------------------------------|--|----------------------------------|--|----------------------------------|--|----------------------------------|--|----------------------------------|--|
| | July 2015 | | July 2014 | | July 2013 | | July 2012 | | July 2011 | | July 2010 | |
| | Number of Options (In Thousands) | Weighted-average Exercise Price (US\$) | Number of Options (In Thousands) | Weighted-average Exercise Price (US\$) | Number of Options (In Thousands) | Weighted-average Exercise Price (US\$) | Number of Options (In Thousands) | Weighted-average Exercise Price (US\$) | Number of Options (In Thousands) | Weighted-average Exercise Price (US\$) | Number of Options (In Thousands) | Weighted-average Exercise Price (US\$) |
| Balance at January 1 | 2,477 | \$ 1.76 | 667 | \$ 1.36 | 616 | \$ 1.36 | 647 | \$ 0.8 | 880 | \$ 0.68 | 653 | \$ 0.47 |
| Options granted | - | - | - | - | - | - | - | - | - | - | - | - |
| Options forfeited | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance at June 30 | <u>2,477</u> | 1.76 | <u>667</u> | 1.36 | <u>616</u> | 1.36 | <u>647</u> | 0.8 | <u>880</u> | 0.68 | <u>653</u> | 0.47 |
| Options exercisable, end of period | <u>642</u> | 1.76 | <u>352</u> | 1.36 | <u>473</u> | 1.36 | <u>647</u> | 0.8 | <u>880</u> | 0.68 | <u>653</u> | 0.47 |
| Weighted-average fair value of options granted (US\$) | <u>\$ 0.98</u> | | | | | | | | | | | |

| | For the Six Months Ended June 30, 2015 | | | | | | | | | |
|---|--|--|----------------------------------|--|----------------------------------|--|----------------------------------|--|----------------------------------|--|
| | July 2014 | | July 2013 | | July 2012 | | July 2011 | | July 2010 | |
| | Number of Options (In Thousands) | Weighted-average Exercise Price (US\$) | Number of Options (In Thousands) | Weighted-average Exercise Price (US\$) | Number of Options (In Thousands) | Weighted-average Exercise Price (US\$) | Number of Options (In Thousands) | Weighted-average Exercise Price (US\$) | Number of Options (In Thousands) | Weighted-average Exercise Price (US\$) |
| Balance at June 23 | 681 | \$ 1.36 | 619 | \$ 1.36 | 647 | \$ 0.8 | 880 | \$ 0.68 | 653 | \$ 0.47 |
| Options granted | - | - | - | - | - | - | - | - | - | - |
| Options forfeited | - | - | - | - | - | - | - | - | - | - |
| Balance at June 30 | <u>681</u> | 1.36 | <u>619</u> | 1.36 | <u>647</u> | 0.8 | <u>880</u> | 0.68 | <u>653</u> | 0.47 |
| Options exercisable, end of period | <u>193</u> | 1.36 | <u>328</u> | 1.36 | <u>502</u> | 0.8 | <u>880</u> | 0.68 | <u>653</u> | 0.47 |
| Weighted-average fair value of options granted (US\$) | <u>\$ 0.87</u> | | | | | | | | | |

Information about outstanding options as of June 30, 2016 was as follows:

| July 2015 | | July 2014 | | July 2013 | | July 2012 | | July 2011 | | July 2010 | |
|--------------------------------|---|--------------------------------|---|--------------------------------|---|--------------------------------|---|--------------------------------|---|--------------------------------|---|
| Range of Exercise Price (US\$) | Weighted-average Remaining Contractual Life (Years) | Range of Exercise Price (US\$) | Weighted-average Remaining Contractual Life (Years) | Range of Exercise Price (US\$) | Weighted-average Remaining Contractual Life (Years) | Range of Exercise Price (US\$) | Weighted-average Remaining Contractual Life (Years) | Range of Exercise Price (US\$) | Weighted-average Remaining Contractual Life (Years) | Range of Exercise Price (US\$) | Weighted-average Remaining Contractual Life (Years) |
| \$1.36-\$1.88 | 9.5 | \$1.36 | 8.5 | \$0.8-\$1.36 | 7.5 | \$0.8 | 6.5 | \$0.2-\$0.8 | 5.5 | \$0.2-\$0.8 | 4.5 |

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

| | July 2015 | July 2014 | July 2013 | July 2012 | July 2011 | July 2010 |
|-------------------------------|---------------|-----------|--------------|-----------|---------------|-------------|
| Grant-date share price (US\$) | \$1.88 | \$1.36 | \$1.36 | \$1.25 | \$0.8 | \$0.8 |
| Exercise price (US\$) | \$1.36-\$1.88 | \$1.36 | \$0.8-\$1.36 | \$0.8 | \$0.2-\$0.8 | \$0.2-\$0.8 |
| Expected volatility | 36.37% | 50.86% | 50.58% | 52.25% | 54.26%-54.44% | 59.16% |
| Expected life (years) | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years |
| Expected dividend yield | - | - | - | - | - | - |
| Risk-free interest rate | 2.43% | 2.58% | 2.5% | 1.61% | 2.96%-3.22% | 2.954% |

Expected volatility was based on the historical share price volatility over the past 4 years.

