

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number 001-38475

**ASLAN Pharmaceuticals Limited**

(Exact name of Registrant as specified in its charter)

**Not Applicable**

(Translation of Registrant's name into English)

**Cayman Islands**

(Jurisdiction of incorporation)

**83 Clemenceau Avenue #12-03 UE Square**

**Singapore 239920**

(address of principal executive offices)

**Carl Firth**

**Chief Executive Officer**

**ASLAN Pharmaceuticals Limited**

**83 Clemenceau Avenue #12-03 UE Square**

**Singapore 239920**

**E-mail: investor@aslanpharma.com**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered, pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
American Depositary Shares (ADSs), each representing five ordinary shares, par value \$0.01 per ordinary share	ASLN	The Nasdaq Global Market
Ordinary shares, par value \$0.01 per share *		The Nasdaq Global Market *

\* Not for trading, but only in connection with the registration of the American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital stock or common stock as of the close of business covered by the annual report.

Ordinary shares, par value \$0.01 per share: 237,663,300 ordinary shares as of December 31, 2020, comprised of (i) 209,675,470 ordinary shares that are fully paid, issued and outstanding and (ii) 27,987,830 ordinary shares that are outstanding and have been issued to JPMorgan Chase Bank, N.A., as depositary, for future sales and issuances of ADSs, if any, as further described in this annual report.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404 (b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.  Yes  No

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

# TABLE OF CONTENTS

	<u>Page</u>
<a href="#">Presentation of Financial and Other Information</a>	3
<a href="#">Cautionary Statement Regarding Forward-Looking Statements</a>	4
<a href="#">PART I</a>	7
ITEM 1. <a href="#">IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</a>	7
ITEM 2. <a href="#">OFFER STATISTICS AND EXPECTED TIMETABLE</a>	7
ITEM 3. <a href="#">KEY INFORMATION</a>	8
<a href="#">A. Selected financial data</a>	8
<a href="#">B. Capitalization and indebtedness</a>	8
<a href="#">C. Reasons for the offer and use of proceeds</a>	8
<a href="#">D. Risk factors</a>	8
ITEM 4. <a href="#">INFORMATION ON THE COMPANY</a>	55
<a href="#">A. History and development of the company</a>	55
<a href="#">B. Business overview</a>	56
<a href="#">C. Organizational structure</a>	94
<a href="#">D. Property, plant and equipment</a>	94
ITEM 4A. <a href="#">UNRESOLVED STAFF COMMENTS</a>	94
ITEM 5. <a href="#">OPERATING AND FINANCIAL REVIEW AND PROSPECTS</a>	95
<a href="#">A. Operating results</a>	95
<a href="#">B. Liquidity and capital resources</a>	105
<a href="#">C. Research and development, patents and licenses, etc.</a>	112
<a href="#">D. Trend information</a>	112
<a href="#">G. Safe harbor</a>	112
ITEM 6. <a href="#">DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</a>	113
<a href="#">A. Directors and senior management</a>	113
<a href="#">B. Compensation</a>	116
<a href="#">C. Board practices</a>	122
<a href="#">D. Employees</a>	125
<a href="#">E. Share ownership</a>	126
ITEM 7. <a href="#">MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</a>	126
<a href="#">A. Major shareholders</a>	126
<a href="#">B. Related party transactions</a>	128
<a href="#">C. Interests of experts and counsel</a>	129
ITEM 8. <a href="#">FINANCIAL INFORMATION</a>	129
<a href="#">A. Consolidated statements and other financial information</a>	129
<a href="#">B. Significant changes</a>	130
ITEM 9. <a href="#">THE OFFER AND LISTING</a>	130
<a href="#">A. Offer and listing details</a>	130
<a href="#">B. Plan of distribution</a>	130
<a href="#">C. Markets</a>	130
<a href="#">D. Selling shareholders</a>	130
<a href="#">E. Dilution</a>	130
<a href="#">F. Expense of the issue</a>	130

ITEM 10.	<a href="#"><u>ADDITIONAL INFORMATION</u></a>	130
	<a href="#"><u>A. Share capital</u></a>	130
	<a href="#"><u>B. Memorandum and articles of association</u></a>	131
	<a href="#"><u>C. Material contracts</u></a>	145
	<a href="#"><u>D. Exchange controls</u></a>	146
	<a href="#"><u>E. Taxation</u></a>	146
	<a href="#"><u>F. Dividends and paying agents</u></a>	153
	<a href="#"><u>G. Statement by experts</u></a>	153
	<a href="#"><u>H. Documents on display</u></a>	153
	<a href="#"><u>I. Subsidiary information</u></a>	154
ITEM 11.	<a href="#"><u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u></a>	154
	<a href="#"><u>A. Foreign exchange risk</u></a>	154
	<a href="#"><u>B. Interest rate risk</u></a>	155
ITEM 12.	<a href="#"><u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u></a>	155
	<a href="#"><u>A. Debt securities</u></a>	155
	<a href="#"><u>B. Warrants and rights</u></a>	156
	<a href="#"><u>C. Other securities</u></a>	156
	<a href="#"><u>D. American depositary shares</u></a>	156
	<a href="#"><u>PART II</u></a>	171
ITEM 13.	<a href="#"><u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u></a>	171
ITEM 14.	<a href="#"><u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u></a>	171
ITEM 15.	<a href="#"><u>CONTROLS AND PROCEDURES</u></a>	171
ITEM 16.	<a href="#"><u>A. Audit committee financial expert</u></a>	172
	<a href="#"><u>B. Code of ethics</u></a>	172
	<a href="#"><u>C. Principal accountant fees and services</u></a>	172
	<a href="#"><u>D. Exemptions from the listing standards for audit committees</u></a>	173
	<a href="#"><u>E. Purchases of equity securities by the issuer and affiliated purchasers</u></a>	173
	<a href="#"><u>F. Changes in registrant's certifying accountant</u></a>	173
	<a href="#"><u>G. Corporate governance</u></a>	173
	<a href="#"><u>H. Mine safety disclosure</u></a>	174
	<a href="#"><u>PART III</u></a>	175
ITEM 17.	<a href="#"><u>FINANCIAL STATEMENTS</u></a>	175
ITEM 18.	<a href="#"><u>FINANCIAL STATEMENTS</u></a>	175
ITEM 19.	<a href="#"><u>EXHIBITS</u></a>	175

## GENERAL INFORMATION

Unless otherwise indicated or the context otherwise requires, all references in this Annual Report to the terms “ASLAN,” “ASLAN Pharmaceuticals,” “the company,” “we,” “us” and “our” refer to ASLAN Pharmaceuticals Limited and its subsidiaries.

### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB), which may differ in material respects from generally accepted accounting principles in other jurisdictions, including the United States.

Our functional currency is the U.S. dollar. Unless otherwise specified, all monetary amounts presented are in U.S. dollars. All references in this Annual Report to “\$” mean U.S. dollars, all references in this Annual Report to “NT\$” mean New Taiwan dollars, the legal currency of the Republic of China (ROC), and all references in this Annual Report to “SG\$” mean Singapore dollars, the legal currency of Singapore. No representation is made that the New Taiwan dollar amounts referred to herein could have been or could be converted into U.S. dollars at any particular rate or at all. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

We have made rounding adjustments to some of the figures included in this Annual Report. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by the words “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “intend,” “plan,” “objective,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue” and “ongoing,” or the negative of these terms, or other comparable terminology intended to identify statements about the future. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. The forward-looking statements and opinions contained in this Annual Report on Form 20-F are based upon information available to us as of the date of this Annual Report and, while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. Forward-looking statements include statements about:

- The impact of the COVID-19 pandemic on our operations, research and development and clinical trials and potential disruption in the operations and business of third-party manufacturers, contract research organizations, other service providers and collaborators with whom we conduct business;
- The outcome, cost and timing of our product development activities and clinical trials;
- Our plans and expected timing with respect to regulatory filings and approvals;
- Our ability to fund our operations;
- Our plans to develop and commercialize our product candidates and expand our development pipeline;
- Our ability to enter into a transaction with respect to commercialization of our products and product candidates;
- The size and growth potential of the markets for our product candidates, and our ability to serve those markets;
- Our sales and marketing strategies and plans;
- Potential market acceptance of our product candidates;
- Potential regulatory developments in the United States and foreign countries;
- The performance of our third party suppliers and manufacturers;
- Our ability to compete with other therapies that are or become available;
- Our expectations regarding the period during which we qualify as an emerging growth company (EGC) under the Jumpstart Our Business Startups Act (JOBS Act), a foreign private issuer under U.S. securities laws or a passive foreign investment company (PFIC) for U.S. federal income tax purposes;
- Our estimates regarding expenses, future revenue, capital requirements and needs for additional financing; and
- Our expectations regarding the terms of our patents and ability to obtain and maintain intellectual property protection for our product candidates.

You should refer to the section titled “Item 3.D. Risk Factors” for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Annual Report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

You should read this Annual Report and the documents that we reference in this Annual Report, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Unless otherwise indicated, information contained in this Annual Report on Form 20-F concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market size estimates, is based on information from independent industry analysts, third-party sources and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us based on such data and our knowledge of such industry and market, which we believe to be reasonable. In addition, while we believe the market opportunity information included in this Annual Report on Form 20-F is generally reliable and is based on reasonable assumptions, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the section of this Annual Report on Form 20-F titled “Item 3.D—Risk Factors.”

### SUMMARY OF RISK FACTORS

Investing in our shares involves numerous risks, including the risks described in “Item 3.D-Risk Factors” of this Annual Report on Form 20-F. Below are some of our principal risks, any one of which could materially adversely affect our business, financial condition, results of operations, and prospects:

- We have incurred significant losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future.
- We currently do not generate any revenue from product sales, have generated only limited revenue since inception, and may never be profitable.
- We will need to obtain substantial additional financing for our operations, and if we fail to obtain additional financing, we may be forced to delay, reduce or eliminate our product development programs or commercialization efforts.
- We are heavily dependent on the success of our two product candidates, ASLAN004 and ASLAN003 and we cannot give any assurance that ASLAN004 or ASLAN003 will successfully complete clinical development or receive regulatory approval, which is necessary before they can be commercialized.
- Clinical development is a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. Failure can occur at any stage of clinical development. We have never completed a pivotal clinical trial for our product candidates or submitted a New Drug Application (NDA) or a Biologics License Application

(BLA) to the U.S. Food and Drug Administration (U.S. FDA) or similar drug approval filings to comparable foreign authorities.

- Delays in clinical trials are common and have many causes, and any delay could result in increased costs to us and jeopardize or delay our ability to obtain regulatory approval and commence product sales.
- The regulatory approval processes of the U.S. FDA and comparable foreign authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.
- We rely on third parties to conduct our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.
- If we are unable to obtain or protect intellectual property rights related to our current product candidates or any future product candidates which we may develop, we may not be able to compete effectively in our market.
- You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law, we conduct the majority of our operations and substantially all of our directors and executive officers reside outside of the United States.
- We qualify as a foreign private issuer and, as a result, we are not subject to U.S. proxy rules and are subject to Exchange Act reporting obligations that permit less detailed and frequent disclosures than those of a U.S. domestic public company.
- Our business is subject to economic, political, regulatory and other risks associated with international operations.
- Our business could continue to be adversely affected by the effects of health pandemics or epidemics, including the effects of the COVID-19 pandemic.

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.



### Item 3. Key Information

#### A. Selected financial data.

The Selected Financial Data previously required under Item 3.A. has been omitted in reliance on recent amendments to Form 20-F which eliminate the Selected Financial Data disclosures

#### B. Capitalization and indebtedness.

Not applicable

#### C. Reasons for the offer and use of proceeds.

Not applicable

#### D. Risk Factors.

*An investment in our American Depositary Shares (ADSs), involves a high degree of risk. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations and/or prospects or cause our actual results to differ materially from those contained in forward-looking statements we have made in this report and those we may make from time to time. In such an event, the market price of our ADSs could decline and you may lose all or part of your investment. You should consider all of the risk factors described when evaluating our business.*

#### **Risks Related to Our Financial Condition and Need for Additional Capital**

***We have incurred significant losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future.***

We are a clinical-stage immunology focused biopharmaceutical company developing innovative treatments to transform the lives of patients. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will not demonstrate adequate effectiveness in the targeted indication or an acceptable safety profile, gain regulatory approval or become commercially viable. All of our product candidates will require substantial additional development time and resources before we would be able to apply for or receive regulatory approvals and begin generating revenue from product sales. We are not profitable and have incurred significant net losses in each year since our inception, including net losses of \$42.2 million, \$47.1 million and \$17.0 million for fiscal year 2018, 2019 and 2020, respectively. As of December 31, 2019 and 2020, we had an accumulated deficit of \$179.5 million and \$195.7 million, respectively.

We have devoted substantially all our financial resources to developing our product candidates and targeted discovery work, including preclinical development activities and clinical trials. We expect to continue to incur substantial expenses, losses and negative cash flows as we expand our development activities and advance our clinical programs, particularly with respect to our planned clinical development for ASLAN004. If our product candidates are not successfully developed or commercialized, including because of a lack of capital, or if we do not generate enough revenue following marketing approval, we will not achieve profitability and our business may fail.

***We currently do not generate any revenue from product sales, have generated only limited revenue since inception, and may never be profitable.***

We do not anticipate generating revenue from sales of our proprietary product candidates for the foreseeable future. Our ability to generate future revenue from product sales depends on our success in completing clinical development of, obtaining regulatory approval for, and launching and successfully commercializing any product candidates.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to predict the timing or amount of increased expenses, when, or if, we will begin to generate revenue from product sales, or when, or if, we will be able to achieve or maintain profitability. In addition, our expenses could increase beyond planned levels if we are required by the U.S. FDA to perform studies in addition to those that we currently anticipate or if such studies are larger, take longer or are otherwise more expensive to conduct than we expect.

Even if one or more of our product candidates is approved for commercial sale, to the extent we do not engage a third-party collaborator, we anticipate incurring significant costs associated with commercializing any approved product candidate. Even if we are able to generate revenue from the sale of any approved products, we may not become profitable and may need to obtain additional funding to continue operations.

***We will need to obtain substantial additional financing for our operations, and if we fail to obtain additional financing, we may be forced to delay, reduce or eliminate our product development programs or commercialization efforts.***

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is expensive and we have consumed substantial amounts of capital since inception. To date, we have financed our operations through government subsidies and grants, collaboration payments and the sale of equity securities and convertible debt. We will need substantial additional financing to continue our operations and do not expect revenues from product sales or potential licensing transactions to be sufficient to offset our development expenses as we advance our clinical programs.

We had approximately \$14.3 million of cash and cash equivalents as of December 31, 2020. As we are in the clinical research and development phase, we will be seeking future funding based on the requirements of our business operations. We intend to continue to explore various means of fundraising to meet our funding requirements to carry out our business operations, such as offerings of ADSs, follow-on offerings of ordinary shares, venture debt and shareholder loans. We may also use other means of financing such as out-licensing to generate revenue and cash. We have the ability to exercise discretion and flexibility to deploy our capital resources used in research and development activities according to the amount and timing of our financing activities. Accordingly, we believe that our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements and meet our obligations for at least the next twelve months from the date of this Annual Report on Form 20-F. However, our future viability depends on our ability to raise additional capital to finance our operations. Regardless of our expectations as to how long our existing cash and cash equivalents will fund our operations, changing circumstances beyond our control may cause us to consume capital more rapidly than we currently anticipate. For example, our clinical trials may encounter technical, enrollment or other difficulties that could increase our development costs more than we expect. We may also incur expenses as we create additional infrastructure to support our planned commercialization efforts and our operations as a U.S. public company. In any event, we will require additional capital prior to completing pivotal studies of, filing for regulatory approval for, or commercializing ASLAN003, ASLAN004 or any of our other preclinical product candidates.

We cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we are unable to raise additional capital when required or on acceptable terms, we may be required to:

- Significantly delay, scale back or discontinue the development or commercialization of our product candidates;
- Seek corporate partners for our product candidates when we would otherwise develop our product candidates on our own, or at an earlier stage than otherwise would be desirable or on terms that are less favorable than might otherwise be available;
- Relinquish or license on unfavorable terms, our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves; or
- Significantly curtail or cease operations.

If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we will be prevented from pursuing development and commercialization efforts, which will have an adverse effect on our business, operating results and prospects.

### **Risks Related to Clinical Development and Regulatory Approval**

***We are heavily dependent on the success of our two product candidates, ASLAN004 and ASLAN003 and we cannot give any assurance that ASLAN004 or ASLAN003 will successfully complete clinical development or receive regulatory approval, which is necessary before they can be commercialized.***

Our business and future success is substantially dependent on our ability to successfully develop, obtain regulatory approval for, and successfully commercialize ASLAN004 and ASLAN003. Any delay or setback in the development of ASLAN004 or ASLAN003 could adversely affect our business and cause the price of our ADSs or ordinary shares to decline. Should our planned clinical development of ASLAN004 or ASLAN003 fail to be completed in a timely manner or at all, we will need to rely on our other preclinical product candidates, which will require additional time and resources to obtain regulatory approval and proceed with commercialization. We cannot assure you that our planned clinical development for our product candidates will be completed in a timely manner in our planned indications, or at all, or that we will be able to obtain approval for any of our product candidates from the U.S. FDA, or any comparable foreign regulatory authority.

***Clinical development is a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. Failure can occur at any stage of clinical development. We have never completed a pivotal clinical trial for our product candidates or submitted an NDA or a BLA to the U.S. FDA or similar drug approval filings to comparable foreign authorities.***

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of subsequent clinical trials. We have a limited operating history and to date have not demonstrated our ability to complete large scale pivotal clinical trials.

Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials. In addition to the safety and efficacy traits of any product candidate, clinical trial failures may result from a multitude of factors including flaws in trial design, dose selection, placebo effect and patient enrollment criteria. A number of

companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Based upon negative or inconclusive results, we or any potential future collaborator may decide, or regulators may require us, to conduct additional clinical trials or preclinical studies. In addition, data obtained from trials and studies are susceptible to varying interpretations, and regulators may not interpret our data as favorably as we do, which may delay, limit or prevent regulatory approval. Our future clinical trials may not be successful.

If any product candidate is found to be unsafe or lack efficacy, we will not be able to obtain regulatory approval for it and our business may be materially harmed. For example, if the results of our ongoing Phase 1 clinical trial of ASLAN004 in atopic dermatitis, or any other clinical trials for our product candidates, demonstrate unexpected safety findings or do not achieve the primary efficacy endpoints, the prospects for approval of these product candidates, as well the price of our ADSs and ordinary shares and our ability to create shareholder value would be materially and adversely affected.

In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial protocols, differences in composition of the patient populations, adherence to the dosing regimen and other trial protocols and the dropout rate among clinical trial participants. For example, we could be required to use a primary endpoint in our pivotal trials that is different from endpoints in our Phase 2 clinical trials, which could result in negative or less compelling efficacy results in pivotal trials despite promising results in Phase 2 clinical trials. We do not know whether any future clinical trials we may conduct will demonstrate consistent or adequate efficacy and safety to obtain regulatory approval to market our product candidates. If we are unable to bring any of our current or future product candidates to market, our ability to create long-term shareholder value will be limited.

***Interim, top-line and preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.***

From time to time, we may publicly disclose preliminary or top-line data from our preclinical studies and clinical trials, which is based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular study or trial. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. As a result, the top-line or preliminary results that we report may differ from future results of the same studies, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated.

Top-line data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, top-line data should be viewed with caution until the final data are available.

From time to time, we may also disclose interim data from our preclinical studies and clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available or as patients from our clinical trials continue other treatments for their disease. Adverse differences between preliminary or interim data and final data could significantly harm our business prospects. Further, disclosure of interim data by us or by our competitors could result in volatility in the price of our ADSs or ordinary shares.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimations, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is material or otherwise appropriate information to include in our disclosure. If the interim, top-line, or preliminary data that we report differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize, our product candidates may be harmed, which could harm our business, operating results, prospects or financial condition.

***Delays in clinical trials are common and have many causes, and any delay could result in increased costs to us and jeopardize or delay our ability to obtain regulatory approval and commence product sales.***

We may experience delays in clinical trials of our product candidates. Our planned clinical trials may not begin on time, have an effective design, enroll a sufficient number of patients, or be completed on schedule, if at all. Our clinical trials can be delayed for a variety of reasons, including:

- Inability to raise funding necessary to initiate or continue a trial;
- Delays in obtaining regulatory approval to commence a trial;
- Delays in reaching agreement with the U.S. FDA or other regulatory authorities on final trial design;
- Imposition of a clinical hold for safety reasons or following an inspection of our clinical trial operations or trial or manufacturing sites by the U.S. FDA or other regulatory authorities;
- Delays in reaching agreement on acceptable terms with prospective contract research organizations (CROs) and clinical trial sites;
- Delays in obtaining required institutional review board (IRB) approval at each site;
- Delays in recruiting suitable patients to participate in a trial;
- Delays in having patients complete participation in a trial or return for post-treatment follow-up;
- Clinical sites dropping out of a trial to the detriment of enrollment;
- Time required to add new clinical sites;
- Delays by our contract manufacturers to produce and deliver sufficient supply of clinical trial materials; or
- Disruptions caused by man-made or natural disasters or public health pandemics or other business interruptions, including, for example, the COVID-19 pandemic.

For example, in April 2020 the recruitment of new patients into our multiple ascending dose (MAD), clinical trial of ASLAN004 in moderate-to-severe atopic dermatitis had to be paused in light of government restrictions in Singapore to contain the spread of COVID-19. In August 2020, those restrictions were lifted and we resumed screening patients. However, three of the patients discontinued study due to restriction imposed in response to COVID-19. In addition, we opened clinical sites in the United States and Australia in September 2020.

We could also experience delays if physicians encounter unresolved ethical issues associated with enrolling patients in clinical trials of our product candidates in lieu of prescribing existing treatments that have established safety and efficacy profiles. Further, a clinical trial may be suspended or terminated by us, the institutional review boards for the institutions in which such trials are being conducted, any data monitoring committee for such trial, or by the U.S. FDA or other regulatory authorities due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our

clinical protocols, inspection of clinical trial or manufacturing sites by the U.S. FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a product candidate, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. Furthermore, we rely on CROs and clinical trial sites to ensure the proper and timely conduct of our clinical trials and while we have agreements governing their committed activities, we have limited influence over their actual performance. If we experience termination of, or delays in the completion of, any clinical trial of our product candidates, the commercial prospects for our product candidates will be harmed, and our ability to generate product revenues will be delayed. In addition, any delays in completing our clinical trials will increase our costs and slow down our product development and approval process. Any of these occurrences may harm our business, prospects, financial condition and results of operations significantly.

Many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval for our product candidates.

***Because we have multiple product candidates in our clinical pipeline and are considering a variety of target indications, we may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.***

Because we have limited financial and managerial resources, we must focus our research and development efforts on those product candidates and specific indications that we believe are the most promising. As a result, we may forego or delay pursuit of opportunities with other product candidates or other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities.

We may in the future spend our resources on other research programs and product candidates for specific indications that ultimately do not yield any commercially viable products. Furthermore, if we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights.

***Our product candidates may cause adverse events or have other properties that could delay or prevent their regulatory approval or limit the scope of any approved label or market acceptance.***

Adverse events (AEs) caused by our product candidates or other potentially harmful characteristics of our product candidates could cause us, other reviewing entities, clinical trial sites or regulatory authorities to interrupt, delay or halt clinical trials and could result in the denial of regulatory approval.

Serious adverse events observed in any of our clinical trials may adversely impact our ability to obtain regulatory approval for our product candidates. Further, if any of our approved products cause serious or unexpected side effects after receiving market approval, a number of potentially significant negative consequences could result, including:

- Regulatory authorities may withdraw their approval of the product or impose restrictions on its distribution;
- Regulatory authorities may require the addition of labeling statements, such as warnings or contraindications;
- We may be required to change the way the product is administered or conduct additional clinical studies;

- We could be sued and held liable for harm caused to patients; or
- Our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected product candidate and could substantially increase the costs of commercializing our product candidates.

***The regulatory approval processes of the U.S. FDA and comparable foreign authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.***

The time required to obtain approval by the U.S. FDA and comparable foreign authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. For example, we cannot guarantee that our Phase 1 clinical trial of ASLAN004 in atopic dermatitis will be sufficient to allow subsequent development or that the U.S. FDA or comparable foreign regulatory authorities will not require additional or different clinical trials prior to subsequent development of ASLAN004 or that the required primary endpoints in subsequent pivotal trials or other clinical trials will not be different than those in Phase 2 clinical trials.

Our product candidates could fail to receive regulatory approval for many reasons, including the following:

- The U.S. FDA or comparable foreign regulatory authorities may disagree with the design, scope or implementation of our clinical trials;
- We may be unable to demonstrate to the satisfaction of the U.S. FDA or comparable foreign regulatory authorities that a product candidate is safe and effective for its proposed indication;
- The results of clinical trials may not meet the level of statistical significance required by the U.S. FDA or comparable foreign regulatory authorities for approval;
- We may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- The U.S. FDA or comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- The data collected from clinical trials of our product candidates may not be sufficient to support the submission of an NDA, BLA or other submission or to obtain regulatory approval in the United States or elsewhere;
- The U.S. FDA or comparable foreign regulatory authorities may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies; and
- The approval policies or regulations of the U.S. FDA or comparable foreign regulatory authorities may change significantly in a manner rendering our clinical data insufficient for approval.

This lengthy approval process, as well as the unpredictability of future clinical trial results, may result in our failing to obtain regulatory approval to market our product candidates, which would harm our business, results of operations and prospects significantly.

In addition, even if we were to obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, may not approve the price we intend to

charge for our products, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Any of the foregoing scenarios could harm the commercial prospects for our product candidates.

We have not previously submitted an NDA, BLA or any similar drug approval filing to the U.S. FDA or any comparable foreign authority for any product candidate, and we cannot be certain that any of our product candidates will be successful in clinical trials or receive regulatory approval. Further, our product candidates may not receive regulatory approval even if they are successful in clinical trials. If we do not receive regulatory approvals for our product candidates, we may not be able to continue our operations. Even if we successfully obtain regulatory approvals to market one or more of our product candidates, our revenue will be dependent, to a significant extent, upon the size of the markets in the territories for which we gain regulatory approval. If the markets for patients or indications that we are targeting are not as significant as we estimate, we may not generate significant revenue from sales of such products, if approved.

***Even if we obtain regulatory approval for our product candidates, we will still face extensive regulatory requirements and our products may face future development and regulatory difficulties.***

Even if we obtain regulatory approval in the United States or other markets, the U.S. FDA or other regulatory authorities, as applicable, may still impose significant restrictions on the indicated uses or marketing of our product candidates, or impose ongoing requirements for potentially costly post-approval studies or post-market surveillance. Our product candidates, if approved, will also be subject to ongoing U.S. FDA and/or other applicable regulatory requirements governing the labeling, packaging, storage, distribution, safety surveillance, advertising, promotion, record-keeping and reporting of safety and other post-market information. The holder of an approved NDA or BLA is obligated to monitor and report AEs and any failure of a product to meet the specifications in the NDA or BLA, as applicable. The holder of an approved NDA or BLA must also submit new or supplemental applications and obtain U.S. FDA approval for certain changes to the approved product, product labeling or manufacturing process. Advertising and promotional materials must comply with U.S. FDA rules and are subject to U.S. FDA review, in addition to other potentially applicable federal and state laws.

In addition, manufacturers of drug products and their facilities are subject to payment of user fees and continual review and periodic inspections by the U.S. FDA and other regulatory authorities for compliance with current good manufacturing practices (cGMP) and adherence to commitments made in the NDA. If we or a regulatory agency discovers previously unknown problems with a product, such as AEs of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory agency may impose restrictions relative to that product or the manufacturing facility, including requiring recall or withdrawal of the product from the market or suspension of manufacturing.

If we fail to comply with applicable regulatory requirements following approval of a product candidate, a regulatory agency may:

- Issue a warning letter asserting that we are in violation of the law;
- Seek an injunction or impose civil or criminal penalties or monetary fines;
- Suspend or withdraw regulatory approval;
- Suspend any ongoing clinical trials;
- Refuse to approve a pending NDA or supplements to an NDA submitted by us;
- Seize product; or
- Refuse to allow us to enter into supply contracts, including government contracts.



In particular, we may seek accelerated approval from the U.S. FDA for our product candidates which will likely require a further confirmatory trial. If this confirmatory trial is not successful, we will be required to withdraw our product candidate from the U.S. market and potentially other markets.

Any government investigation of alleged violations of law could require us to expend significant time and resources in response and could generate negative publicity. The occurrence of any event or penalty described above may inhibit our ability to commercialize our products and generate revenue.

In addition, if any of our product candidates are approved and we are found to have improperly promoted off-label uses of those products, we may become subject to significant liability. The U.S. FDA and other regulatory agencies strictly regulate the promotional claims that may be made about prescription products, such as our product candidates, if approved. In particular, a product may not be promoted for uses that are not approved by the U.S. FDA or such other regulatory agencies as reflected in the product's approved labeling. However, companies may share truthful and not misleading information that is otherwise consistent with the product's FDA approved labeling. If we are found to have promoted such off-label uses, we may become subject to significant liability, which would materially adversely affect our business and financial condition.

***Even if we obtain U.S. FDA approval for our product candidates in the United States, we may never obtain approval to commercialize our product candidates outside of the United States, which would limit our ability to realize their full market potential.***

In order to market any products outside of the United States, we must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval processes vary among countries and can involve additional product testing and validation and additional administrative review periods.

Seeking foreign regulatory approval could result in difficulties and costs for us and require additional non-clinical studies or clinical trials which could be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our products in those countries. We do not have any product candidates approved for sale in any jurisdiction, including international markets, and we do not have experience in obtaining regulatory approval in international markets. If we fail to comply with regulatory requirements in international markets or to obtain and maintain required approvals, or if regulatory approvals in international markets are delayed, our target market will be reduced and our ability to realize the full market potential of our products will be harmed.

***We rely on third parties to conduct our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.***

We have relied upon and plan to continue to rely upon third-party CROs to conduct our preclinical studies and clinical trials, including investigator-initiated studies sponsored by the investigator's institution, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our trials is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards and our reliance on the CROs does not relieve us of our regulatory responsibilities. We and our CROs are required to comply with U.S. FDA laws and regulations regarding current good clinical practice (cGCP) which are also required by the Competent Authorities of the Member States of the European

Economic Area and comparable foreign regulatory authorities in the form of International Council for Harmonization (ICH) guidelines for all of our products in clinical development. Regulatory authorities enforce cGCP through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of our CROs fail to comply with applicable cGCP, the clinical data generated in our clinical trials may be deemed unreliable and the U.S. FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with cGCP regulations. In addition, our U.S. clinical trials must be conducted with product produced under cGMP regulations. While we have agreements governing activities of our CROs, we have limited influence over their actual performance. In addition, portions of the clinical trials for our product candidates are expected to be conducted at various locations great distances from where our principal operations are located in Singapore, which will make it more difficult for us to monitor CROs and perform visits of our clinical trial sites and will force us to rely heavily on CROs to ensure the proper and timely conduct of our clinical trials and compliance with applicable regulations, including cGCP. Failure to comply with applicable regulations in the conduct of the clinical trials for our product candidates may require us to repeat clinical trials, which would delay the regulatory approval process.

Some of our CROs have an ability to terminate their respective agreements with us if, among other reasons, it can be reasonably demonstrated that the safety of the subjects participating in our clinical trials warrants such termination, if we make a general assignment for the benefit of our creditors or if we are liquidated. If any of our relationships with these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. In addition, our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our preclinical and clinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. Consequently, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase substantially and our ability to generate revenue could be delayed significantly.

Switching or adding additional CROs involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

### **Risks Related to Our Business Operations and Industry**

#### ***Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.***

We are highly dependent on the principal members of our executive team, the loss of whose services may adversely impact the achievement of our objectives. While we have entered into employment agreements with each of our executive officers, any of them could leave our employment at any time, subject to any applicable notice requirements. Recruiting and retaining other qualified employees for our business, including scientific and technical personnel, will also be critical to our success. Competition for skilled personnel is intense and the turnover rate can be high. We may not be able to attract and retain personnel on acceptable terms given the competition among numerous pharmaceutical companies for individuals

with similar skill sets. In addition, failure to succeed in clinical studies may make it more challenging to recruit and retain qualified personnel. The inability to recruit or loss of the services of any executive or key employee might impede the progress of our development and commercialization objectives.

***We will need to expand our organization, and we may experience difficulties in managing this growth, which could disrupt our operations.***

As of December 31, 2020, we had 18 full-time employees. In the future we may expand our employee base to increase our managerial, scientific, clinical, operational, financial and other resources, to add a sales and marketing function and to hire more consultants and contractors. Future growth would impose significant additional responsibilities on our management, including the need to identify, recruit, maintain, motivate and integrate additional employees, consultants and contractors.

Also, our management may need to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. We may not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, give rise to operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Future growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of our existing or future product candidates. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our ability to generate and grow revenue could be reduced, and we may not be able to implement our business strategy. Our future financial performance and our ability to commercialize our product candidates, if approved, and compete effectively will depend, in part, on our ability to effectively manage any future growth.

***The terms of our loan agreements place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business.***

In connection with the license agreement with CSL Limited (CSL) related to ASLAN004, in May 2014 we entered into a loan agreement with CSL Finance Pty Ltd (CSL Finance), pursuant to which CSL Finance agreed to provide a ten-year facility for \$4.5 million (the CSL Facility). Borrowings under the CSL Facility are unsecured and can be used to reimburse a portion of eligible invoices for certain research and development costs or expenses incurred by us in connection with developing ASLAN004 and approved by CSL Finance at each drawdown period. In addition, we are required to mandatorily prepay amounts outstanding if we receive any income or revenue in connection with the commercialization or out-licensing of any intellectual property rights (other than under the license agreement with CSL related to ASLAN004), in which case we are required to apply at least a low double digit percentage of such income or revenue against any amounts then-outstanding under the CSL Facility. Under the CSL Facility, we are subject to customary reporting and restrictive covenants. If an event of default occurs, CSL Finance can terminate the commitment under the CSL Facility and accelerate all amounts outstanding.

If we are liquidated, the rights of our lenders to repayment would be senior to the rights of the holders of our ordinary shares to receive any proceeds from the liquidation. Any declaration by our lenders of an event of default could significantly harm our business and prospects and could cause the price of our ordinary shares to decline. If we raise any additional debt financing, the terms of such additional debt could further restrict our operating and financial flexibility.

***We may face potential product liability, and, if successful claims are brought against us, we may incur substantial liability.***

The use of our product candidates in clinical trials and the sale of any products for which we obtain marketing approval exposes us to the risk of product liability claims. Product liability claims might be brought against us by consumers, healthcare providers, pharmaceutical companies or others selling or otherwise coming into contact with our products and product candidates. If we cannot successfully defend against product liability claims, we could incur substantial liability and costs. In addition, regardless of merit or eventual outcome, product liability claims may result in:

- Impairment of our business reputation;
- Withdrawal of clinical trial participants;
- Costs due to related litigation;
- Distraction of management's attention from our primary business;
- Substantial monetary awards to patients or other claimants;
- The inability to commercialize our product candidates; and
- Decreased demand for our product candidates, if approved for commercial sale.

Our current clinical trial liability insurance coverage may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive and in the future we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. If and when we obtain marketing approval for our product candidates, we intend to expand our insurance coverage to include the sale of commercial products; however, we may be unable to obtain product liability insurance on commercially reasonable terms or in adequate amounts. On occasion, large judgments have been awarded in class action lawsuits based on drugs that had unanticipated AEs. A successful product liability claim or series of claims brought against us could cause the price of our ADSs or ordinary shares to decline and, if judgments exceed our insurance coverage, could adversely affect our results of operations and business.

***If our security measures are compromised, or our information technology systems or those of our vendors, and other relevant third parties, fail or suffer security breaches, loss or leakage of data, and other disruptions, this could result in a material disruption of our operations, compromise sensitive information related to our business, harm our reputation, trigger our breach notification obligations, prevent us from accessing critical information, and expose us to liability or other AEs to our business.***

In the ordinary course of our business, we may collect, process and store proprietary, confidential and sensitive information, including personal information, intellectual property, trade secrets and proprietary business information owned or controlled by ourselves or other parties. Despite the implementation of security measures, our internal computer systems and those of our CROs and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, public health pandemics or epidemics (including, for example, the COVID-19 pandemic), terrorism, war and telecommunication and electrical failures. Moreover, cyberattacks, malicious internet-based activity and offline fraud are prevalent and continue to increase. In addition to traditional computer "hackers," threat actors, software bugs, malicious code (such as viruses and worms), employee theft or misuse, denial-of-service attacks (such as credential stuffing), and ransomware attacks, sophisticated nation-state and nation-state supported actors now engage in attacks (including advanced persistent threat intrusions). We also may be the subject of phishing attacks, viruses, malware installation, server malfunction, software or hardware failures, loss of data or other computer assets, adware or other similar issues.

If we, our service providers, partners or other relevant third parties have experienced, or in the future experience, any security incident(s) that result in any data loss, deletion or destruction, unauthorized access to, loss of, unauthorized acquisition or disclosure of, or inadvertent exposure or disclosure of sensitive information, or compromise related to the security, confidentiality, integrity or availability of our (or their) information technology, software, services, communications or data, it may result in a material adverse impact, including without limitation, regulatory investigations or enforcement actions, litigation, indemnity obligations, negative publicity, an interruption to our operations or financial loss. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Such incidents may also inhibit our ability to conduct our analyses, deliver test results, process claims and appeals, provide assistance for patients or their physicians, conduct research and development activities, collect, process and prepare company financial information, and provide information about our tests and other patient and physician education and outreach efforts through our website. Likewise, we rely on other third parties to manufacture our product candidates and to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business.

We may be unable to detect, anticipate, measure or prevent threats or techniques used to detect or exploit vulnerabilities in our own (or our third parties') information technology, services, communications or software, or cause security breaches, because such threats and techniques change frequently, are often sophisticated in nature, and may not be detected until after an incident has occurred. In addition, security researchers and other individuals have in the past and will continue in the future to actively search for and exploit actual and potential vulnerabilities in our (or our third parties') information technology, services, communications or software. We cannot be certain that we will be able to address any such vulnerabilities, in whole or part. Furthermore, we do not have formal internal disaster recovery procedures. If our systems experience a disaster or are otherwise unavailable, we may not be able to operate our business, which could have a material adverse effect on our financial conditions, reputation or business prospects. In addition, theft or other exposure of data may interfere with our ability to protect our or our licensors' intellectual property, trade secrets, and other information critical to our operations.

Failures or significant downtime of our information technology or telecommunication systems or those used by our third-party service providers could cause significant interruptions in our operations and adversely impact the confidentiality, integrity and availability of sensitive or confidential information, including preventing us from conducting clinical trials, tests or research and development activities and preventing us from managing the administrative aspects of our business.

Applicable data protection laws, privacy policies and data protection obligations may require us to notify relevant stakeholders of security breaches or other unauthorized access of data. Such disclosures are costly, and the disclosures or the failure to comply with such requirements could lead to material adverse impacts, including without limitation, negative publicity, a loss of confidence in our operations or security measures or breach of contract claims. Certain data breaches must also be reported to affected individuals and the government, and in some cases to the media, under provisions of the U.S. Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH), other U.S. federal and state law, and requirements of non-U.S. jurisdictions, including the European Union General Data Protection Regulation, and financial penalties may also apply. Such disclosures are costly, and the disclosure, or the failure to comply with such requirements, could lead to material adverse impacts, including without limitation, negative publicity, a loss of partner or customer confidence in our systems or security measures, or breach of contract claims.

Our insurance policies may not be adequate to compensate us for the potential losses arising from breaches, failures or disruptions of our infrastructure, catastrophic events and disasters or otherwise. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at

all. Further, our insurance may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. Additionally, there can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from liabilities or damages if we fail to comply with applicable data protection laws, privacy policies or data protection obligations related to information security or security breaches.

***In addition to in-licensing or acquiring product candidates, we may engage in future business acquisitions that could disrupt our business, cause dilution to our ADS holders and harm our financial condition and operating results.***

While we currently have no specific plans to acquire any other businesses, we have, from time to time, evaluated acquisition opportunities and may, in the future, make acquisitions of, or investments in, companies that we believe have products or capabilities that are a strategic or commercial fit with our current product candidates and business or otherwise offer opportunities for our company. In connection with these acquisitions or investments, we may:

- Issue shares that would dilute our ADS holders' percentage of ownership;
- Incur debt and assume liabilities; and
- Incur amortization expenses related to intangible assets or incur large write-offs.

We also may be unable to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete an acquisition, we cannot assure you that it will ultimately strengthen our competitive position or that it will not be viewed negatively by customers, financial markets or investors. Further, future acquisitions could also pose numerous additional risks to our operations, including:

- Problems integrating the purchased business, products or technologies;
- Increases to our expenses;
- The failure to have discovered undisclosed liabilities of the acquired asset or company;
- Diversion of management's attention from their day-to-day responsibilities;
- Harm to our operating results or financial condition;
- Entrance into markets in which we have limited or no prior experience; and
- Potential loss of key employees, particularly those of the acquired entity.

We may not be able to complete one or more acquisitions or effectively integrate the operations, products or personnel gained through any such acquisition without a material adverse effect on our business, financial condition and results of operations.

***Our operations could be subject to natural disasters, health pandemics or epidemics and other business disruptions, which could have a material adverse effect on our business, results of operation and financial condition.***

Our operations, and in particular our clinical trials, are being conducted across areas of Asia that may be prone to natural disasters, such as earthquakes, cyclones, monsoons and floods, which could cause interruptions to our operations.

Any occurrence of these natural disasters or pandemic diseases or other adverse public health developments in the areas in which we operate our clinical trials could disrupt or delay our business operations or clinical development, which could materially adversely affect our business.

***Our business could continue to be adversely affected by the effects of health pandemics or epidemics, including the effects of the COVID-19 pandemic.***

Our business could continue to be adversely affected by the effects of health pandemics or epidemics, including the effects of the current COVID-19 pandemic, and other recent outbreaks of diseases, such as influenza A, avian influenza, and severe acute respiratory syndrome. The COVID-19 pandemic was declared by the World Health Organization as a global pandemic, and is resulting in travel restrictions, quarantine orders and other restrictions by governments to reduce the spread of the disease. As a result, a large part of our workforce has been working remotely since March 2020 and plans to fully reopen our offices have not yet been initiated. The effects of the restrictions related to the COVID-19 pandemic and our work-from-home policies may negatively impact productivity, disrupt our business and delay our clinical programs and timelines, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course. These and similar, and perhaps more severe, disruptions in our operations could negatively impact our business, operating results and financial condition.