Compensation cost recognized was \$20,726 thousand and \$6,377 thousand for the six months ended June 30, 2016 and 2015, respectively.

17. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2016 were as follows:

Future lease payments for offices due until May 2017 are as follows:

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|-----------------------|-----------------|----------------------|------------------|
| Not later than 1 year | \$ 2,781 | \$ 6,498 | \$ 6,094 |
| Between 1 and 5 years | <u>-</u> | <u>2,196</u> | <u>5,106</u> |
| | <u>\$ 2,781</u> | <u>\$ 8,694</u> | <u>\$ 11,200</u> |

18. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to support the development of new drugs through the optimization of the debt and equity balance.

Key management personnel of the Group review the capital structure periodically. In order to balance the overall capital structure, the Group may adjust the amounts of long-term borrowings, the issuance of new shares capital or other equity instruments.

19. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

Financial instruments held by the Group were not measured at fair value. Management believes the carrying amounts of financial assets and financial liabilities recognized in the pro forma consolidated financial statements approximate their fair values.

b. Categories of financial instruments

| | June 30, 2016 | December 31, 2015 | June 30, 2015 |
|--|---------------|----------------------|---------------|
| <u>Financial assets</u> | | | |
| Loans and receivables (1) | \$ 1,705,203 | \$ 892,813 | \$ 55,873 |
| <u>Financial liabilities</u> | | | |
| Financial liabilities measured at amortized cost (2) | 317,001 | 312,534 | 309,118 |

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, accounts receivable, other receivables, prepayments and refundable deposits.

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

c. Financial risk management objectives and policies

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

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price risk.

a) Foreign currency risk

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

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

| | June 30, 2016 | | |
|------------------------------|---------------------------|----------------------|------------------------|
| | Foreign Currencies | Exchange Rate | Carrying Amount |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| SGD | \$ 128 | 23.63 | \$ 3,094 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| SGD | 11,762 | 23.63 | 277,989 |
| | December 31, 2015 | | |
| | Foreign Currencies | Exchange Rate | Carrying Amount |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| SGD | \$ 639 | 23.28 | \$ 14,864 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| SGD | 11,475 | 23.28 | 267,098 |

| | June 30, 2015 | | |
|------------------------------|--------------------|---------------|-----------------|
| | Foreign Currencies | Exchange Rate | Carrying Amount |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| SGD | \$ 1,596 | 22.87 | \$ 36,528 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| SGD | 11,184 | 22.87 | 255,799 |

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

| | For the Six Months Ended June 30 | |
|-------------------|-------------------------------------|-----------|
| | 2016 | 2015 |
| Decrease/increase | \$ 13,745 | \$ 10,964 |

The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant foreign exchange gains (losses) were as follows:

| | For the Six Months Ended June 30 | | | |
|--------------------|----------------------------------|----------------------------------|-------------------|----------------------------------|
| | 2016 | | 2015 | |
| Foreign Currencies | Exchange Rate | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| USD | 32.6566 (USD:NTD) | \$ (6,567) | 30.8329 (USD:NTD) | \$ 6,521 |

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The Group's interest rate risk was mainly concentrated in the fluctuation of the benchmark interest rate arising from long-term borrowings.

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the six months ended June 30, 2016 and 2015 would decrease/increase by \$2,903 thousand and \$2,674 thousand, respectively.

2) Credit risk

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

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

20. TRANSACTIONS WITH RELATED PARTIES

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

Compensation of Key Management Personnel

| | For the Six Months Ended June 30 | |
|------------------------------|---|------------------|
| | 2016 | 2015 |
| Short-term employee benefits | \$ 23,520 | \$ 20,610 |
| Post-employment benefits | 1,351 | 1,114 |
| Share-based payments | <u>4,141</u> | <u>3,621</u> |
| | <u>\$ 29,012</u> | <u>\$ 25,345</u> |

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

21. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): None
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 9) Trading in derivative instruments: None
 - 10) Intercompany relationships and significant intercompany transactions: Table 2
 - 11) Information on investees: Table 3
- b. Information on investments in mainland China: None

22. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group is considered single segment. The basis of information reported to the chief operating decision maker is the same as the financial statements. Because the basis of segment information reported to the chief operating decision maker is the same as the financial statements, the segment revenue and results for the six months ended June 30, 2016 and 2015 can be referred to in the pro forma consolidated statements of comprehensive income and the segment assets and liabilities as of June 30, 2016 and 2015 can be referred to in the pro forma consolidated balance sheets.