Quarantines, shelter-in-place and similar government orders, or the perception that such orders, shutdowns or other restrictions on the conduct of business operations could occur, related to COVID-19 or other infectious diseases could impact personnel at third-party manufacturing facilities in Asia, or the availability or cost of materials, which would disrupt our supply chain. While many of these materials may be obtained by more than one supplier, port closures and other restrictions resulting from the coronavirus outbreak in the region or other regions may disrupt our supply chain or limit our ability to obtain sufficient materials for our product candidates.

In addition, our clinical trials have been affected by the ongoing COVID-19 pandemic. Site initiation and patient enrollment has been and may be further delayed due to prioritization of hospital resources toward the COVID-19 pandemic, and some patients may not be able or willing to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services. Similarly, our ability to recruit and retain patients and principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19, has been delayed and may be further delayed or disrupted, which has had an adverse effect on our clinical trial operations. For example, in April 2020 the recruitment of new patients into our MAD clinical trial of ASLAN004 in moderate-to-severe atopic dermatitis had to be paused in light of government restrictions in Singapore to contain the spread of COVID-19. However, three of the patients discontinued study due to restriction imposed in response to COVID-19. In August 2020, those restrictions were lifted and we resumed screening patients. In addition, we opened clinical sites in the United States and Australia in September 2020.

The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the potential economic impact brought by, and the duration of, the COVID-19 pandemic, may be difficult to assess or predict, it is currently resulting in significant disruption of global financial markets. This disruption, if sustained or recurrent, could make it more difficult for us to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our ADSs.

The global pandemic of COVID-19 continues to rapidly evolve. The ultimate impact of the ongoing COVID-19 pandemic or a similar health pandemic or epidemic is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, our clinical trials, healthcare systems or the global economy as a whole. These effects could have a material impact on our operations, and we will continue to monitor the COVID-19 situation closely.

***Our business is subject to economic, political, regulatory and other risks associated with international operations.***

As a company based in Singapore, our business is subject to risks associated with conducting business outside of the United States. Many of our suppliers and collaborative and clinical trial relationships are located outside the United States. Accordingly, our future results could be harmed by a variety of factors, including:

- Economic weakness, including inflation, or political instability;
- Differing and changing regulatory requirements for drug approvals;
- Differing jurisdictions could present different issues for securing, maintaining or obtaining freedom to operate in such jurisdictions;
- Potentially reduced protection for intellectual property rights;
- Difficulties in compliance with local laws and regulations;
- Changes in local regulations and customs, tariffs and trade barriers;
- Changes in currency exchange rates, including the Singapore dollar;
- Changes in a specific country's or region's political or economic environment;
- Trade protection measures, import or export licensing requirements or other restrictive actions;
- Differing reimbursement regimes and price controls;
- Negative consequences from changes in tax laws;
- Compliance with tax, employment, immigration and labor laws for employees;
- Workforce uncertainty in countries where labor unrest is more common than in the United States;
- Difficulties associated with staffing and managing international operations, including differing labor relations;
- Production shortages resulting from any events affecting raw material supply or manufacturing capabilities;
- Disruptions on us or our strategic partners, third-party manufacturers, suppliers and other third parties upon which we rely resulting from the impact of public health epidemics or pandemics (including, for example, the COVID-19 pandemic); and
- Business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters including typhoons, floods and fires.

More specifically, the economy in Asia differs from most developed markets in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange, government policy on public order and allocation of resources. In some of the Asian markets, governments continue to play a significant role in regulating industry development by imposing industrial policies. Moreover, some local governments also exercise significant control over the economic growth and public order in their respective jurisdictions through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policies, and providing preferential treatment to particular industries or companies. In addition, some Asian markets have experienced, and may in the future experience, political instability, including strikes, demonstrations, protests, marches, coups d'état, guerilla activity or other types of civil disorder. These instabilities and any adverse changes in the political environment could increase our costs, increase our exposure to legal and business risks, or disrupt our clinical operations.



***We are subject to stringent privacy and data security laws, information security policies, government regulation, contractual obligations and standards governing the use, processing, and cross-border transfer of personal information and our data privacy and security practices. The actual or perceived failure by us, our business partners, or vendors to comply with increasingly stringent laws, regulations, external and internal privacy and security policies and representations, and contractual obligations relating to privacy, data protection, and data security could harm our reputation, disrupt or adversely affect our business operations, and subject us to significant fines and liability.***

We receive, generate, process, use, transfer, disclose, make accessible, protect, share and store significant and increasing volumes of sensitive information, such as employee, personal and patient data. We are or may become subject to a variety of local, state, national and international laws, directives and regulations that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data in the different jurisdictions in which we operate, including comprehensive regulatory systems in the U.S. and Europe. Legal requirements relating to the collection, storage, handling, and transfer of personal information and personal data continue to evolve and may result in ever-increasing public scrutiny and escalating levels of enforcement, sanctions and increased costs of compliance. Additionally, we are or may become subject to the terms of external and internal privacy and security policies, representations, certifications, standards, publications and frameworks, and contractual obligations to third parties related to privacy, information security and processing.

Compliance with U.S. and international data protection laws, regulations and other internal and external privacy and cybersecurity commitments could cause us to incur substantial costs or require us to change our business practices and compliance procedures in a manner adverse to our business. Complying with these various laws and other obligations could require us to take on more onerous obligations in our contracts, restrict our ability to collect, use and disclose data, or in some cases, impact our ability to operate in certain jurisdictions. If we or our personnel, partners, or vendors fail, or are perceived to have failed, to comply with U.S. and international data privacy and protection laws, regulations and other obligations or representations, it could result in government enforcement actions (which could include civil or criminal penalties), inability to process personal data, regulatory scrutiny, disruptions to our operations, diversion of time and effort, private litigation and/or adverse publicity and could negatively affect our operating results and business. Claims that we have violated individuals' privacy rights, failed to comply with data protection laws, or breached our contractual obligations, even if we are not found liable, could be expensive and time consuming to defend, could result in fines or other financial penalties, could result in adverse publicity or other regulatory scrutiny and could have a material adverse effect on our business, financial condition and results of operations.

The California Consumer Privacy Act (CCPA) which took effect on January 1, 2020, is an example of how data protection and data security regulation has become more stringent in the United States. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance cost and potential liability.

The collection and use of personal data in the European Union (EU) are governed by the General Data Protection Regulation (GDPR). The GDPR imposes stringent requirements for controllers and processors of personal data, including, for example, more robust disclosures to individuals and a strengthened individual data rights regime, shortened timelines for data breach notifications, limitations on retention of information, increased requirements pertaining to special categories of data, such as health data, and additional obligations when we contract with third-party processors in connection with the processing of

the personal data. In addition, the GDPR provides that EU member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data.

The GDPR also includes restrictions on cross-border data transfers. A recent decision by the Court of Justice of the EU (the “Schrems II” ruling), however, has invalidated the EU-U.S. Privacy Shield Framework, which was one of the primary mechanisms used by U.S. Companies to import personal information from Europe, and raised questions about whether the European Commission’s Standard Contractual Clauses (SCCs), one of the primary alternatives to the Privacy Shield, can lawfully be used for personal information transfers from Europe to the United States or most other countries. Similarly, the Swiss Federal Data Protection and Information Commissioner recently opined that the Swiss-U.S. Privacy Shield is inadequate for transfers of data from Switzerland to the U.S. The United Kingdom (U.K.), whose data protection laws are similar to those of the EU, may similarly determine that the EU-U.S. Privacy Shield is not a valid mechanism for lawfully transferring personal information from the UK to the United States. The European Commission recently proposed updates to the SCCs, and additional regulatory guidance has been released that seeks to impose additional obligations on companies seeking to rely on the SCCs. Given that, at present, there are few, if any, viable alternatives to the EU-U.S. Privacy Shield and the SCCs, any transfers by us or our vendors of personal data from Europe may not comply with European data protection law, which may increase our exposure to the GDPR’s heightened sanctions for violations of its cross-border data transfer restrictions and may prohibit our transfer of EU personal data outside of the EU (including clinical trial data), and may adversely impact our operations, product development and ability to provide our products.

Further, the U.K.’s vote in favor of exiting the EU, often referred to as Brexit, has created uncertainty with regard to data protection regulation in the U.K. As of the beginning of 2021, the U.K. is deemed to be a “third country” under the GDPR and transfers of European personal information to the U.K. will require an adequacy mechanism to render such transfers lawful under the GDPR. Compliance with the GDPR and applicable EU member states and the U.K. privacy laws will be a rigorous and time-intensive process that may increase our cost of doing business or require us to change our business practices, and despite those efforts, there is a risk that we may be subject to fines and penalties, litigation, and reputational harm in connection with our European activities. In addition, our failure to comply with GDPR and privacy laws of EU member states or the U.K. may result in regulators prohibiting our processing of the personal information of EU data subjects, which could impact our operations and ability to develop our products and provide our services, including interrupting or ending EU clinical trials.

The GDPR applies extraterritorially, and we may be subject to the GDPR when our data processing activities involve the personal data of individuals located in the EU, such as in connection with any EU clinical trials. GDPR regulations may impose additional responsibility and liability in relation to the personal data that we process and we may be required to put in place additional mechanisms to ensure compliance with the new data protection rules. This may be onerous and may interrupt or delay our development activities, and adversely affect our business, financial condition, results of operations and prospects.

Other jurisdictions outside the EU are similarly introducing or enhancing privacy and data security laws, rules, and regulations, which could increase our compliance costs and the risks associated with non-compliance. We cannot guarantee that we may be in compliance with all applicable international regulations as they are enforced now or as they evolve. For example, our privacy policies may be insufficient to protect any personal information we collect, or may not comply with applicable laws, in which case we may be subject to regulatory enforcement actions, lawsuits or reputational damage, all of which may adversely affect our business. If we fail to comply with the GDPR and the applicable national data protection laws of the EU member states, or if regulators assert we have failed to comply with these laws, it may lead to regulatory enforcement actions, which can result in monetary penalties of up to

€20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, and other administrative penalties. If any of these events were to occur, our business and financial results could be significantly disrupted and adversely affected.

## **Risks Related to Our Intellectual Property**

***If we are unable to obtain or protect intellectual property rights related to our current product candidates or any future product candidates which we may develop, we may not be able to compete effectively in our market.***

We rely upon a combination of patents, trade secret protection, confidentiality agreements and proprietary know-how, and intend to seek marketing exclusivity for any approved product, in order to protect the intellectual property related to product candidates. The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications at a reasonable cost or in a timely manner. The strength of patents in the biotechnology and pharmaceutical field involves complex legal and scientific questions, is highly uncertain, and has, in the recent years, been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. The patent applications that we own or in-license may fail to result in issued patents with claims that cover our product candidates in the United States or in other foreign countries for a number of reasons, including because of a finding of lack of novelty or that the claimed inventions are already in the public domain. If this were to occur, early competition from third parties could be expected against our product candidates.

Even if patents do successfully issue, third parties may challenge their validity, enforceability or scope, which may result in such patents being invalidated, rendered unenforceable, narrowed or deemed as not infringing. Also, a third party may challenge our ownership of patents and patent applications assigned to us, or may challenge our exclusive rights to patents and patent applications that we license from third parties. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from circumventing our patents by developing products similar to or competing with our product candidates. If the patent applications we hold with respect to our other product candidates fail to issue or if their breadth or strength of protection is threatened, it could dissuade companies from collaborating with us to develop them, and threaten our ability to commercialize any resulting products. We cannot offer any assurances about which, if any, applications will issue as patents or whether any issued patents will be found not invalid and not unenforceable or will go unthreatened by third parties. In addition, due to the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. Furthermore, patent applications by third parties can result in an interference proceeding in the United States being invoked by a third party or instituted by us to determine who was the first to invent any of the subject matter covered by the patent claims of our applications or patents.

Because patent applications in the United States, Europe and many other jurisdictions are typically not published until 18 months after filing, and because publications of discoveries in scientific literature lag behind actual discoveries, we cannot be certain that we were the first to make the inventions claimed in our issued patents or pending patent applications, or that we were the first to file for protection of the inventions set forth in our patents or patent applications. As a result, we may not be able to obtain or maintain protection for certain inventions. Therefore, the enforceability and scope of our patents in the United States, Europe and in many other jurisdictions cannot be predicted with certainty and, as a result, any patents that we own or license may not provide sufficient protection against competitors. We may not be able to obtain or maintain patent protection from our pending patent applications, from those we may

file in the future, or from those we may license from third parties. Moreover, even if we are able to obtain patent protection, such patent protection may be of insufficient scope to achieve our business objectives.

Moreover, some of our owned patents and patent applications are, and may in the future be, co-owned with third parties. For example, under our license agreement with CSL, we and CSL co-own certain intellectual property that we jointly developed prior to the completion of the recent single ascending dose clinical trial. While we currently have an exclusive license to CSL's rights under such co-owned intellectual property, if we are unable to maintain such exclusive license, or if we are unable to obtain and maintain an exclusive license to any of our other third-party co-owners' rights under any intellectual property that we co-own, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

***Our inability to protect our confidential information and trade secrets would harm our business and competitive position.***

In addition to the protection afforded by patents, we rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable, processes for which patents are difficult to enforce and any other elements of our drug development process that involve proprietary know-how, information or technology that is not covered by patents. Trade secrets can be difficult to protect. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, CROs, contract manufacturers, consultants, advisors, and other third parties. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary technology and processes. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Furthermore, we cannot guarantee that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. If we are unable to prevent material disclosure of the non-patented intellectual property related to our technologies to third parties, and there is no guarantee that we will have any such enforceable trade secret protection, we may not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, results of operations and financial condition.

***We may not be able to protect our intellectual property and proprietary rights throughout the world.***

Filing, prosecuting, and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions.

Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we have patent protection but enforcement is not as strong as that in the United States. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing. If we are unable to block the commercialization of these

products, these products may erode our commercial position in the market place.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our intellectual property and proprietary rights generally. Proceedings to enforce our intellectual property and proprietary rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property and proprietary rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Several countries have compulsory licensing laws under which, in certain circumstances, a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations, and prospects may be adversely affected.

In China, the validity, enforceability and scope of protection available under the relevant intellectual property laws are uncertain and still evolving. Implementation and enforcement of Chinese intellectual property-related laws have historically been inconsistent. Accordingly, intellectual property and confidentiality legal regimes in China may not afford protection to the same extent as in the United States or other countries. Policing unauthorized use of proprietary technology is difficult and expensive, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. The experience and capabilities of Chinese courts in handling intellectual property litigation varies, and outcomes are unpredictable. Further, such litigation may require a significant expenditure of cash and may divert management's attention from our operations, which could harm our business, financial condition and results of operations. An adverse determination in any such litigation could materially impair our intellectual property rights and may harm our business, prospects and reputation in China.

***If we fail to comply with our obligations in the agreements under which we license rights to technology from third parties, or if the license agreements are terminated for other reasons, we could lose license rights that are important to our business.***

We are heavily reliant upon licenses to certain patent rights and proprietary technology from third parties that are important or necessary to the development of our product candidates. Accordingly, we are party to a number of technology licenses that are important to our business and expect to enter into additional licenses in the future. For example, our rights to ASLAN004 are the subject of an exclusive license agreement with CSL. If we fail to comply with our obligations under our agreement with CSL (including, among other things, if we fail to develop and commercialize ASLAN004 in a proper, efficient, skillful, diligent and competent manner) or our other license agreements, or we are subject to insolvency or liquidation, our licensors may have the right to terminate the license.

In addition, under our agreement with CSL, in the event of a change of control, we are required to receive CSL's prior consent to engage in such a transaction if the change of control, in CSL's reasonable opinion,

adversely affects our ability to carry out the development of ASLAN004 or would damage CSL's reputation. A breach of this obligation may result in termination of the license. In the event that any of our important technology licenses were to be terminated by the licensor, we may need to negotiate new or reinstated agreements, which may not be available to us on equally favorable terms, or at all, or we could lose our rights under these agreements, including our rights to intellectual property or technology important to our development programs, which would likely cause us to cease further development of the related program, including ASLAN004. Furthermore, under certain of our collaboration agreements, our licensors may retain the right to grant non-exclusive licenses to the licensed patents and technology to other academic or research institutions for non-commercial research purposes, in which case we would not have exclusive rights to such licensed patents and technologies.

Our technology agreements under which we currently license intellectual property or technology to and from third parties are complex and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, increase what we believe to be our financial or other obligations under the relevant agreement or decrease the third party's financial or other obligations under the relevant agreement, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, disputes may arise regarding intellectual property subject to a licensing agreement, including:

- The scope of rights granted under the license agreement and other interpretation-related issues;
- The extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- The sublicensing of patent and other rights under our existing collaborative development relationships and any collaboration relationships we might enter into in the future;
- Our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- The inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our current and future licensors and us; and
- The priority of invention of patented technology.

We are generally also subject to all of the same risks with respect to protection of intellectual property that we license, as we are for intellectual property that we own, which are described elsewhere under "Risks Related to Our Intellectual Property." If we or our licensors fail to adequately protect this intellectual property, our ability to commercialize products could suffer. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates, which could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

***Third-party claims of intellectual property infringement may prevent or delay our development and commercialization efforts.***

Our commercial success depends in part on our avoiding infringement of the patents and proprietary rights of third parties. There is a substantial amount of litigation, both within and outside the United States, involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries, including patent infringement lawsuits, interferences, oppositions, reexamination, post-grant review, *inter partes* review, and derivation proceedings before the U.S. Patent and Trademark Office (USPTO), and equivalent proceedings in foreign jurisdictions (*e.g.*, opposition proceedings). Numerous

U.S. and foreign issued patents and pending patent applications which are owned by third parties, exist in the fields in which we and our collaborators are developing product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may be subject to claims of infringement of the patent rights of third parties.

Third parties may assert that we or our product candidates are infringing, misappropriating or otherwise violating their intellectual property without authorization. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our product candidates. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our product candidates may infringe.

In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. If any third-party patents were held by a court of competent jurisdiction to cover the manufacturing process of any of our product candidates, any drug substance formed during the manufacturing process or any final product itself, the holders of any such patents may be able to block our ability to commercialize such product candidate unless we obtain a license under the applicable patents, which may not be available on commercially reasonable terms or at all, or until such patents are invalidated or expire. Similarly, if any third-party patent were held by a court of competent jurisdiction to cover aspects of our formulations or methods of use, the holders of any such patent may be able to block our ability to develop and commercialize the applicable product candidate formulation or use unless we obtain a license, which may not be available on commercially reasonable terms or at all, or until such patent expires. In either case, such a license may not be available on commercially reasonable terms or at all.

Parties making intellectual property claims against us may request and/or obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. Even if we believe any third-party intellectual property claims are without merit, there is no assurance that a court would find in our favor on questions of validity, enforceability, priority, or non-infringement. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, obtain one or more licenses from third parties, pay royalties or redesign our infringing products or manufacturing processes, which may be impossible or require substantial time and monetary expenditure. We cannot predict whether any such license would be available at all or whether it would be available on commercially reasonable terms. Furthermore, even in the absence of litigation, we may need to obtain licenses from third parties to advance our research, manufacture clinical trial supplies or allow commercialization of our product candidates. The licensing or acquisition of third-party intellectual property rights is a competitive area, and several more established companies may pursue strategies to license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, capital resources and greater clinical development or commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all. In that event, we would be unable to further develop and commercialize one or more of our product candidates, which could harm our business significantly. We cannot provide any assurances that third-party patents do not exist which might be enforced against our products, resulting in either an injunction prohibiting our sales, or, with respect to our sales, an obligation on our part to pay royalties and/or other forms of compensation to third parties.

***We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time consuming and unsuccessful.***

Competitors may infringe our patents or the patents of our licensors. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. If we or one of our licensors were to initiate legal proceedings against a third party to enforce a patent covering one of our products, the defendant could counterclaim that such patent is invalid or unenforceable. In patent litigation in the United States or in Europe, defendant counterclaims alleging invalidity or unenforceability are commonplace. In addition, in an infringement proceeding, a court may decide that a patent of ours or our licensors is not valid or is unenforceable, may narrow the scope of our or our licensor's patents, or may refuse to stop the defendant from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing.

Interference proceedings provoked by third parties or brought by us may be necessary to determine the priority of inventions with respect to our patents or patent applications or those of our collaborators or licensors. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Our defense of litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. We may not be able to prevent, alone or with our licensors, misappropriation of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our ADSs.

***Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.***

Obtaining and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity and is therefore costly, time-consuming and inherently uncertain. Changes in either the patent laws or interpretation of the patent laws in the United States could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. Recent patent reform legislation in the United States and other countries, including the Leahy-Smith America Invents Act (Leahy-Smith Act), could increase those uncertainties and costs. The Leahy-Smith Act includes provisions that affect the way patent applications are prosecuted, redefine prior art and provide more efficient and cost-effective avenues for competitors to challenge the validity of patents, and may also affect patent litigation. These include allowing third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO administered post-grant proceedings, including post-grant review, inter partes review and derivation proceedings. In addition, assuming that other requirements for patentability are met, prior to March 15, 2013, in the United States, the first to invent the claimed invention was entitled to the patent, while outside the United States, the first to file a patent application was entitled to the patent. After March 15, 2013, under the Leahy-Smith Act, the United States transitioned to a first inventor to file system in which, assuming that the other statutory requirements are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the



claimed invention. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, the U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. This combination of events has created uncertainty with respect to the validity and enforceability of patents, once obtained. Depending on future actions by the U.S. Congress, the U.S. courts, the USPTO and the relevant law-making bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

***Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.***

Periodic maintenance fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which non-compliance can (i) result in abandonment or lapse of, or (ii) otherwise affect the patentability of, the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our licensors that control the prosecution and maintenance of our licensed patents fail to maintain the patents and patent applications covering our product candidates, our competitors might be able to enter the market, which would have a material adverse effect on our business.

In addition, as licensees we may not be responsible for or have control over the prosecution or enforceability of our licensed patents. In such cases, we have to rely on the licensor to comply with the requisite obligations of the patent offices, including the duty of disclosure, filing assignments, etc. We cannot guarantee that our licensed patents and patent applications will be prosecuted, maintained and enforced in a manner consistent with the best interests of our business. As licensees, we may not be in a position to assess if these duties have been complied with or have the ability to complete these duties on behalf of the licensor. Failure by our licensors to comply with such duties may affect the enforceability of the patent rights, narrow the scope of our patent protection and, more generally, could affect the value of our patent rights. If our patent protection is reduced or eliminated, we may not be able to prevent our competitors or other third parties from developing or commercializing products similar to ours and may be required to cease development of our product candidates, which could have a material adverse effect on our business.

***If we do not obtain patent term extension for any product candidates we may develop, our business may be materially harmed.***

Depending upon the timing, duration and specifics of any U.S. FDA marketing approval of any product candidates we may develop, one or more of our owned or in-licensed U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984 (Hatch-Waxman Amendments). The Hatch-Waxman Amendments permit a patent term extension of up to

five years as compensation for the patent term lost during the U.S. FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended and only those claims covering the approved drug, a method for using it or a method for manufacturing it may be extended. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. Similar issues apply in the patent legal systems of other key markets such as the EU. If we are unable to obtain patent term extension or the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our business, financial condition, results of operations and prospects could be materially harmed.

***We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties.***

We employ individuals, and work with consultants or independent contractors, who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information, including trade secrets, of any such individual's former employers or other third parties. We may also be subject to claims that former employers or other third parties have an ownership interest in our patents. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. There is no guarantee of success in defending these claims, and even if we are successful, litigation could result in substantial cost and be a distraction to our management and other employees.

In addition, while it is our policy to require our employees, consultants and independent contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. The assignment of intellectual property rights may not be self-executing (and may require further action), or the assignment agreements may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property. Such claims could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***If our trademarks and tradenames are not adequately protected, then we may not be able to build name recognition in our markets and our business may be adversely affected.***

We have registered or applied to register certain trademarks to protect our company name and plan to apply to register trademarks to cover product names in the future once our product candidates are closer to commercialization. We cannot assure you that our trademark applications will be approved or that we will seek registered trademark protection for each of our product names in each jurisdiction in which we operate. During trademark registration proceedings, we may receive rejections. Although we are given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in proceedings before the USPTO and in proceedings before comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand

recognition and could require us to devote resources toward advertising and marketing new brands. Further, we cannot assure you that competitors will not infringe our trademarks or that we will have adequate resources to enforce our trademarks.

***Intellectual property rights do not necessarily address all potential threats.***

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations and may not adequately protect our business or permit us to maintain our competitive advantage. For example:

- Others may be able to make products that are similar to any product candidates we may develop or utilize similar technology but that are not covered by the claims of the patents that we license or may own in the future;
- We, or our license partners or current or future collaborators, might not have been the first to make the inventions covered by the issued patent or pending patent application that we license or may own in the future;
- We, or our license partners or current or future collaborators, might not have been the first to file patent applications covering certain of our or their inventions;
- Others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our owned or licensed intellectual property rights;
- It is possible that our pending licensed patent applications or those that we may own in the future will not lead to issued patents;
- Issued patents that we hold rights to may be held invalid or unenforceable, including as a result of legal challenges by our competitors;
- Our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- We may not develop additional proprietary technologies that are patentable;
- The patents of others may harm our business; and
- We may choose not to file a patent in order to maintain certain trade secrets or know-how, and a third party may subsequently file a patent covering such intellectual property.

Should any of these events occur, they could have a material adverse effect on our business, financial condition, results of operations, and prospects.

**Risks Related to Commercialization of Our Product Candidates**

***Our commercial success depends upon attaining significant market acceptance of our product candidates, if approved, among physicians, healthcare payors, patients and the medical community.***

Even if we obtain regulatory approval for our product candidates, the product may not gain market acceptance among physicians, healthcare payors, patients and the medical community, which is critical to commercial success. Market acceptance of any product candidate for which we receive approval depends on a number of factors, including:

- The efficacy and safety as demonstrated in clinical trials;
- The timing of market introduction of the product candidate as well as competitive products;
- The clinical indications for which the product candidate is approved;
- Acceptance by physicians, the medical community and patients of the product candidate as a safe and effective treatment and also the willingness of physicians to prescribe a drug based on an active pharmaceutical ingredient (API), that is less familiar to them than other drug

APIs;

- The convenience of prescribing and initiating patients on the product candidate;
- The potential and perceived advantages of such product candidate over alternative treatments;
- The cost of treatment in relation to alternative treatments, including any similar generic treatments;
- Favorable pricing and the availability of coverage and adequate reimbursement by third-party payors, such as government authorities;
- Relative convenience and ease of administration;
- The prevalence and severity of adverse side effects; and
- The effectiveness of sales and marketing efforts.

If our product candidates are approved but fail to achieve an adequate level of acceptance by physicians, healthcare payors, patients and the medical community, we will not be able to generate significant revenue, and we may not become or remain profitable. In addition, even if any of our product candidates gain acceptance, the markets for the treatment of patients with our target indications may not be as significant as we estimate.

***Our organization has no prior sales and marketing experience and resources.***

We have never, as an organization, commercialized a product and there is no guarantee that we will be able to do so successfully. We will need to establish a commercial team and hire sales forces in the geographies where we are permitted and intend to market our drugs. We will also need to develop a marketing team and strategy in order to successfully market and sell our product candidates, which will require significant time and resources and the development of our ability to market and sell our product and generate revenues from our product candidates may be delayed or limited. We cannot assure you that our sales efforts will be effective or produce the results we expect. We will be competing with other pharmaceutical and biotechnology companies to recruit, hire, train and retain marketing and sales personnel. Further, we may face difficulties or delays in obtaining and maintaining the required licenses and permits to sell our product candidates in individual states and jurisdictions. If the commercialization of any of our product candidates is unsuccessful or perceived as disappointing, the price of our ADSs could decline significantly and the long-term success of the product and our company could be harmed.

We may also seek to establish collaborations with pharmaceutical companies to maximize the potential of our products in other markets. For example, we are conducting a Phase 1 clinical trial to develop ASLAN004 as a treatment for atopic dermatitis, and, in the future, we may seek a global partner to support Phase 3 clinical trials and potential commercialization. We may not be successful in establishing development and commercialization collaborations which could adversely affect, and potentially prohibit, our ability to develop our product candidates.

***Part of our business strategy is to establish collaborative relationships to commercialize and fund development and approval of certain of our product candidates. We may not succeed in establishing and maintaining collaborative relationships, which may significantly limit our ability to develop and commercialize products, for which we pursue this commercialization strategy.***

We will need to establish and maintain successful collaborative relationships to obtain sales, marketing and distribution capabilities for the product candidates we do not intend to commercialize ourselves. The process of establishing and maintaining collaborative relationships is difficult, time-consuming and involves significant uncertainty, including:

- We may have limited control over the decisions of any partners and they may change the priority of any programs in a manner that would result in termination or significant delays to

- a partnered program;
- Our ability to generate future payments and royalties from any partners will depend upon the ability of a partner to obtain regulatory approvals and achieve market acceptance of products developed from our product candidates;
- A partner may fail to properly initiate, maintain or defend our intellectual property rights, where applicable, or a party may use our proprietary information in such a way as to invite litigation that could jeopardize or potentially invalidate our proprietary information or expose us to potential liability;
- A partner may not devote sufficient capital or resources towards our product candidates; and,
- A partner may not comply with applicable government regulatory requirements necessary to successfully market and sell our products.

If any collaborator fails to fulfill its responsibilities in a timely manner, or at all, any clinical development, manufacturing or commercialization efforts pursuant to that collaboration could be delayed or terminated, or it may be necessary for us to assume responsibility for expenses or activities that would otherwise have been the responsibility of our collaborator. If we are unable to establish and maintain collaborative relationships on acceptable terms or to successfully and timely transition terminated collaborative agreements, we may have to delay or discontinue further development of one or more of our product candidates, undertake development and commercialization activities at our own expense or find alternative sources of capital.

Attempting to secure additional financing for a product candidate may also lead to the risks discussed under the risk factor titled “We will need to obtain substantial amounts of financing for our operations, and if we fail to obtain additional financing, we may be forced to delay, reduce or eliminate our product development programs or commercialization efforts” described above.

***We rely completely on third parties to manufacture our preclinical and clinical drug supplies and we intend to rely on third parties to produce commercial supplies of any approved product candidate.***

If we were to experience an unexpected loss of supply of our product candidates for any reason, whether as a result of manufacturing, supply or storage issues or otherwise (including, for example, any disruptions caused by the COVID-19 pandemic), we could experience delays, disruptions, suspensions or terminations of, or be required to restart or repeat, clinical trials. We do not currently have nor do we plan to acquire the infrastructure or capability internally to manufacture our preclinical and clinical drug supplies and we lack the resources and the capability to manufacture any of our product candidates on a clinical or commercial scale. The facilities used by our contract manufacturers or other third-party manufacturers to manufacture our product candidates must be approved by the U.S. FDA or other regulators pursuant to inspections. While we work closely with our third-party manufacturers on the manufacturing process for our product candidates, including quality audits, we generally do not control the implementation of the manufacturing process of, and are completely dependent on, our contract manufacturers or other third-party manufacturers for compliance with cGMP regulatory requirements and for manufacture of both active drug substances and finished drug products.

If our contract manufacturers or other third-party manufacturers cannot successfully manufacture material that conforms to applicable specifications and the strict regulatory requirements of the U.S. FDA or other regulators, they will not be able to secure and/or maintain regulatory approval for their manufacturing facilities. In addition, we have no control over the ability of our contract manufacturers or other third-party manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the U.S. FDA or other regulators do not approve these facilities for the manufacture of our product candidates or if they withdraw any such approval in the future, we may need to find alternative manufacturing facilities, which could take several years and would significantly impact our ability to

develop, obtain regulatory approval for or market our product candidates, if approved.

We rely on our manufacturers to purchase from third-party suppliers the materials necessary to produce our product candidates for our clinical trials. There are a limited number of suppliers for raw materials that we use to manufacture our product candidates and there may be a need to assess alternate suppliers to prevent a possible disruption of the manufacture of the materials necessary to produce our product candidates for our clinical trials, and if approved, for commercial sale. We do not have any control over the process or timing of the acquisition of these raw materials by our manufacturers. Although we generally do not begin a clinical trial unless we believe we have a sufficient supply of a product candidate to complete the clinical trial, any significant delay in the supply of a product candidate, or the raw material components thereof, for an ongoing clinical trial due to the need to replace a contract manufacturer or other third-party manufacturer could considerably delay completion of our clinical trials, product testing and potential regulatory approval of our product candidates. If our manufacturers or we are unable to purchase these raw materials after regulatory approval has been obtained for our product candidates, the commercial launch of our product candidates would be delayed or there would be a shortage in supply, which would impair our ability to generate revenue from the sale of our product candidates.

We expect to continue to depend on contract manufacturers or other third-party manufacturers for the foreseeable future, and our requirements for and dependence upon these third-party manufacturers will increase when and if one or more of our product candidates is approved and commercialized. We have not entered into any long-term commercial supply agreements with our current contract manufacturers or with any alternate contract manufacturers. Although we intend to do so prior to any commercial launch of our product candidates, if approved by the U.S. FDA, in order to ensure that we maintain adequate supplies of finished drug product, we may be unable to enter into such an agreement or do so on commercially reasonable terms, which could have a material adverse impact upon our business, including delaying a product launch or subjecting our commercialization efforts to significant supply risk. Even if we are able to enter into long-term agreements with manufacturers for commercial supply on reasonable terms, we may be unable to do so with sufficient time prior to the launch of our product candidates, which would expose us to substantial supply risk and potentially jeopardize our launch.

***Manufacturing issues may arise that could increase product and regulatory approval costs or delay commercialization.***

As we scale up manufacturing of our product candidates and conduct required stability testing, product, packaging, equipment and process-related issues may require refinement or resolution in order to proceed with our planned clinical trials and obtain regulatory approval for commercial marketing. In the future, we may identify impurities, which could result in increased scrutiny by the regulatory agencies, delays in our clinical program and regulatory approval, increases in our operating expenses, or failure to obtain or maintain approval for our product candidates.

***Guidelines and recommendations published by various organizations can reduce the use of our product candidates.***

Government agencies promulgate regulations and guidelines directly applicable to us and to our product candidates. In addition, professional societies, such as practice management groups, private health and science foundations and organizations involved in various diseases from time to time may also publish guidelines or recommendations to the healthcare and patient communities. Recommendations of government agencies or these other groups or organizations may relate to such matters as usage, dosage, route of administration and use of concomitant therapies. Recommendations or guidelines suggesting the reduced use of our product candidates or the use of competitive or alternative products as the standard of

care to be followed by patients and healthcare providers could result in decreased use of our product candidates.

***We face significant competition from other biopharmaceutical companies, and our operating results will suffer if we fail to compete effectively.***

Our industry is intensely competitive and subject to rapid and significant technological change. While we believe that our Asia based development platform, knowledge, experience and scientific resources provide us with competitive advantages, we face substantial competition from multinational pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies, universities and other research institutions worldwide. For example, there are several therapies currently in clinical development for atopic dermatitis, including *lebrikizumab* being developed by Dermira, Inc./Eli Lilly and Company, and *tralokinumab* being developed by Leo Pharma A/S. In addition, *dupilumab*, developed by Sanofi S.A. and Regeneron Pharmaceuticals, Inc., is approved for the treatment of moderate-to-severe atopic dermatitis and moderate-to-severe asthma.

Many of our competitors have significantly greater financial, clinical and human resources. Additionally, small and early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. As a result, our competitors may discover, develop, license or commercialize products before or more successfully than we do. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis drug products or drug delivery technologies that are more effective or less costly than our product candidates that we are currently developing or that we may develop.

We believe that our ability to successfully compete will depend on, among other things:

- The efficacy and safety of our product candidates, especially as compared to marketed products and product candidates in development by third parties;
- The time it takes for our product candidates to complete clinical development and receive marketing approval;
- The ability to commercialize and market any of our product candidates that receive regulatory approval;
- The price of our products;
- Whether coverage and adequate levels of reimbursement are available from third-party payors, such as private and governmental health insurance plans, including Medicare;
- The ability to protect intellectual property rights related to our product candidates;
- The ability to manufacture on a cost-effective basis and sell commercial quantities of any of our product candidates that receive regulatory approval; and
- Acceptance of any of our product candidates that receive regulatory approval by physicians and other healthcare providers.

If our competitors market products that are more effective, safer or less expensive than our future products, if any, or that reach the market sooner than our future products, if any, we may not achieve commercial success. Because we have limited research and development capabilities, it may be difficult for us to stay abreast of the rapid changes in technology. If we fail to stay at the forefront of technological change, we may be unable to compete effectively. Technological advances or products developed by our competitors may render our technologies or product candidates obsolete, less competitive or not economical.

***Price controls may adversely affect our future profitability.***

In certain countries, prescription drug pricing and reimbursement is subject to governmental control. In those countries that impose price controls, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we or our strategic partners may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidates to other available therapies.

Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In certain markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we or our strategic partners might obtain marketing approval for a product candidate in a particular country, but then be subject to price regulations that delay commercial launch of the product candidate, possibly for lengthy time periods, and negatively impact the revenue that we generate from the sale of the product in that country. If reimbursement of such product candidates is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, or if there is competition from lower priced cross-border sales, our profitability will be negatively affected.

***Legislative or regulatory healthcare reforms may make it more difficult and costly for us to obtain regulatory clearance or approval of our product candidates and to produce, market and distribute our products after clearance or approval is obtained.***

From time to time, legislation is drafted and introduced that could significantly change the statutory provisions governing the regulatory clearance or approval, manufacture and marketing of regulated products or the reimbursement thereof. In addition, U.S. FDA regulations and guidance are often revised or reinterpreted by the U.S. FDA in ways that may significantly affect our business and our products. Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of our product candidates. We cannot determine what effect changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted may have on our business in the future. Such changes could, among other things, require:

- Changes to manufacturing methods;
- Change in clinical trial design, including additional treatment arm (control);
- Recall, replacement or discontinuance of one or more of our products; and
- Additional recordkeeping.

Each of these would likely entail substantial time and cost and could harm our business and our financial results.

In addition, in the United States, there have been a number of legislative and regulatory proposals to change the health care system in ways that could affect our ability to sell our products profitably. The pharmaceutical industry in the United States, as an example, has been affected by the passage of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, collectively PPACA, which, among other things, imposed new fees on entities that manufacture or import certain branded prescription drugs and expanded pharmaceutical manufacturer obligations to provide discounts and rebates to certain government programs. There have been executive, judicial and Congressional challenges to certain aspects of PPACA. For example, during his term in office, President Trump signed Executive Orders and other directives designed to delay the implementation of certain provisions of PPACA or otherwise circumvent some of the requirements for health insurance mandated by PPACA. In addition, The Centers for Medicare & Medicaid Services (CMS), an agency within the U.S. Department of Health and Human Services (HHS) published a final rule to give states



greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the PPACA marketplaces. Further, Congress considered legislation that would repeal or repeal and replace all or part of the PPACA. While Congress has not passed comprehensive repeal legislation, several bills affecting the implementation of certain taxes under the PPACA have been signed into law. The Tax Cuts and Jobs Act of 2017 (the Tax Act), includes a provision that repealed, effective January 1, 2019, the tax-based shared responsibility payment imposed by the PPACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate”. In addition, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the PPACA-mandated “Cadillac” tax high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminated the health insurer tax. The Bipartisan Budget Act of 2018 (BBA), among other things, amended the PPACA, effective January 1, 2019, to increase from 50 percent to 70 percent the point-of-sale discount that is owed by pharmaceutical manufacturers who participate in Medicare Part D and to close the coverage gap in most Medicare drug plans, commonly referred to as the “donut hole.” On December 14, 2018, a U.S. District Court Judge in the Northern District of Texas (Texas District Court) ruled that the individual mandate is a critical and inseparable feature of the PPACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the PPACA are invalid as well. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5<sup>th</sup> Circuit upheld the Texas District Court ruling that the individual mandate was unconstitutional and remanded the case back to the Texas District Court to determine whether the remaining provisions of the PPACA are invalid as well. The United States Supreme Court is currently reviewing this case, but it is unknown when a decision will be reached. Although the U.S. Supreme Court has not yet ruled on the constitutionality of the PPACA, on January 28, 2021, President Biden issued an executive order to initiate a special enrollment period from February 15, 2021 through May 15, 2021 for purposes of obtaining health insurance coverage through the PPACA marketplace. The executive order also instructs certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the PPACA. It is unclear how the Supreme Court ruling, other such litigation and the healthcare reform measures of the Biden administration will impact the PPACA and our business.

Other legislative changes have been proposed and adopted in the United States since the PPACA was enacted. For example, in August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by U.S. Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2012 through 2021, was unable to reach required goals, thereby triggering the legislation’s automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers of up to 2% per fiscal year, which went into effect in April 2013 and, due to subsequent legislative amendments to the statute, including the BBA, will remain in effect through 2030 unless additional Congressional action is taken. However, COVID-19 relief support legislation suspended the 2% Medicare sequester from May 1, 2020 through March 31, 2021. In January 2013, the American Taxpayer Relief Act of 2012, among other things, further reduced Medicare payments to certain providers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Further, there has been particular and increasing legislative and enforcement interest in the United States with respect to drug pricing practices in recent years, particularly with respect to drugs that have been subject to relatively large price increases over relatively short time periods. There have been several recent Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and

manufacturer patient programs, and reform government program reimbursement methodologies for drugs. At the federal level, the Trump administration used several means to propose or implement drug pricing reform, including through federal budget proposals, executive orders and policy initiatives. For example, on July 24, 2020 and September 13, 2020, the Trump administration announced several executive orders related to prescription drug pricing that attempt to implement several of the administration's proposals. The U.S. FDA also released a final rule, effective November 30, 2020, implementing a portion of the importation executive order providing guidance for states to build and submit importation plans for drugs from Canada. Further, on November 20, 2020, HHS finalized a regulation removing safe harbor protection for price reductions from pharmaceutical manufacturers to plan sponsors under Part D, either directly or through pharmacy benefit managers, unless the price reduction is required by law. The implementation of the rule has been delayed by the Biden administration from January 1, 2022 to January 1, 2023 in response to ongoing litigation. The rule also creates a new safe harbor for price reductions reflected at the point-of-sale, as well as a new safe harbor for certain fixed fee arrangements between pharmacy benefit managers and manufacturers, the implementation of which have also been delayed pending review by the Biden administration until March 22, 2021. On November 20, 2020, CMS issued an interim final rule implementing President Trump's Most Favored Nation executive order, which would tie Medicare Part B payments for certain physician-administered drugs to the lowest price paid in other economically advanced countries, effective January 1, 2021. On December 28, 2020, the United States District Court in Northern California issued a nationwide preliminary injunction against implementation of the interim final rule. However, it is unclear whether the Biden administration will work to reverse these measures or pursue similar policy initiatives. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

In the future, there will likely continue to be proposals relating to the reform of the U.S. healthcare system, some of which could further limit coverage and reimbursement of drug products, including our product candidates.

Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. Our results of operations could be adversely affected by PPACA and by other health care reforms that may be enacted or adopted in the future. Further, it is possible that additional governmental action is taken in response to the COVID-19 pandemic.

***It may be difficult for us to profitably sell any future products that may be approved if coverage and reimbursement for these products is limited by government authorities and/or third-party payor policies.***

In addition to any healthcare reform measures which may affect reimbursement, market acceptance and sales of our product candidates, if approved, will depend on, in part, the extent to which our products, and the procedures which utilize our products, will be covered by third-party payors, such as government health care programs, commercial insurance and managed care organizations. These third-party payors determine the extent to which new drugs, and the procedures which utilize new drugs, will be covered as a benefit under their plans and the level of reimbursement for any covered product and procedures utilizing such products. It is difficult to predict at this time what third-party payors will decide with respect to the coverage and reimbursement for our product candidates, and the procedures which utilize our product candidates.

A primary trend in the healthcare industry has been cost containment, including price controls, restrictions on coverage and reimbursement and requirements for substitution of generic products and/or biosimilars.

Third-party payors decide which drugs, and procedures using such drugs, they will pay for and establish reimbursement and co-payment levels. Government and other third-party payors are increasingly challenging the prices charged for health care products and services, examining the cost effectiveness of drugs in addition to their safety and efficacy, and limiting or attempting to limit both coverage and the level of reimbursement for prescription drugs and the procedures which utilize prescription drugs. We cannot be sure that coverage will be available for our product candidates, and the procedures which utilize our product candidates, if approved, or, if coverage is available, the level of reimbursement.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products, and the procedures which utilize such products. In the United States, the principal decisions about reimbursement for new medicines, and the procedures which utilize new medicines, are typically made by CMS, as CMS decides whether and to what extent a new medicine, and procedures which utilize a new medicine, will be covered and reimbursed under Medicare. Private payors may follow CMS, but have their own methods and approval processes for determining reimbursement for new medicines, and the procedures that utilize new medicines. It is difficult to predict what CMS or other payors will decide with respect to reimbursement for fundamentally novel products such as ours, as there is no body of established practices and precedents for these new products.

Reimbursement may impact the demand for, and/or the price of, any product for which we obtain marketing approval. Assuming we obtain coverage for a given product, or a procedure which utilizes a given product, by a third-party payor, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. Patients who are prescribed medications and procedures for the treatment of their conditions, and their prescribing physicians, generally rely on third-party payors to reimburse all or part of the costs associated with those prescription drugs and procedures. Patients are unlikely to use our products, or agree to procedures utilizing our products, unless coverage is provided and reimbursement is adequate to cover all or a significant portion of the associated costs. Therefore, coverage and adequate reimbursement is critical to new product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor new drug products when more established or lower cost therapeutic alternatives are already available or subsequently become available. There may be significant delays in obtaining coverage and reimbursement for newly approved drugs, and the procedures which utilize newly approved drugs, and coverage may be more limited than the purposes for which such drug is approved by the U.S. FDA or comparable foreign regulatory authorities.

Moreover, eligibility for coverage and reimbursement does not imply that a drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. We expect to experience pricing pressures in connection with the sale of any of our product candidates due to the trend toward managed healthcare, the increasing influence of health maintenance organizations, and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription drugs, medical devices and surgical procedures and other treatments, has become very intense. As a result, increasingly high barriers are being erected to the successful commercialization of new products. Further, the adoption and implementation of any future governmental cost containment or other health reform initiative may result in additional downward pressure on the price that we may receive for any approved product. Reimbursement by a third-party payor may depend upon a number of factors including the third-party payor's determination that use of a product is:

- A covered benefit under its health plan;
- Safe, effective and medically necessary;
- Appropriate for the specific patient;
- Cost-Effective; and
- Neither experimental nor investigational.

Obtaining coverage and reimbursement approval for a product, or a procedure which utilizes a product, from a government or other third-party payor is a time-consuming and costly process that could require us to provide supporting scientific, clinical and cost effectiveness data for the use of our products, and the procedures which utilize our products, to the payor. Further, no uniform policy requirement for coverage and reimbursement for drug products, and procedures which utilize drug products, exists among third-party payors in the United States. Therefore, coverage and reimbursement for drug products, and the procedures which utilize drug products, can differ significantly from payor to payor. As a result, the coverage determination process may require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance. We may not be able to provide data sufficient to gain acceptance with respect to coverage and/or sufficient reimbursement levels. We cannot be sure that coverage or adequate reimbursement will be available for our product candidates, or the procedures which utilize our product candidates, if approved. Also, we cannot be sure that reimbursement amounts will not reduce the demand for, or the price of, our future products. If reimbursement is not available, or is available only to limited levels, we may not be able to commercialize our product candidates, or achieve profitably at all, even if approved.

***Reimbursement may not be immediately available for our product candidates in China, which could diminish our sales or affect our profitability.***

In China, the Ministry of Human Resources and Social Security of China or provincial or local human resources and social security authorities, together with other government authorities, review the inclusion or removal of drugs from China's National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance, or the National Reimbursement Drug List, or provincial or local medical insurance catalogues for the National Medical Insurance Program regularly, and the tier under which a drug will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those drugs. These determinations are made based on a number of factors, including price and efficacy.

***We may be subject, directly or indirectly, to federal and state healthcare fraud and abuse laws, false claims laws and health information privacy and security laws. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties.***

Our current and future operations may be directly or indirectly through our relationships with healthcare providers, patients and other persons and entities, subject to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we research, market, sell and distribute our products. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

The U.S. Anti-Kickback Statute prohibits, among other things, any person or entity from knowingly and willfully offering, paying, soliciting, receiving or providing any remuneration, directly or indirectly, overtly or covertly, to induce or in return for purchasing, leasing, ordering or arranging for or recommending the purchase, lease or order of any item or service reimbursable, in whole or in part, under Medicare, Medicaid or other U.S. federal healthcare programs. The U.S. Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers, and formulary managers, among others, on the other. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution.

The U.S. federal false claims laws, including the False Claims Act (FCA) and civil monetary penalties laws, which prohibit any person or entity from, among other things, knowingly presenting, or causing to

be presented, a false, fictitious or fraudulent claim for payment to, or approval by, the U.S. federal government or knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim to the U.S. federal government. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes “any request or demand” for money or property presented to the U.S. government. In addition, manufacturers can be held liable under the FCA even when they do not submit claims directly to government third-party payors if they are deemed to “cause” the submission of false or fraudulent claims. The FCA also permits a private individual acting as a “whistleblower” to bring actions on behalf of the federal government alleging violations of the FCA and to share in any monetary recovery. FCA liability is potentially significant in the healthcare industry because the statute provides for treble damages and mandatory penalties per false claim or statement. Government enforcement agencies and private whistleblowers have investigated pharmaceutical companies for or asserted liability under the FCA for a variety of alleged promotional and marketing activities, such as providing free product to customers with the expectation that the customers would bill federal programs for the product; providing consulting fees and other benefits to physicians to induce them to prescribe products; engaging in promotion for “off-label” uses; and submitting inflated best price information to the Medicaid Rebate Program.

HIPAA prohibits, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

The Physician Payments Sunshine Act, enacted as part of PPACA, imposes, among other things, annual reporting requirements for covered manufacturers for certain payments and “transfers of value” provided to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Beginning in 2022, applicable manufacturers also will be required to report such information regarding their payments and other transfers of value to physician assistants, nurse practitioners, clinical nurse specialists, anesthesiologist assistants, certified registered nurse anesthetists and certified nurse midwives during the previous year.

HIPAA, as amended by HITECH, and their respective implementing regulations, impose, among other things, specified requirements relating to the privacy, security and transmission of individually identifiable health information held by covered entities, which include certain healthcare providers, health plans and healthcare clearinghouses, and their business associates, which include individuals or entities that perform services for covered entities that involve the creation, use, maintenance or disclosure of, individually identifiable health information. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in U.S. federal courts to enforce the federal HIPAA laws and seek attorneys’ fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in specified circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Many U.S. states and other foreign jurisdictions have analogous laws and regulations, such as state anti-kickback and false claims laws, that may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers. In addition, certain states require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing

expenditures and certain states and local jurisdictions require the registration of pharmaceutical sales representatives.

Because of the breadth of these laws and the narrowness of the statutory exceptions and regulatory safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. In addition, recent health care reform legislation has strengthened these laws. For example, recent health care reform legislation, has among other things, amended the intent requirement of the U.S. Anti-Kickback Statute and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it in order to have committed a violation. Moreover, recent health care reform legislation provides that the government may assert that a claim including items or services resulting from a violation of the U.S. Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA.

Ensuring that our business arrangements with third parties comply with applicable healthcare laws and regulations will likely be costly. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations were found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, possible exclusion from government funded healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, and curtailment of our operations, any of which could substantially disrupt our operations. If the physicians or other providers or entities with whom we expect to do business are found not to be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

***We are subject to U.S. and foreign anti-corruption and anti-money laundering laws with respect to our operations and non-compliance with such laws can subject us to criminal and/or civil liability and harm our business.***

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, and possibly other state and national anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, third-party intermediaries, joint venture partners and collaborators from authorizing, promising, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. We engage third-party investigators, CROs, and other consultants to design and perform preclinical studies of our product candidates, and will do the same for any clinical trials. Also, once a product candidate has been approved and commercialized, we may engage third-party intermediaries to promote and sell our products abroad and/or to obtain necessary permits, licenses, and other regulatory approvals. We or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, collaborators, partners, and agents, even if we do not explicitly authorize or have actual knowledge of such activities.

Noncompliance with anti-corruption and anti-money laundering laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with certain persons, the loss of export privileges, reputational harm, adverse

media coverage, and other collateral consequences. If any subpoenas, investigations, or other enforcement actions are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations and financial condition could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense and compliance costs and other professional fees. In certain cases, enforcement authorities may even cause us to appoint an independent compliance monitor which can result in added costs and administrative burdens.

***The incidence and prevalence for target patient populations of our product candidates are based on estimates and third-party sources. If the market opportunities for our product candidates are smaller than we estimate or if any approval that we obtain is based on a narrower definition of the patient population, our revenue and ability to achieve profitability might be materially and adversely affected.***

Periodically, we make estimates regarding the incidence and prevalence of target patient populations for particular diseases based on various third-party sources and internally generated analysis and use such estimates in making decisions regarding our drug development strategy, including acquiring or in-licensing product candidates and determining indications on which to focus in preclinical or clinical trials.

These estimates may be inaccurate or based on imprecise data. For example, the total addressable market opportunity will depend on, among other things, acceptance of our drugs by the medical community and patient access, drug pricing and reimbursement. The number of patients in the addressable markets may turn out to be lower than expected, patients may not be otherwise amenable to treatment with our drugs, or new patients may become increasingly difficult to identify or gain access to, all of which may significantly harm our business, financial condition, results of operations and prospects.

### **Risks Related to our ADSs**

***The price of our ADSs has been, and may continue to be, volatile and may fluctuate due to factors beyond our control.***

The trading market for publicly traded emerging biopharmaceutical and drug discovery and development companies has been highly volatile and is likely to remain highly volatile in the future. The stock market in general and the market for biopharmaceutical and drug discovery and development companies in particular, has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The COVID-19 pandemic, for example, has negatively affected the stock market and investor sentiment and has resulted in significant volatility. The market price of our ADSs may fluctuate significantly due to a variety of factors, including:

- Positive or negative results from, or delays in, testing and clinical trials by us, collaborators or competitors;
- Technological innovations or commercial product introductions by us or competitors;
- Changes in government regulations;
- Changes in the structure of healthcare payment systems;
- Developments concerning proprietary rights, including patents and litigation matters;
- Public concern relating to the commercial value or safety of our product candidates;
- Financing, collaborations or other corporate transactions;

- Publication of research reports or comments by securities or industry analysts;
- General market conditions in the pharmaceutical industry or in the economy as a whole;
- The loss of any of our key scientific or senior management personnel;
- Sales of our ADSs or ordinary shares by us, our senior management and board members or holders of our ADSs or our ordinary shares in the future; or
- Other events and factors, many of which are beyond our control.

These and other market and industry factors may cause the market price and demand for our ADSs to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from readily selling their ADSs and may otherwise negatively affect the liquidity of our ADSs. In addition, the stock market in general, and biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. In the past, when the market price of a security has been volatile, holders of that security have sometimes instituted securities class action litigation against the issuer. If any of the holders of our ADSs were to bring such a lawsuit against us, we could incur substantial costs defending the lawsuit and the attention of our senior management would be diverted from the operation of our business. Any adverse determination in litigation could also subject us to significant liabilities.

***You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law, we conduct substantially all of our operations and all of our directors and executive officers reside outside of the United States.***

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Tenth Amended and Restated Memorandum and Articles of Association (Articles), the Companies Act (as amended) of the Cayman Islands (the Companies Act), and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England and Wales, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. Similarly, the rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States, and some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies do not have standing to sue before the federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Although our shareholders are permitted by our Articles to request access to our books and records, our directors have discretion under our Articles to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. To the extent we choose to follow home country practice with respect to corporate governance matters, our



shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Act and the laws applicable to companies incorporated in the United States and their shareholders, see “Memorandum and Articles of Association—Material Differences in Corporate Law”.

***Future sales, or the possibility of future sales, of a substantial number of our ADSs or ordinary shares could adversely affect the price of our ADSs.***

Future sales of a substantial number of our ADSs or ordinary shares, or the perception that such sales will occur, could cause a decline in the market price of our ADSs. If any of our large shareholders or members of our management team sell substantial amounts of our securities in the public markets, or the market perceives that such sales may occur, the market price of our ADSs and our ability to raise capital through an issue of equity securities in the future could be adversely affected.

***We may sell additional equity or debt securities or enter into other financing arrangements to fund our operations, which may result in dilution to our shareholders and holders of our ADSs and impose restrictions on our business.***

In order to raise additional funds to support our operations, we may sell additional equity or debt securities, which could adversely impact our existing shareholders and new investors, as well as our business. The sale of additional equity or debt securities, or a combination of both, would result in the issuance of additional shares capital and dilution to our shareholders and holders of our ADSs.

The incurrence of indebtedness would result in increased fixed payment obligations and could also result in certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In the event that we enter into collaborations or licensing arrangements to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

***Because we do not anticipate paying any cash dividends on our ADSs or ordinary shares in the foreseeable future, capital appreciation, if any, will be your sole source of potential gains and you may never receive a return on your investment.***

We have not paid cash dividends in the past on our ordinary shares. We intend to retain earnings, if any, for use in our business and do not anticipate paying any cash dividends in the foreseeable future. In addition, we are not permitted to dispose of a substantial part of our assets pursuant to the terms of the CSL Facility without the prior consent of CSL, and any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our ADSs or ordinary shares. As a result, capital appreciation, if any, on our ADSs or ordinary shares will be your sole source of potential gains for the foreseeable future, and you will suffer a loss on your investment if you are unable to sell your ADSs or the underlying ordinary shares at or above the price you pay for our ADSs or ordinary shares. Investors seeking cash dividends should not purchase our ADSs.

***Purchasers of our ADSs may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise their right to vote.***

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depository. Upon receipt of your voting instructions, the depository will try to vote the underlying ordinary shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. After we notify the depository of the agenda for the shareholders' meeting, the depository will notify you of the upcoming vote and will arrange to deliver our voting materials to you once they are available. We have agreed to give the depository at least 35 days' prior notice of shareholder meetings. Nevertheless, we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depository to vote your shares. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

***Except in limited circumstances, the depository for our ADSs will give us a discretionary proxy to vote our ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, which could adversely affect your interests.***

Under the deposit agreement for our ADSs, to the extent we have provided the depository with at least 35 days' notice of a proposed meeting, if voting instructions are not timely received by the depository from you, you shall be deemed to have instructed the depository to give a discretionary proxy to a person designated by us to vote the shares represented by your ADSs as desired. However, no such instruction shall be deemed given and no discretionary proxy shall be given (a) if we inform the depository in writing that (i) we do not wish such proxy to be given, (ii) substantial opposition exists with respect to any agenda item for which the proxy would be given or (iii) the agenda item in question, if approved, would materially or adversely affect the rights of holders of shares and (b) unless we have provided the depository with an opinion of our counsel to the effect that (a) the granting of such discretionary proxy does not subject the depository to any reporting obligations in the Cayman Islands, (b) the granting of such proxy will not result in a violation of Cayman Islands laws, rules, regulations or permits, (c) the voting arrangement and deemed instruction will be given effect under Cayman Islands laws, rules, regulations and permits, and (d) the granting of such proxy will not under any circumstances result in the depository being treated as the beneficial owner of ADSs under Cayman Islands laws, rules, regulations or permits.

The effect of this discretionary proxy is that, if you fail to give voting instructions to the depository as to how to vote the ordinary shares underlying your ADSs at any particular shareholders' meeting, you cannot prevent our ordinary shares underlying your ADSs from being voted at that meeting, absent the situations described above, and it may make it more difficult for shareholders to influence our management. Holders of our ordinary shares are not subject to this discretionary proxy.

***Purchasers of our ADSs may not receive distributions on our ordinary shares in the form of ADSs or any value for them if it is illegal or impractical to make them available to holders of ADSs.***

The depository for our ADSs has agreed to pay to purchasers of our ADSs the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses and certain taxes. Purchasers of our ADSs will receive these distributions in proportion to the number of our ordinary shares their ADSs represent. However, in accordance with the limitations set forth in the deposit agreement, it may be unlawful or impractical to make a distribution

available to holders of ADSs. We have no obligation to take any other action to permit the distribution of our ADSs, ordinary shares, rights or anything else to holders of our ADSs. This means that purchasers of our ADSs may not receive the distributions we make on our ordinary shares or any value from them if it is unlawful or impractical to make them available to ADS holders. These restrictions may have a negative impact on the market value of our ADSs.

***Purchasers of our ADSs may be subject to limitations on transfer of their ADSs.***

ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement. The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.

Our corporate affairs are governed by our Articles and by the laws governing Cayman Islands corporations and companies engaging in drug development, marketing and sales businesses, as well as by the common law of the Cayman Islands. Certain rights and responsibilities of our shareholders, ADS holders and members of our board of directors under Cayman law are different from those that apply to a Delaware corporation. For example, Directors of Cayman Islands exempted companies are required to observe certain fiduciary duties. These duties are owed to the Cayman Islands company and include the duty to act in the best interests of the company and the shareholders as a whole. However, the fiduciary duties of a director of a Cayman Islands exempted company may not be the same as the fiduciary duty of a director of a U.S. corporation. In addition, controlling shareholders of U.S. corporations owe fiduciary duties to minority shareholders, while shareholders (including controlling shareholders) of Cayman Islands companies owe no fiduciary duties either to the company or to other shareholders.

Further, the rights of our shareholders to bring shareholders' suits against us or our board of directors under Cayman Islands law are much more limited than those of shareholders of a U.S. corporation. For example, under Cayman Islands law, a shareholder who wishes to bring a claim against a director would generally need to obtain permission from the courts to bring a derivative action, in the name of the company, against the director. This is because the director of a Cayman Islands exempted company owes duties to the company and not to individual shareholders. As a result, our shareholders may have more difficulty protecting their rights in connection with actions taken by our directors than they would as shareholders of a U.S. corporation. In addition, minority shareholders in a Cayman Islands exempted company have more limited rights than minority shareholders in a U.S. corporation in relation to mergers and similar transactions that the company may carry out. For example, if a merger under the Companies Act involving a Cayman Islands exempted company is approved by the requisite majority of shareholders, a dissenting minority shareholder would have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Such dissenter rights differ substantially from the appraisal rights, which would ordinarily be available to dissenting shareholders of Delaware corporations. Further, if a takeover offer is made to the shareholders of a Cayman Islands exempted company and accepted by holders of 90% of the shares affected, the offeror may require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion. A minority shareholder in this scenario would have no rights comparable to the appraisal rights which would generally be available to a dissenting shareholder of a U.S. corporation in similar circumstances. For a description of the principal differences between the provisions of Cayman law

applicable to us and the U.S. Delaware General Corporate Law relating to shareholders' rights and protections, see "Memorandum and Articles of Association—Material Differences in Corporate Law".

***We qualify as a foreign private issuer and, as a result, we are not subject to U.S. proxy rules and are subject to Exchange Act reporting obligations that permit less detailed and less frequent reporting than that of a U.S. domestic public company.***

We report under the Exchange Act as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K upon the occurrence of specified significant events. In addition, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules thereunder. Therefore, our shareholders may not know on a timely basis when our officers, directors and principal shareholders purchase or sell our ordinary shares or ADSs. In addition, foreign private issuers are not required to file their annual report on Form 20-F until the date that is four months after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers also are exempt from Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

***As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq Stock Market LLC (Nasdaq) corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.***

As a foreign private issuer, we are permitted to take advantage of certain provisions in the Nasdaq listing rules that allow us to follow Cayman Islands law for certain governance matters. Certain corporate governance practices in the Cayman Islands may differ significantly from corporate governance listing standards. We intend to continue to follow Cayman Islands corporate governance practices in lieu of certain corporate governance requirements of Nasdaq. Therefore, our shareholders may be afforded less protection than they otherwise would have under corporate governance listing standards applicable to U.S. domestic issuers.