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limits | Note |
|-----|---------------------------------|---|-----------------------------|-----------------|--------------------------------|----------------|-------------------------|---------------|---------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|-----------------------------------|----------------------------|------|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | ASLAN Pharmaceuticals Pte. Ltd. | ASLAN Pharmaceuticals Australia Pty. Ltd. | Other receivables | Yes | US\$ 5,000 | US\$ 5,000 | US\$ 568 | 2% | Financing | \$ - | - | \$ - | - | \$ - | - | \$ - | 1, 2 |

Note 1: Restriction to

- The amount loaned to a company that has a business relationship with the Company the aggregate value of loans shall not exceed 10% of the net worth of the Company.
- The amount loaned to a company that has short-term financing needs shall not exceed 4% of the net worth of the Company. The aggregate value of loans shall not exceed 40% of the net worth of the Company.

Note 2: Accumulated balance of short-term loans between non-R.O.C. companies in which the Company holds, directly or indirectly, 100% of the voting shares are not subject to the limit of 40% of the net worth of the Company.

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Investee Company | Counterparty | Relationship | Transactions Details | | % to Total Sales or Assets |
|-------------------|---|--|---|------------------------------------|--------------|----------------------------|
| | | | | Financial Statement Accounts | Amount | |
| 0 | ASLAN Pharmaceuticals Limited | ASLAN Pharmaceuticals Pte. Ltd. | From parent company to subsidiary | Other receivables | \$ 1,292,246 | 75.62 |
| 1 | ASLAN Pharmaceuticals Pte. Ltd. | ASLAN Pharmaceuticals Limited ASLAN Pharmaceuticals Australia Pty Ltd. ASLAN Pharmaceuticals Taiwan Limited ASLAN Pharmaceuticals Taiwan Limited ASLAN Pharmaceuticals Hong Kong Limited ASLAN Pharmaceuticals (Shanghai) Co. Ltd. ASLAN Pharmaceuticals (Shanghai) Co. Ltd. | From subsidiary to parent company Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries Between subsidiaries | Other payables | 1,292,246 | 75.62 |
| | | | | Other receivables | 18,572 | 1.09 |
| | | | | Other receivables | 5,632 | 0.33 |
| | | | | General and administrative expense | 5,230 | 63.68 |
| | | | | Other receivables | 290 | 0.02 |
| Other receivables | 516 | 0.03 | | | | |
| | | | | Non-operating income | 519 | 6.32 |
| 2 | ASLAN Pharmaceuticals Australia Pty Ltd. | ASLAN Pharmaceuticals Pte. Ltd. | Between subsidiaries | Other payables | 18,572 | 1.09 |
| 3 | ASLAN Pharmaceuticals Taiwan Limited | ASLAN Pharmaceuticals Pte. Ltd. ASLAN Pharmaceuticals Pte. Ltd. | Between subsidiaries Between subsidiaries | Other payables | 5,632 | 0.33 |
| | | | | Operating revenue | 5,230 | 63.68 |
| 4 | ASLAN Pharmaceuticals Hong Kong Limited | ASLAN Pharmaceuticals Pte. Ltd. | Between subsidiaries | Other payables | 290 | 0.02 |
| 5 | ASLAN Pharmaceuticals (Shanghai) Co. Ltd. | ASLAN Pharmaceuticals Pte. Ltd. ASLAN Pharmaceuticals Pte. Ltd. | Between subsidiaries Between subsidiaries | Other payables | 516 | 0.03 |
| | | | | General and administrative expense | 519 | 6.32 |

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

ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE SIX MONTHS ENDED JUNE 30, 2016

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of June 30, 2016 | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|---|---|-----------|------------------------------|----------------------------|-------------------|---------------------|-----|-----------------------------------|-------------------------|------------|
| | | | | June 30, 2016 | December 31, 2015 | Shares | % | | | |
| ASLAN Pharmaceuticals Limited | ASLAN Pharmaceuticals Pte. Ltd. | Singapore | New drugs research | US\$ 32,298 | US\$ 6,265 | Note | 100 | \$ 1,054,760 | \$ (222,077) | Subsidiary |
| ASLAN Pharmaceuticals Pte. Ltd. | ASLAN Pharmaceuticals Taiwan Limited | Taiwan | New drugs research | US\$ 167 | US\$ 167 | 500 | 100 | 5,000 | (6,716) | Subsidiary |
| | ASLAN Pharmaceuticals Australia Pty Ltd. | Australia | New drugs research | - | - | - | 100 | - | (248) | Subsidiary |
| | ASLAN Pharmaceuticals Hong Kong Limited | Hong Kong | New drugs research | - | - | - | 100 | - | (41) | Subsidiary |
| ASLAN Pharmaceuticals Hong Kong Limited | ASLAN Pharmaceuticals (Shanghai) Co. Ltd. | Shanghai | New drugs research | - | - | - | 100 | - | (519) | Subsidiary |