***We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.***

As discussed above, we are a foreign private issuer, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter. We would lose our foreign private issuer status if, for example, more than 50% of our ordinary shares are directly or indirectly held by residents of the United States and we fail to meet additional requirements necessary to maintain our foreign private issuer status. If we lose our foreign private issuer status on this date, we will be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms, which are more detailed and extensive than the forms available to a foreign private issuer. We will also have to mandatorily comply with U.S. federal proxy requirements, and

our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we will lose our ability to rely upon exemptions from certain corporate governance requirements under the Nasdaq listing rules. As a U.S. listed public company that is not a foreign private issuer, we will incur significant additional legal, accounting and other expenses that we will not incur as a foreign private issuer, and accounting, reporting and other expenses in order to maintain a listing on a U.S. securities exchange. These rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors and more expensive to procure director and officer liability insurance.

***Our U.S. ADS Holders may suffer adverse tax consequences if we are characterized as a passive foreign investment company.***

Generally, if for any taxable year (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average quarterly value of our assets are held for the production of, or produce, passive income, we would be characterized as a PFIC for U.S. federal income tax purposes. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties and capital gains. Based on estimates of our gross income and gross assets (including tangible assets and intangible assets based on the market value of our ordinary shares), and the nature of our business, we do not believe that we were a PFIC for the taxable year ended December 31, 2020; however we have not yet performed an analysis for our current taxable year. There can be no assurance regarding our PFIC status for any taxable year. If we are characterized as a PFIC, our U.S. shareholders may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than as capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are “U.S. Holders”, and having interest charges apply to distributions by us and the proceeds of share sales and having to comply with certain reporting requirements. As used in this discussion, the term “U.S. Holder” means a beneficial owner of our ordinary shares or ADSs who is, for U.S. federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income tax regardless of its source or (4) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions or (y) that has elected under applicable U.S. Treasury regulations to be treated as a domestic trust for U.S. federal income tax purposes. Certain elections exist that may alleviate some of the adverse consequences of PFIC status and would result in an alternative treatment (such as mark-to-market treatment) of our ordinary shares; however, we do not intend to provide the information necessary for U.S. holders to make qualified electing fund elections if we are classified as a PFIC.

***If a United States person is treated as owning at least 10% of our ordinary shares, such holder may be subject to adverse U.S. federal income tax consequences.***

If a United States person is treated as owning (directly, indirectly, or constructively) at least 10% of the value or voting power of our ordinary shares (as a result of such person’s ownership of ADSs), such person may be treated as a “United States shareholder” with respect to each “controlled foreign corporation” in our group. Because our group includes one or more U.S. subsidiaries, we expect that certain of our non-U.S. subsidiaries will be treated as controlled foreign corporations (regardless of whether or not we are treated as a controlled foreign corporation). A United States shareholder of a controlled foreign corporation may be required to report annually and include in its U.S. taxable income its pro rata share of “Subpart F income,” “global intangible low-taxed income,” and investments in U.S. property by controlled foreign corporations, regardless of whether we make any distributions. An

individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. Failure to comply with these reporting obligations may subject a United States shareholder to significant monetary penalties and may prevent the statute of limitations with respect to such shareholder's U.S. federal income tax return for the year for which reporting was due from starting. We cannot provide any assurances that we will assist investors in determining whether any of our non-U.S. subsidiaries is treated as a controlled foreign corporation or whether any investor is treated as a United States shareholder with respect to any such controlled foreign corporation or furnish to any United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. A United States investor should consult its advisors regarding the potential application of these rules to an investment in our ADSs.

## **General Risk Factors**

***We have incurred and will incur increased costs as a result of operating as a public company in the United States, and our senior management will be required to devote substantial time to new compliance initiatives and corporate governance practices.***

Our ADSs began trading on The Nasdaq Global Market on May 4, 2018 under the trading symbol "ASLN." As a U.S. public company, we have incurred significant legal, accounting and other expenses that we did not incur previously, and we will incur additional expenses after we no longer qualify as an EGC. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq, and other applicable securities rules and regulations impose various requirements on non-U.S. reporting public companies, including the establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our senior management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, which in turn could make it more difficult for us to attract and retain qualified senior management personnel or members for our board of directors.

However, these rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (Section 404), we will be required to furnish a report by our senior management on our internal control over financial reporting and an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. However, while we remain an EGC we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants, adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented, and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as

required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

***We are an EGC and we cannot be certain if the reduced reporting requirements applicable to “emerging growth companies” will make our ADSs less attractive to investors.***

We are an EGC as defined in the JOBS Act. For as long as we continue to be an EGC, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not EGCs, including not being required to comply with the auditor attestation requirements of Section 404, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We may take advantage of these exemptions until we are no longer an EGC. We could be an EGC until December 31, 2023, although circumstances could cause us to lose that status earlier, including if the aggregate market value of our ADSs and ordinary shares held by non-affiliates exceeds \$700 million as of the end of our second fiscal quarter before that time, in which case we would no longer be an EGC as of the following December 31<sup>st</sup> (the last day of our fiscal year). We cannot predict if investors will find our ADSs less attractive because we may rely on these exemptions. If some investors find our ADSs less attractive as a result, there may be a less active trading market for our ADSs and the price of our ADSs may be more volatile.

***If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our ADSs.***

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our ADSs.

Management is required to assess the effectiveness of our internal controls annually. However, for as long as we are an EGC, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. An independent assessment of the effectiveness of our internal controls could detect problems that our management’s assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements requiring us to incur the expense of remediation and could also result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

***If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our ADSs and our trading volume could decline.***

The trading market for our ADSs depends in part on the research and reports that securities or industry analysts publish about us or our business. If no or too few securities or industry analysts provide coverage or if one or more of the analysts who cover us downgrade our ADSs or publish inaccurate or unfavorable research about our business, the price of our ADSs would likely decline. If one or more of these analysts

cease coverage of us or fail to publish reports on us regularly, demand for our ADSs could decrease, which might cause the price of our ADSs and trading volume to decline.

#### **Item 4. Information on the Company**

##### **A. History and development of the company.**

ASLAN Pharmaceuticals Pte. Ltd. was incorporated in Singapore in April 2010 and ASLAN Pharmaceuticals Limited was incorporated in Cayman Islands in June 2014. Our ADSs have been listed on The Nasdaq Global Market (Nasdaq) since May 2018 and our ordinary shares were previously listed on the Taipei Exchange (TPEX). In August 2020, our ordinary shares ceased trading on TPEX, and in September 2020, our shareholders approved the cessation of our public company status in Taiwan, resulting in Nasdaq being the primary listing of our securities. In September 2020, we received confirmation from the Financial Supervisory Commission of Taiwan (FSC), confirming the removal of our public company status in Taiwan. As a result, we are no longer bound by the rules and regulations of the FSC or TPEX.

Our subsidiaries, ASLAN Pharmaceuticals Taiwan Limited, ASLAN Pharmaceuticals Australia Pty Ltd., ASLAN Pharmaceuticals Hong Kong Limited, ASLAN Pharmaceuticals (Shanghai) Co. Ltd., ASLAN Pharmaceuticals (USA) Inc. and JAGUAHR Therapeutics Pte. Ltd. were incorporated in the Republic of China, Australia, Hong Kong, China, the United States and Singapore in November 2013, July 2014, July 2015, May 2016, October 2018, and August 2019, respectively.

Our principal executive offices are located at 83 Clemenceau Avenue, #12-03 UE Square, Singapore 239920. Our telephone number at that address is +65 6222 4235. Our registered office in the Cayman Islands is at the offices of Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008 Cayman Islands. Our agent for service of process in the United States is Cogency Global Inc. 10 East 40th Street 10th Floor, New York, New York 10016, and the telephone number is +1 212 947 7200. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. We also maintain a corporate website at [www.aslanpharma.com](http://www.aslanpharma.com). Information contained in, or that can be accessed through, our website is not a part of, and shall not be incorporated by reference into, this document. We have included our website address in this document solely as an inactive textual reference.

Since our inception in 2010, we have devoted substantially all of our resources to acquiring rights to, and developing our product candidates, including preclinical studies and clinical trials and providing general and administrative support for our operations. We have not generated any revenue from product sales and we do not currently have any products approved for commercialization. We have financed our operations through a combination of debt and equity financings and government grants.



## B. Business overview.

We are a clinical-stage immunology focused biopharmaceutical company developing innovative treatments to transform the lives of patients.

Our portfolio is led by ASLAN004, a potential first-in-class human monoclonal antibody that binds to the IL-13 receptor  $\alpha 1$  subunit (IL-13R $\alpha 1$ ), blocking signaling of two pro-inflammatory cytokines, IL-4 and IL-13 which are central to triggering symptoms of atopic dermatitis, such as redness and itching of the skin. ASLAN004 has the potential to be best-in-disease for atopic dermatitis and asthma. We are conducting a Phase 1 clinical trial investigating ASLAN004 as a therapeutic antibody for moderate-to-severe atopic dermatitis. Interim results demonstrate a competitive profile with the potential to differentiate over existing therapies. We expect to report top-line data from this trial in the third quarter of 2021. In addition, we plan to explore additional indications for ASLAN004 in the second half of 2021.

We are also developing ASLAN003, an orally active, potent inhibitor of human dihydroorotate dehydrogenase (DHODH) that has the potential to be best-in-class therapy in autoimmune disease.

### Our Product Candidates

The following table summarizes our product candidate pipeline and discovery programs:

Programs	Discovery	Preclinical	Phase 1	Phase 2	Anticipated milestones
<b>Immunology</b>					
ASLAN004 <i>IL-13R<math>\alpha 1</math> inhibitor</i>	Atopic dermatitis				<ul style="list-style-type: none"> <li>• MAD topline data 3Q21</li> <li>• Initiate Phase 2b in 2H21</li> </ul>
	Asthma				
ASLAN003 <i>DHODH inhibitor</i>	Autoimmune disease				
<b>Discovery</b>					
AhR antagonist <sup>1</sup>	Oncology				

<sup>1</sup> Aryl hydrocarbon receptor, or AhR, program is being developed in an ASLAN majority-owned joint venture

We hold global rights to all of our product candidates with the exception of ASLAN003, for which BioGenetics Co., Ltd. (BioGenetics) acquired rights for the Republic of Korea (South Korea).

**ASLAN004.** ASLAN004 is a fully human monoclonal antibody that binds to the IL-13 receptor  $\alpha 1$  subunit (IL-13R $\alpha 1$ ), blocking signaling of two pro-inflammatory cytokines, IL-4 and IL-13, which are central to triggering symptoms of atopic dermatitis, such as redness and itching of the skin. We have initiated a Phase 1 clinical trial investigating ASLAN004 as a therapeutic antibody for atopic dermatitis. A single ascending dose (SAD) clinical trial in healthy volunteers was completed in the second quarter of 2019. In October 2019, we initiated a multiple ascending dose (MAD) clinical trial in moderate-to-severe atopic dermatitis patients. Interim results demonstrate a competitive profile with the potential to differentiate over existing therapies. We expect to report top-line data from this trial in the third quarter of 2021.

**ASLAN003.** ASLAN003 is an orally available, small-molecule inhibitor of dihydroorotate dehydrogenase (DHODH) and has been investigated in three phase 1 clinical studies in healthy volunteers, and one phase 2 study in patients with acute myeloid leukemia (AML). ASLAN003 is currently being considered for autoimmune diseases. The high potency and selectivity of ASLAN003, and the favorable safety profile demonstrated in clinical studies to date, may offer best-in-class potential as a treatment for autoimmune conditions.

**Additional Pipeline Programs.** We have established a joint venture called JAGUAHR Therapeutics Pte. Ltd. with Bukwang Pharmaceutical Co., Ltd. (Bukwang), a leading research and development focused Korean pharmaceutical company, to develop antagonists of the aryl hydrocarbon receptor (AhR), an immune checkpoint inhibitor.

## **Our Product Candidates**

### **ASLAN004**

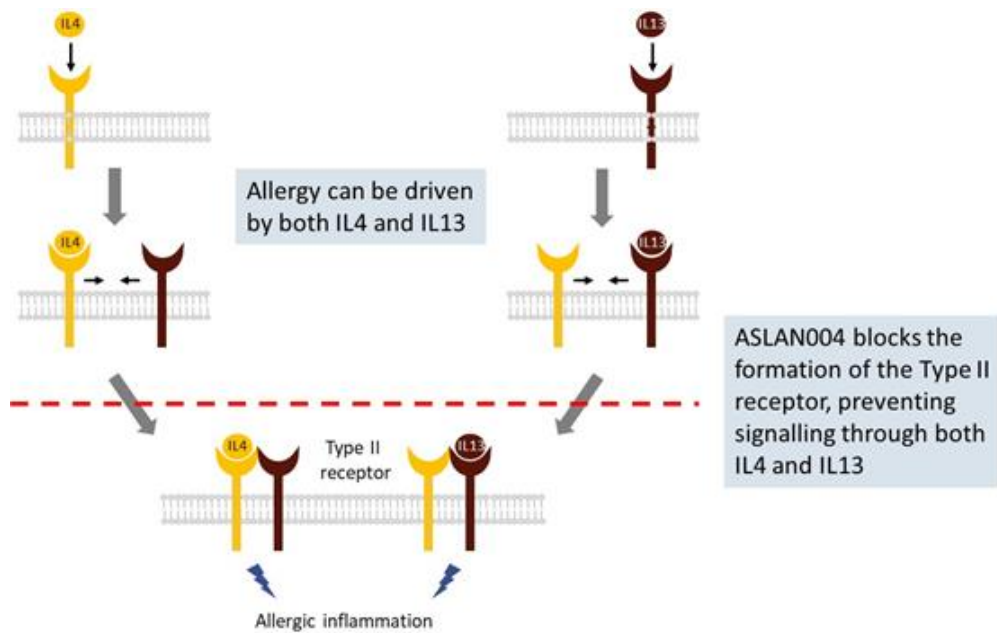
ASLAN004 is a fully human monoclonal antibody that targets the IL-13 receptor  $\alpha 1$  subunit (IL-13R $\alpha 1$ ). ASLAN004 is currently in clinical development, and we are not aware of any other antibodies in clinical development targeting IL-13R $\alpha 1$ . By targeting IL-13R $\alpha 1$ , which forms the Type II receptor complex with IL-4R $\alpha$ , ASLAN004 potentially inhibits signaling of both interleukin 4 (IL-4) and interleukin 13 (IL-13). IL-4 and IL-13 are central to triggering symptoms of allergy in atopic dermatitis, such as redness and itching of the skin, as well as asthma symptoms such as shortness of breath, wheeze and cough. *Dupilumab* is marketed for moderate-to-severe atopic dermatitis, moderate-to-severe asthma and chronic rhinosinusitis with nasal polyposis. As we target the same pathways as *dupilumab*, we believe ASLAN004 can follow a similar regulatory path. We believe ASLAN004 has the potential to become a first-in-class inhibitor of the IL-13 receptor and best-in-disease for atopic dermatitis and asthma. By targeting IL-13R $\alpha 1$ , rather than IL-4R $\alpha$ , we believe ASLAN004 has the potential to offer a differentiated profile, including competitive efficacy, lower dosing frequency and a favorable side effect profile.

We have initiated a Phase 1 clinical trial investigating ASLAN004 as a therapeutic antibody for atopic dermatitis. A single ascending dose (SAD) clinical trial in healthy volunteers was completed in the second quarter of 2019. In October 2019, we initiated a multiple ascending dose (MAD) clinical trial in moderate-to-severe atopic dermatitis patients. Interim results demonstrate a competitive profile with the potential to differentiate over existing therapies. We expect to report top-line data from this trial in the third quarter of 2021.

In the future, we may also develop ASLAN004 in other inflammatory indications, such as asthma, nasal polyps, scleroderma and chronic obstructive pulmonary disorder (COPD). We licensed worldwide rights for ASLAN004 from CSL Limited (CSL) in May 2014.

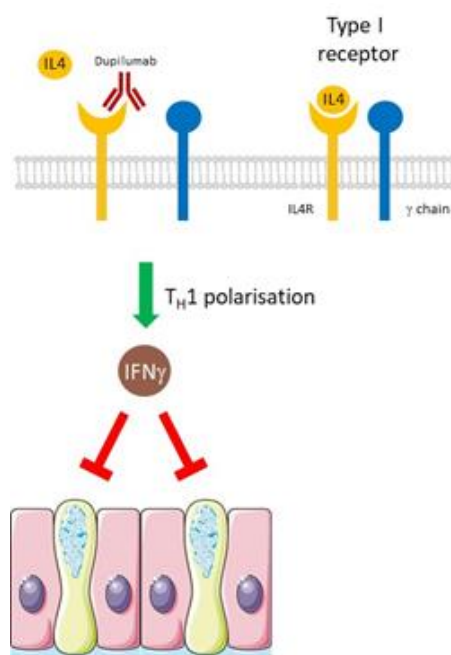
## Mechanism of Action

ASLAN004 is a fully human monoclonal antibody with high affinity binding that inhibits both IL-4 and IL-13 signaling by binding to IL-13R $\alpha$ 1. The cytokines IL-4 and IL-13 are the main drivers of allergic inflammation and have mutually redundant functions. They selectively bind and stimulate the Type II receptor, which is a complex composed of IL-4R $\alpha$  and IL-13R $\alpha$ 1. Stimulation of the common receptor for IL-4 or IL-13 triggers a signaling cascade, which releases inflammatory mediators that can result in atopic dermatitis or asthma. The pivotal role for this pathway in these disease indications has been exemplified by the monoclonal antibody *dupilumab* which binds to IL-4R $\alpha$  to block signaling by IL-4 and IL-13. We are not aware of any other distinct monoclonal antibody in development that can inhibit both IL-4 and IL-13 signaling by targeting IL-13R $\alpha$ 1.



ASLAN004 binds more strongly to the receptor than *dupilumab* relative to its respective ligand. ASLAN004 has a 60-fold higher affinity for the IL-13R $\alpha$ 1 than IL-13, whereas *dupilumab* has only a three-fold higher affinity for the IL-4R $\alpha$  than IL-4. This means that the concentration of ASLAN004 required to block the Type II receptor may be significantly lower than the concentration of *dupilumab* required to do the same.

Unlike *dupilumab*, ASLAN004 does not bind to the Type I receptor, which contains the IL-4R $\alpha$  but not IL-13R $\alpha$ 1. We believe that by avoiding inhibition of the Type I receptor, ASLAN004 may have fewer side effects than *dupilumab*, which does bind the Type I receptor.



### Advantages

We believe that ASLAN004 has the potential to be a best-in-disease therapy:

- **Validated mechanism with the potential for greater efficacy than IL-13 selective and IL-4 selective inhibitors.** IL-13 selective inhibitors, such as *lebrikizumab* and *tralokinumab*, have shown mixed efficacy in treating allergic inflammation. We believe that agents that can block the activity of both IL-4 and IL-13 will be more efficacious as redundancy in signaling is removed by blocking Type II receptor signaling. *Dupilumab* was shown to be effective in treating moderate-to-severe atopic dermatitis. ASLAN004 and *dupilumab* share the same mechanism of action through blocking IL-4 and IL-13 signaling through the Type II receptor.
- **Potential for less frequent dosing.** *Dupilumab* may require significantly higher steady state concentrations than ASLAN004 for full target inhibition, which may allow for less frequent dosing. *Dupilumab* is dosed once every two weeks via subcutaneous injection. ASLAN004 may offer the potential for monthly dosing and this will be fully investigated in clinical development. A reduced injection frequency would provide patients with greater convenience.
- **Potential for faster onset of action.** In the clinic, ASLAN004 delivered intravenously demonstrated a rapid onset of action with full receptor occupancy and complete inhibition of a key downstream biomarker of IL-13 and IL-4 signaling, STAT6, within one hour of dosing, closely reflecting the data obtained in the cynomolgus monkey.
- **Potential for improved safety profile.** ASLAN004 targets the IL-13R $\alpha$ 1 subunit of the Type II receptor, whereas *dupilumab* binds to IL-4R $\alpha$ . As a result, both ASLAN004 and *dupilumab* block the Type II receptor, which contains IL-4R $\alpha$  and IL-13R $\alpha$ 1, however only *dupilumab* blocks the

Type I receptor, which contains IL-4R $\alpha$  only, and is expressed on naïve T-cells and B-cells. In published clinical studies in atopic dermatitis, *dupilumab* demonstrated severe, persistent conjunctivitis in 5-28% of patients, requiring topical ocular treatment with tacrolimus or steroids. In contrast, *lebrikizumab* targets only the IL-13 ligand via the Type II receptor and shows a far lower incidence of conjunctivitis in atopic dermatitis patients, suggesting that inhibition of the Type I receptor, rather than the Type II receptor, may be responsible for driving conjunctivitis.

- **Potential for fewer injection site reactions.** Injection site reactions, such as reddening and pain, have been reported in 8% to 19% of patients using *dupilumab* compared to 6% in placebo patients.
- **Potential for increased drug stability.** *Dupilumab* can be stored for a maximum of 14 days at room temperature (2°C or 77°F) and cannot be stored above room temperature. As this drug can be self-administered, it may require special storage and handling when travelling. ASLAN004 has much greater storage flexibility, with more than 9 months stability at room temperature.

## Market Opportunity

### Market Opportunity in Severe Atopic Dermatitis

Atopic dermatitis is the most common form of eczema, affecting over 200 million patients worldwide, characterized by red inflamed skin and severe daytime and nighttime itching, which can severely impact patients' quality of life. Up to 50% of atopic dermatitis patients are considered moderate-to-severe, for which currently available therapeutics are limited and management is challenging in the majority of cases.

Treatment options have historically focused on topical therapies. In December 2016, the U.S. FDA granted approval for Eucrisa (developed by Pfizer Inc.), a topical treatment for mild to moderate atopic dermatitis. More recently in March 2017, the U.S. FDA granted approval for *dupilumab* (developed by Sanofi S.A. and Regeneron Pharmaceuticals, Inc.) for adults with moderate-to-severe atopic dermatitis. *Dupilumab* is the only approved biologic therapy available and has been driving significant growth in the market, which is expected to exceed \$20 billion by 2027. However there remains a significant unmet need, with only 35% of patients treated with *dupilumab* achieving an optimal response and conjunctivitis reported in 25-50% to patients in clinical practice.

Two therapeutics are in clinical development that target the ligand, IL-13: *lebrikizumab* (Dermira/Eli Lilly) and *tralokinumab* (Leo Pharma A/S). Both therapies previously failed in phase 3 studies in allergic asthma and are now being developed in atopic dermatitis.

### Market Opportunity in Asthma

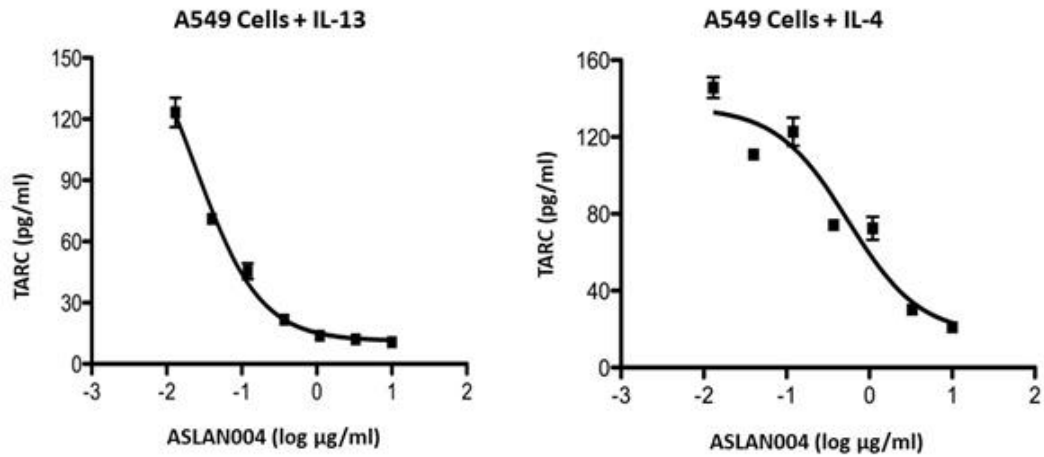
Asthma affects approximately 300 million patients worldwide. Chronic inflammation of the airway, combined with bronchial hyper-reactivity causes shortness of breath, wheezing and coughing, potentially leading to exacerbations that may result in hospitalization or death. Over 4.5 million severe asthmatics have symptoms which cannot be controlled with conventional therapies, such as bronchodilators or inhaled corticosteroids.

Xolair (anti-IgE) and Nucala (anti-IL5) are among the leading biological therapies by sales. Novel therapies like *dupilumab* are anticipated to compete with biological therapies and inhaled therapies.

ASLAN004 is a fully human IgG4 monoclonal antibody that specifically binds to the human IL-13R $\alpha$ 1 protein and was originally made using the Medarex mouse technology. The antibody was isolated and optimized to have picomolar binding affinity by CSL Behring.

ASLAN004 is a potent inhibitor of both IL-4 and IL-13 signaling with a binding affinity in the picomolar range for human IL-13R $\alpha$ 1. In *in vitro* assays, ASLAN004 inhibits the release of key allergic mediators, such as thymus and activation regulated chemokine (TARC) that maintain and amplify allergic reactions initiated by IL-4 and IL-13.

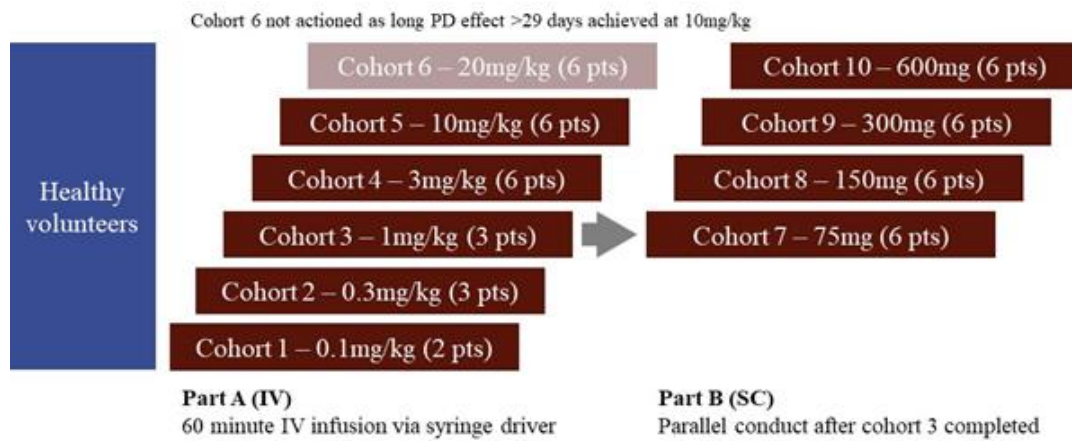
**ASLAN004 potently inhibits TARC release from human cells**



*Single Ascending Dose Clinical Trial in Healthy Volunteers*

In June 2019, we announced the successful completion of a SAD clinical trial testing intravenous and subcutaneous administration of ASLAN004 in healthy volunteers. The first subject was enrolled in October 2018 and the last subject was dosed in March 2019. The single ascending dose clinical trial explored the safety, tolerability, pharmacokinetic profile and pharmacodynamic profile of ASLAN004 when dosed via both intravenous and subcutaneous routes of administration. The clinical trial consisted of 10 cohorts with up to six patients per cohort.

## Phase 1 ASLAN004 Single Ascending Dose Trial Design (completed)



ASLAN004 was well tolerated at all dose levels via both intravenous and subcutaneous routes of administration. No conjunctivitis was noted in any subjects dosed with ASLAN004 and there were no adverse events that led to discontinuation at any dose level.

Drug-related adverse event	N = 44				
	Any grade		Severity		
	N	(%)	Mild	Moderate	Severe
Decreased appetite	2	5	1	1	0
Alanine aminotransferase increased	1	2	1	0	0
Diarrhea	1	2	1	0	0
Pyrexia	1	2	1	0	0
Blood lactate dehydrogenase increase	1	2	1	0	0
Weight decrease	1	2	1	0	0
Lymphocyte count decrease	1	2	1	0	0
Headache	1	2	0	1	0
C-reactive protein increase	1	2	1	0	0
Injection site pruritus (mild)	1	2	1	0	0

The SAD clinical trial also measured the pharmacokinetic profile of ASLAN004 and pharmacodynamic markers of inhibiting IL-4 and IL-13 binding to the IL-13R $\alpha$ 1, such as IL-13 $\alpha$ 1 receptor occupancy and inhibition of phosphorylation of STAT6 (pSTAT6), a key marker of the signal transduction in allergic inflammation immediately downstream of IL-4 and IL-13 binding to the type II receptor. In mouse models of allergic inflammation, the knockout of STAT6 completely abolished allergic inflammation.

When greater than or equal to 600mg ASLAN004 was administered intravenously (10mg/kg) it demonstrated 100% receptor occupancy and complete inhibition of STAT6 phosphorylation in less than 1 hour after dosing. These effects were maintained for over 29 days following a single dose of ASLAN004, suggesting monthly dosing may be achievable. The rapid inhibition of IL-4 and IL-13 signaling by ASLAN004 could also lead to a fast onset of symptom relief in atopic dermatitis and allergic asthma patients.

Both intravenous and subcutaneous dosing gave exposures of ASLAN004 that were well above the trough drug levels necessary for complete inhibition of STAT6 phosphorylation. Based on the ASLAN004 pharmacokinetic profile in humans, we believe that with appropriate loading doses, ASLAN004 has the potential to achieve once monthly subcutaneous dosing. We are currently progressing ASLAN004 to launch via the subcutaneous route in moderate-to-severe atopic dermatitis.

### *Multiple Ascending Dose Clinical Trial in Moderate-to-Severe Atopic Dermatitis*

In October 2019, we announced the enrolment of the first patient in our MAD clinical trial testing the first-in-class therapeutic antibody ASLAN004 in moderate-to-severe atopic dermatitis patients. The randomized, double-blind, placebo-controlled MAD clinical trial evaluated three doses (200mg, 400mg and 600mg) of ASLAN004 delivered weekly via subcutaneous injection. Based on a review of blinded safety data, the highest dose, 600mg, was selected for the expansion cohort, which will recruit at least 24 additional patients. Patients are dosed weekly for eight weeks to determine safety and the maximum efficacy of ASLAN004. The primary endpoint is safety and tolerability. Secondary endpoints include efficacy as measured by improvement in the Eczema Area and Severity Index (EASI) score, EASI-50, EASI-75, EASI-90, Investigators Global Assessment (IGA) pruritus numeric rating scale (NRS) and Patient-Oriented Eczema Measure. The trial will recruit up to 50 moderate-to-severe atopic dermatitis patients and recruitment into the expansion cohort started in January 2021. We expect to report top-line data from this trial in the third quarter of 2021. The trial was designed with 80% power to detect a 39% improvement in EASI compared to placebo at eight weeks. After completion of the MAD trial, we plan to initiate a Phase 2b dose-range finding trial in atopic dermatitis patients.

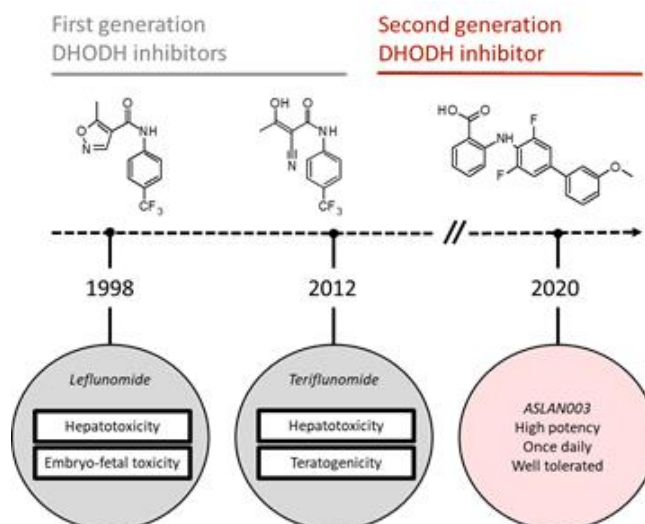


On March 1, 2021, we reported positive interim unblinded data from the first three dose cohorts (200mg, 400mg and 600mg) of the ongoing MAD clinical trial. The first three cohorts randomized 25 patients from the United States, Australia and Singapore. Three patients discontinued the trial due to restrictions imposed in response to COVID-19. Of the remaining 22 patients, 18 completed at least 29 days of dosing and assessment and were evaluable for efficacy. The average baseline EASI score of patients was 32.5 and the average IGA score was 3.4 (n=18). At week 8, the average reduction in EASI from baseline at therapeutic doses (400mg and 600mg cohorts) was 74% (n=9) compared to 42% (n=5) for patients on placebo. 89% of patients achieved EASI-50 versus 40% on placebo; 67% achieved EASI-75 versus 0% on placebo; 56% achieved EASI-90 versus 0% on placebo; and 22% of patients achieved IGA of 0 or 1 versus 0% on placebo. Peak pruritus improved after just one dose and continued to improve by an average of 46% relative to baseline at week 8 compared to 16% for patients on placebo. The proportion of patients with adverse events and treatment-related adverse events were similar across treatment and placebo arms. There were no treatment-related adverse events in the active arm that led to discontinuation.



ASLAN003 is an orally active, potent inhibitor of DHODH which was designed to address the limitations of first generation DHODH inhibitors in inflammatory autoimmune diseases. *Teriflunomide* and *leflunomide*, which is a prodrug of *teriflunomide*, are first generation DHODH inhibitors, approved in the United States, Europe and Asia for the treatment of rheumatoid arthritis and multiple sclerosis, respectively. These molecules are less potent inhibitors of DHODH as compared to ASLAN003 and are sufficient to slow the proliferation of inflammatory cells and therefore adequate in chronic inflammatory disorders.

However, these molecules are known to have off-target activities, extremely long wash-out period and have black-box warnings for hepatotoxicity and reproductive toxicity, requiring close patient monitoring or restricting use altogether. In contrast, ASLAN003 is structurally distinct from and up to two orders of magnitude more potent at inhibiting DHODH than *leflunomide* and *teriflunomide* and has a half-life of 18 hours with no accumulation, allowing for rapid clearance on cessation of treatment.

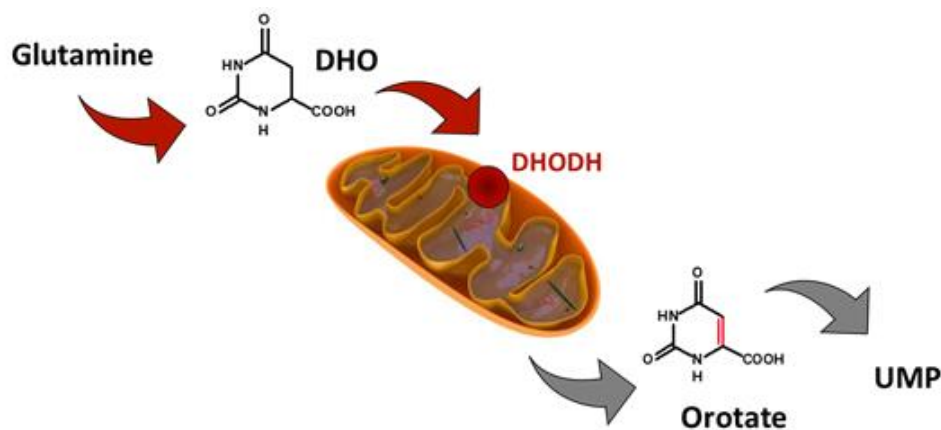


We licensed ASLAN003 from Almirall in 2012 after Almirall's completion of a Phase 1 single ascending dose clinical trial, in which the drug was well-tolerated in healthy volunteers. We then conducted two additional Phase 1 clinical trials, exploring multiple ascending doses and fed/fasted comparison in healthy volunteers. These trials demonstrated that the drug was well-tolerated and plasma concentrations following dosing were similar in Caucasians and Asians. We subsequently conducted a phase 2 study in patients with AML demonstrating that ASLAN003 was well-tolerated in this population.

### Mechanism of Action

Rapidly proliferating cells require increased levels of adenosine triphosphate (ATP) and pyrimidines for growth and replication. ASLAN003 is an inhibitor of DHODH, which is the enzyme controlling the conversion of dihydroorotate (DHO) to orotate, the rate limiting step in the *de novo* synthesis of uridine monophosphate (UMP) which is a pyrimidine precursor. Pyrimidines are nucleotides and are essential building blocks for the production of deoxyribonucleic acid (DNA) and ribonucleic acid (RNA) in mammalian cells. DHODH is located in the mitochondria and during manufacture of nucleotides it also contributes to the production of ATP. Inhibition of DHODH depletes the intracellular pool of pyrimidines and contributes to lower levels of ATP, which inhibits the cells ability to replicate. Importantly, normally

functioning, non-proliferating cells can utilize salvage pathways to obtain ATP and pyrimidines, so the effects of DHODH inhibition are expected to selectively affect only the types of rapidly proliferating cells implicated in disease.



This broad mechanism may have utility in several distinct therapeutic areas. In T-cell mediated inflammatory autoimmune diseases such as rheumatoid arthritis and multiple sclerosis, inhibition of DHODH to arrest the proliferation of autoreactive lymphocytes is a well-established treatment strategy.

#### Advantages

We believe that ASLAN003 has the potential to be a best-in-class DHODH inhibitor in autoimmune disease due to the following competitive advantages:

- **Potent inhibition of DHODH.** The binding affinity of ASLAN003 to DHODH is up to two orders of magnitude stronger than first generation DHODH inhibitors, such as *leflunomide* and *teriflunomide*, and other clinical stage compounds.
- **Addresses the toxicities associated with first generation inhibitors.** Existing DHODH inhibitors, such as *leflunomide* and *teriflunomide*, are associated with significant off-target toxicities and carry black box warnings for hepatotoxicity and reproductive toxicity. ASLAN003 has been found to be well tolerated in phase 1 and phase 2 studies. In work undertaken by Liverpool University, a world leading center for hepatotoxicity, scientists evaluated the hepatotoxic potential of a panel of six DHODH inhibitors in two hepatic in vitro models. In one model, ASLAN003 was shown to be the least toxic compound tested despite being one of the most potent DHODH inhibitors, while *teriflunomide* and *leflunomide* were equally the most toxic compounds tested.
- **Highly favorable pharmacokinetic (PK) profile.** Both *leflunomide* and *teriflunomide* take between three and four weeks to build to therapeutic levels and two years to clear completely after dosing is stopped. In contrast, ASLAN003 reaches full exposure in 24 hours with a half-life of 18 hours allowing rapid clearance following cessation of treatment. ASLAN003 shows a linear, dose-proportional PK profile and allows for once-daily, oral dosing which is important in ensuring patient compliance.

## Market Opportunity

The autoimmune diseases market is large and continues to grow, with indications such as psoriasis and inflammatory bowel disease affecting as many as 2% and 1% of the United States population, respectively. In 2017 the global autoimmune disease therapeutics market was valued at \$110 billion and is forecast to reach \$153 billion by 2025. Many diseases have similar or related underlying pathogenesis, and some have few or no effective pharmaceutical treatment options. The broad immunomodulatory and anti-inflammatory properties of ASLAN003 may have utility in several different diseases and may offer a safe and convenient treatment option for patients with these diseases. Other than the first generation DHODH inhibitors, *leflunomide* and *teriflunomide*, approved in rheumatoid arthritis and multiple sclerosis respectively, there are no DHODH inhibitors approved for the treatment of autoimmune disease, presenting a compelling opportunity for ASLAN003.

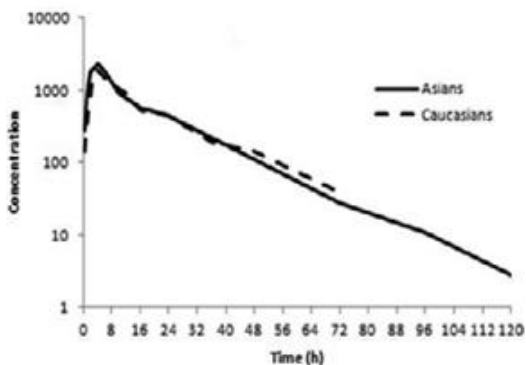
## Preclinical and Clinical Development

We assessed the potency of ASLAN003 using three standard assays: cell free, human primary cell, and human whole blood. The table below shows that ASLAN003 is more potent than *teriflunomide*. The IC50 value is the concentration of the drug required to produce 50% inhibition of response in the assay.

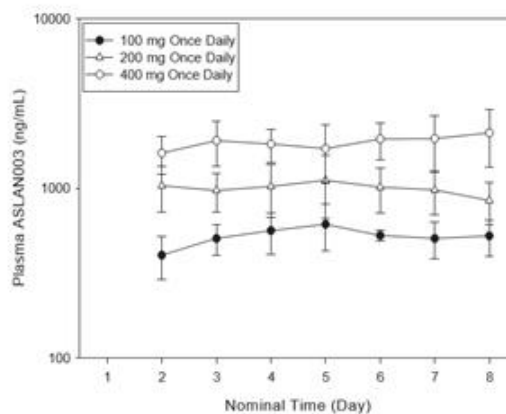
Study	ASLAN003 IC50 (µM)	<i>Teriflunomide</i> IC50 (µM)
Enzymatic DHODH inhibition	0.035	1.1
Human PBMC proliferation inhibition	1.4	46
IFNγ inhibition in human whole blood	2.5	259

Our Phase 1 single and multiple ascending dose clinical trials of ASLAN003, which were conducted with 95 healthy subjects, demonstrated dose proportional pharmacokinetics and no accumulation in the body. After a single 100 mg oral dose of ASLAN003, the plasma levels of the drug in Caucasians and Asians were highly similar and demonstrated stable drug levels in plasma at multiple doses. ASLAN003 also reached steady state after the second day of dosing and did not accumulate in the body.

Single Dose

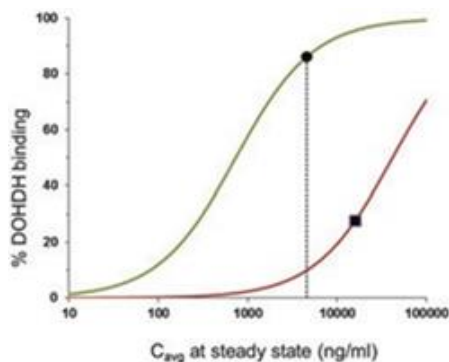


Multiple Dose



We predict the exposure of ASLAN003 to result in approximately 90% inhibition of DHODH, with 400mg taken once daily, in comparison to the maximum dose of *teriflunomide*, which leads to only 30% inhibition, as shown in the graph below:

DHODH Binding with ASLAN003 Compared to Teriflunomide



Discovery Pipeline

Joint Venture to Develop Novel Pre-clinical AhR Antagonists

In September 2019, we announced that we had established a new joint venture with Bukwang to develop preclinical AhR antagonists from our early stage pipeline. The joint venture, JAGUAHR Therapeutics Pte. Ltd. (JAGUAHR), will focus on developing new immuno-oncology therapeutics for global markets targeting the AhR pathway.

AhR is a druggable transcription factor that acts as a master regulator of the immune system. The enzymes IDO1, IDO2 and TDO are frequently overexpressed in numerous tumor types and convert tryptophan into kynurenine (KYN) in the tumor microenvironment. KYN is then actively transported into dendritic cells and effector T-cells that are mobilized to detect and kill tumor cells. KYN signaling via

AhR in these cell types converts them into regulatory T-cells, suppressing the immune system and preventing it from attacking tumor cells. Research has demonstrated that the unique advantages of AhR antagonists include broadly inhibiting the signaling of all AhR ligands produced by any enzyme that metabolizes tryptophan, and robust activation of the immune response to kill cancer cells.

Pursuant to the terms of the joint venture agreement (JV Agreement), we transferred the global rights to all of the assets related to AhR technology, originally discovered and developed by ASLAN and its collaborators, into JAGUAHR. Subject to the fulfilment of certain conditions, Bukwang agreed to invest \$5.0 million in JAGUAHR in two tranches to fund the development of the assets, identify a lead development compound and file an Investigational New Drug (IND) application. The first tranche of \$2.5 million was received by JAGUAHR from Bukwang in October 2019. Pursuant to an Amendment to the JV Agreement that we entered into in March 2021, the second tranche of \$2.5 million will be payable to JAGUAHR upon the joint steering committee of JAGUAHR approving an amended research plan setting out a reasonable timeline and budget to complete the additional research required to enable a candidate drug to be nominated. Of this second tranche, \$700,000 may be utilized by JAGUAHR upon receipt, while the balance of \$1.8 million will be held unspent in JAGUAHR's bank account until the board has approved a candidate drug nominated by the joint steering committee, after which it may be released for use by JAGUAHR. Upon receipt of the second tranche of \$2.5 million from Bukwang our ownership is expected to be diluted from a majority 55% to minority 35%. Until the IND application is filed, we retain the rights to buy back the assets related to AhR technology at a price equal to three times the amount invested by Bukwang. We expect that the IND will be filed in 2022 and that the joint venture will be fully funded by the investment from Bukwang.

## **Competition**

Our industry is intensely competitive and subject to rapid and significant technological change. While we believe that our knowledge, experience and scientific resources provide us with competitive advantages, we face substantial competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. Many of our competitors have significantly greater financial, technical and human resources. Small and early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. As a result, our competitors may discover, develop, license or commercialize products before or more successfully than we do.

We face competition with respect to our current product candidates, and will face competition with respect to future product candidates, from segments of the pharmaceutical, biotechnology and other related sectors, as well as from academic institutions.

The acquisition or licensing of pharmaceutical products is also very competitive. If we seek to acquire or license products, we will face substantial competition from a number of more established companies, some of which have acknowledged strategies to license or acquire products and many of which are bigger than us and have more institutional experience and greater cash flows than we have. These more established companies may have competitive advantages over us, as may other emerging companies taking similar or different approaches to product licenses or acquisitions. In addition, a number of established research-based pharmaceutical and biotechnology companies may acquire products in late stages of development to augment their internal product lines, which may provide those companies with an even greater competitive advantage.

If our product candidates are approved, they may compete with currently marketed drugs and therapies used for treatment of the same indications, and potentially with drug candidates currently in development. The key competitive factors affecting the success of any approved product include its efficacy, safety profile, price, method of administration and level of promotional activity.

#### **ASLAN004**

- We are not aware of any other drugs targeting IL-13R $\alpha$ 1 and we believe our intellectual property which includes our licensing agreement with CSL would preclude such development.
- *Dupilumab* from Sanofi S.A. and Regeneron Pharmaceuticals, Inc. is approved to treat moderate-to-severe atopic dermatitis, moderate-to-severe asthma and chronic rhinosinusitis with nasal polyposis.
- There are several IL-13 selective inhibitors in development, including *lebrikizumab* being developed by Dermira, Inc./Eli Lilly, and *tralokinumab* being developed by Leo Pharma A/S. Both of these drugs have recently failed in Phase 3 clinical trials in asthma, however they may be successful in other indications, such as atopic dermatitis.

#### **ASLAN003**

- *Teriflunomide* and *leflunomide* from Sanofi S.A. are DHODH inhibitors approved for the treatment of multiple sclerosis and rheumatoid arthritis respectively.
- *Vidofludimus* being developed by Immunic, Inc and PP-001 being developed by Panoptes Pharma Ges.m.b.H./EyeGate Pharmaceuticals, Inc. are DHODH inhibitors currently in clinical development for various autoimmune diseases, with *vidofludimus* also being developed for COVID-19.
- Other DHODH inhibitors in clinical development include AG-636 developed by Agios Pharmaceuticals, Inc. and PTC299 developed by PTC Therapeutics, Inc, which are in clinical trials for haematological cancer, with PTC299 also being developed for COVID-19.

#### **Manufacturing**

All of our clinical supplies are manufactured in accordance with current good manufacturing practices (cGMP) using high quality contract manufacturing organizations, and we plan to continue to rely on contract manufacturing organizations for our production needs for the foreseeable future. We do not have internal manufacturing capabilities for small molecules or biological drugs and we do not intend to build or acquire infrastructure for manufacturing our product candidates for clinical or commercial supply.

#### **License and Collaboration Agreements**

##### ***License Agreement with CSL***

On May 12, 2014, we entered into a license agreement with CSL, which was subsequently amended and restated on May 31, 2019, pursuant to which we obtained an exclusive, worldwide license to certain intellectual property owned or licensed by CSL, including patents and know-how, to develop, manufacture for clinical trials and commercialize ASLAN004 for the treatment, diagnosis or prevention of diseases or conditions in humans. Our development under such agreement is currently focused on the treatment of respiratory and inflammatory conditions, and in particular, atopic dermatitis.

Under the amended agreement, we are generally obligated to use diligent efforts to develop ASLAN004 products in accordance with the development plan, to obtain marketing approvals for ASLAN004 products worldwide and to commercialize ASLAN004 products, either by ourselves or through sublicensees. In consideration of the rights granted to us under the amended agreement, we will make a first payment of \$30 million to CSL upon commencement of a Phase 3 clinical trial of ASLAN004. We will also be required to pay up to an aggregate of \$95 million to CSL if certain regulatory milestones are achieved, up to an aggregate of \$655 million if certain sales milestones are achieved and tiered royalties on net sales of ASLAN004 products ranging between a mid-single digit percentage and 10%. We are also responsible for all payments to third-party licensors to CSL, to the extent such obligations relate to our exploitation of the rights licensed under CSL's agreement with those parties and sublicensed to us under the amended agreement.

The amended agreement continues, unless terminated earlier in accordance with its terms, until the last to occur, in the relevant country, on a country-by-country and product-by-product basis, of: (a) expiry of the last valid CSL patent covering such product in such country, (b) 12 years from first commercial sale of such product in such country or (c) lapse of data or market exclusivity for such product in such country.

In addition to certain other customary termination bases, either party may terminate the amended agreement (i) in the event of the other party's material breach of the agreement that remains uncured for a specified period of time, (ii) under certain circumstances related to the safety of ASLAN004 or (iii) if the other party becomes insolvent. In addition, we may terminate the agreement under certain circumstances related to the development and commercialization of ASLAN004.

If the agreement is terminated in certain circumstances and CSL subsequently commercializes ASLAN004 products or grants third-party rights to commercialize ASLAN004 products, then CSL will pay us royalties on the net sales of ASLAN004 products or share a low double digit percentage of license revenue with us (whichever is applicable). To the extent that CSL is required to pay us royalties following the termination of the agreement, such royalties will range from a mid-single digit percentage to mid-double digit percentage of net sales of ASLAN004 products, depending on the cause of termination and the stage of development of the ASLAN004 products at the time of termination.

### ***Development and License Agreement with Almirall***

On May 16, 2012, we entered into a development and license agreement with Almirall, pursuant to which we obtained an exclusive, worldwide license to certain patents, know-how and other intellectual property controlled by Almirall to a DHODH inhibitor, LAS186323, which we refer to as ASLAN003. The licensed field covered by this agreement was limited to the treatment or prevention of rheumatoid arthritis, excluding any topical formulation.

On December 21, 2015, we entered into an amended development and license agreement with Almirall which replaced the previous agreement, further amended by an amendment agreement entered into on March 16, 2018. Under the agreement as so amended, we obtained from Almirall an expanded exclusive, worldwide license to develop, manufacture and commercialize ASLAN003 products for all human diseases, excluding topically-administered products embodying the compound for keratinocyte hyperproliferative disorders, and the non-melanoma skin cancers basal cell carcinoma, squamous cell carcinomas and Gorlin Syndrome (collectively, the KHD/NMSC products). We generally have the right to sublicense our rights under the agreement. If Almirall wishes to use a third party to develop KHD/NMSC products, we have a right of first negotiation to obtain a license from Almirall to carry out those developments.

Under the amended agreement, we are generally obligated to use commercially reasonable efforts to develop ASLAN003 products in accordance with the development plan, and to commercialize ASLAN003 products, either by ourselves or through sublicensees. We agreed not to develop or commercialize any competing product that has the same mechanism of action as ASLAN003 while the intellectual property licensed from Almirall remains in force or for ten years after the launch of ASLAN003 products on a country-by-country basis, whichever is longer. In addition, we granted to Almirall the right to use certain developed know-how for Almirall's internal and commercial programs for KHD/NMSC products, and Almirall granted us the right to use certain know-how developed by or on behalf of Almirall in the course of its programs for KHD/NMSC products in the field licensed to ASLAN.

In consideration of the rights granted to us under the amended agreement, we will be required to pay an aggregate of up to \$30 million if certain development milestones are achieved and an aggregate of up to \$50 million if certain regulatory milestones are achieved, in each case across different indications. If we commercialize any ASLAN003 products, we will be required to pay Almirall tiered royalties in the mid single-digit range on net sales of ASLAN003 products, subject to adjustments in certain circumstances. In the event we sublicense any of our rights under the agreement relating to the ASLAN003 technology, we will be obligated to pay Almirall 10% of sublicensee income we may receive under such sublicenses.

Unless earlier terminated, the amended agreement continues indefinitely. Either party may terminate the agreement (i) in the event of the other party's material breach of the agreement that remains uncured for a specified period of time, (ii) if significant safety issues arise which make development or commercialization of the product unlawful or in violation of standard industry practices, (iii) if the other party becomes insolvent or (iv) if the continuation of the agreement is no longer commercially viable, as proven by us based on supporting objective data reasonably acceptable to Almirall and us. Almirall may terminate the agreement (i) if we fail to provide evidence of having used commercially reasonable efforts to pursue development or commercialization, (ii) if we challenge or assist third parties in challenging any intellectual property rights licensed from Almirall under the amended agreement, (iii) if there is a general withdrawal or recall of ASLAN003 products from any country, on a product-by-product and/or country-by-country basis or (iv) upon a change of control of ASLAN if such change of control could reasonably be expected to lead to an impairment to Almirall, subject to certain conditions. Under the agreement, an impairment in connection with a change of control will only be deemed to occur if Almirall can demonstrate that (i) a competitor of Almirall will control us, (ii) the commercial value of ASLAN003 products may be damaged, (iii) the commercial value of Almirall's KHD/NMSC products may be adversely affected, (iv) Almirall's reputation or the reputation of any of Almirall's products or compounds in the marketplace may be damaged and/or (v) the party that will control us lacks the resources to maximize commercial sales of ASLAN003 products.

#### ***License Agreement with Array***

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

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



In consideration of the rights granted to us under the agreement, we made an initial upfront payment to Array of \$12 million in January 2018 and an additional upfront payment of \$11 million in June 2018, respectively. In addition, we will be required to pay up to \$30 million if certain development milestones are achieved, \$20 million if certain regulatory milestones are achieved, and up to \$55 million if certain commercial milestones are achieved. We are also required to pay Array tiered royalties in the low tens on net sales of *varlitinib*. Our royalty obligations will continue on a country-by-country basis through the later of the expiration of the last valid patent claim for *varlitinib* or ten years after the first commercial sale of *varlitinib* in a given country.

In the event that the base royalty under a sublicense agreement is 20% or less, we will only be required to share with Array one-half of the amount actually received by us under such sublicense agreement in lieu of the tiered royalties described above, provided that the royalty paid in such case shall in no event be less than a royalty in the high single digit range. Unless earlier terminated, the agreement will continue on a country-by-country basis until the expiration of the respective royalty obligations in such country. Upon such expiration in such country, Array will grant to us a perpetual, royalty-free, non-terminable, non-revocable, non-exclusive license to exploit certain know-how in connection with the development, manufacturing and/or commercialization of *varlitinib* for all human and animal therapeutic, diagnostic and prophylactic uses in such country. Either party may terminate the agreement (i) in the event of the other party's material breach of the agreement that remains uncured for a specified period of time or (ii) the insolvency of the other party. We may also terminate the agreement without cause at any time upon 180 days advance notice to Array.

### ***Collaboration and License Agreements with BioGenetics***

#### *License of ASLAN003 for South Korea*

On March 11, 2019, we entered into a collaboration and license agreement with BioGenetics, pursuant to which we granted BioGenetics the exclusive right under certain of our intellectual property and intellectual property that we have licensed from Almirall, to commercialize, and if agreed, manufacture, ASLAN003 for the treatment of all indications in South Korea, excluding topically administered products for the treatment of keratinocyte hyperproliferative disorders and certain non-melanoma skin cancers. Under the agreement, BioGenetics will be responsible for obtaining initial and all subsequent regulatory approvals of ASLAN003 in South Korea, and we are obligated to use commercially reasonable efforts to provide information and cooperation as needed for these regulatory approvals. We may provide clinical drug supplies to BioGenetics required for regulatory filings and for commercialization of products, pursuant to a separate manufacturing and supply agreement to be agreed between the parties.

In consideration of the rights granted to BioGenetics under the agreement, we received an upfront payment of \$1.0 million from BioGenetics and are eligible to receive up to \$8.0 million in certain one-time sales and development milestones, the thresholds for payment of such sales milestones being the aggregate of sales of *varlitinib* under the license summarized above and sales of ASLAN003 products. We are also eligible to receive tiered double-digit royalties on the aggregate net sales of ASLAN003 products, ranging from a percentage in the mid-teens up to a percentage within the mid-twenties. BioGenetics is obligated to pay such royalties on a product-by-product basis until the expiration of the license period described below. BioGenetics agreed to contribute a low single-digit percentage of certain clinical trial costs we incur in the clinical development of ASLAN003 products for the treatment of acute myeloid leukemia.

Under the agreement, we reserve the right to revoke the rights granted to BioGenetics under this agreement at any time until the date of a certain regulatory milestone. If we exercise our right to revoke the rights granted to BioGenetics, we will be obligated to pay BioGenetics a sum of (i) a low single-digit multiple of certain sums paid by BioGenetics under this license agreement and, if we have agreed upon an international licensing deal for ASLAN003, (ii) a low single-digit percentage of the upfront payment, royalties and sales milestones received by us in any such deal.

During the license period and for one year thereafter, neither BioGenetics, nor any of its affiliates, will participate in or fund, directly or indirectly, the development, manufacture or commercialization of a product which competes with ASLAN003. The license period commences on the effective date of the agreement and, unless terminated earlier pursuant to the terms of the agreement, expires on the tenth anniversary of first commercial sale, subject to an automatic renewal for a further year, which may be cancelled upon either party's notice. Either party may terminate the agreement in the event of an uncured material breach by, or insolvency of, the other party, or in the event of a material safety risk associated with the product. On any termination of the agreement, the license granted to BioGenetics will terminate, subject to certain transitional provisions.

#### *License of varlitinib for South Korea*

On February 27, 2019, we entered into a collaboration and license agreement with BioGenetics pursuant to which we granted BioGenetics the exclusive right under certain of our intellectual property that we have licensed from Array to commercialize, and if agreed, manufacture, *varlitinib* for the diagnosis and treatment of all indications in South Korea. Under the agreement, BioGenetics will be responsible for obtaining initial and all subsequent regulatory approvals of *varlitinib* in South Korea. In addition to certain other obligations, we are obligated to use commercially reasonable efforts to provide information and cooperation as needed for these regulatory approvals. We may provide clinical drug supplies to BioGenetics required for regulatory filings and for commercialization of products, pursuant to a separate manufacturing and supply agreement to be agreed between the parties.

In consideration of the rights granted to BioGenetics under the agreement, we received an upfront payment of \$2 million from BioGenetics and are eligible to receive up to \$11 million in certain one-time sales and development milestones, where the thresholds for payment of such sales milestones depend on the aggregate of net sales of *varlitinib* and ASLAN003 products under our agreements with BioGenetics. We are also eligible to receive tiered double-digit royalties on net sales of *varlitinib* products ranging from a percentage in the mid-teens up to a percentage within the mid-twenties. BioGenetics is obligated to pay such royalties on a product-by-product basis until the expiration of the license period described below.

During the license period and for one year thereafter, it was agreed that neither BioGenetics, nor any of its affiliates, will participate in or fund, directly or indirectly, the development, manufacture or commercialization of a product which competes with *varlitinib*. The license period commences on the effective date of the agreement and, unless terminated earlier pursuant to the terms of the agreement, expires on the tenth anniversary of first commercial sale, subject to an automatic renewal for a further year, which may be cancelled upon either party's notice. Either party may terminate the agreement in the event of an uncured material breach by, or insolvency of, the other party, or in the event of a material safety risk associated with the product. On any termination of the agreement, the license granted to BioGenetics will terminate, subject to certain transitional provisions.

## ***Intellectual Property***

### ***Patents***

Our commercial success depends in part on our ability to identify, obtain and seek protection for our products, drug candidates and our core technologies employing a combination of patent rights, trade secrets, confidentiality agreements and contractual obligations, and to operate without infringing, misappropriating or otherwise violating the proprietary rights of third parties. It is also important we prevent others from infringing, misappropriating or otherwise violating our proprietary or intellectual property rights.

Our intellectual property strategy is, where appropriate, to file new patent applications on inventions, including improvements to existing products/candidates and processes to improve our competitive edge or to improve business opportunities. We continually assess and refine our intellectual property strategy to endeavor to ensure it is fit for purpose.

Our strategy requires us to license assets from third parties with suitable protection and to identify and seek patent protection for our inventions, when possible. This process is expensive and time consuming and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost, in a timely manner or in all jurisdictions where protection may be commercially advantageous, or we may financially not be able to protect our proprietary rights at all. Despite our efforts to protect our proprietary rights, unauthorized parties may be able to obtain and use information we regard as proprietary. Generally, many therapeutic indications currently being pursued have a focus in Asia markets. Where possible, we seek to file in at least major commercial jurisdictions relevant to the product or technology, however, this is assessed on a case by case basis.

Licensing assets from third parties involves technical and scientific due diligence to assess the opportunity, the strength of the intellectual property protection for the asset and the ability to commercialize the asset. This due diligence is usually conducted over a relatively short period of time. It can be difficult to identify all the issues relevant to the assessment. Failure to identify all the relevant issues can impact negatively on the value of the asset.

The issuance of a patent does not ensure that it is valid or enforceable. Therefore, even if we are issued a patent, it may not be valid or enforceable against third parties. Issued patents may be challenged, narrowed, invalidated or circumvented. In addition, court decisions may introduce uncertainty in the enforceability or scope of patents owned by pharmaceutical and biotechnology companies. Thus, any of our patents, including patents that we may rely on to protect our market for approved drugs, may be held invalid or unenforceable by a court of final jurisdiction.

Because patent applications in the United States, Europe and many other jurisdictions are typically not published until 18 months after filing, and because publications of discoveries in scientific literature lag behind actual discoveries, we cannot be certain that we were the first to make the inventions claimed in our issued patents or pending patent applications, or that we were the first to file for protection of the inventions set forth in our patents or patent applications. As a result, we may not be able to obtain or maintain protection for certain inventions. Therefore, the enforceability and scope of our patents in the United States, Europe and in many other jurisdictions cannot be predicted with certainty and, as a result, any patents that we own or license may not provide sufficient protection against competitors. We may not be able to obtain or maintain patent protection from our pending patent applications, from those we may file in the future, or from those we may license from third parties. Moreover, even if we are able to obtain patent protection, such patent protection may be of insufficient scope to achieve our business objectives.

In addition, the issuance of a patent does not give us the right to practice the patented invention. Third parties may have blocking patents that prevent marketing of our products or working our own technology. We endeavor to identify early third party patents and patent applications which may be blocking to a product or technology, to minimize this risk. However, relevant documents may be overlooked or missed, which may in turn impact on the freedom to commercialize the relevant asset.

The term of a patent depends upon the laws of the country in which it is issued. In most jurisdictions, including the United States, Europe, China and Japan, the basic patent term is 20 years from the earliest filing date of a non-provisional patent application. In the United States, Europe and Japan, patents relating to inventions are effective for 20 years, subject to the payment of renewal fees. Some jurisdictions, such as the United States, Europe and Japan provide for up to an additional five years patent term extension for therapeutics products that require marketing approval. The requirements for this supplementary protection are set by the relevant authorities in the given jurisdiction. Products approved before the expiry of the basic patent term may benefit from such a patent term extension. It is our strategy to apply for such supplementary protection, where possible.

In addition to patent protection, statutory provisions in the United States, Europe and other countries may provide a period of clinical data exclusivity which may be followed by an additional period of market exclusivity to compensate for the time required for regulatory approval of our drug products. Once the relevant criteria are satisfied, the protection applies automatically. The length of protection depends on the jurisdiction and may also depend on the type of therapy.

Third parties may seek to market “similar” versions of our approved products. Alternatively, third parties may seek approval to market their own products, similar or otherwise, competitive with our products. We may not be able to block the commercialization of these products, which may erode our commercial position in the marketplace.

If disputes over intellectual property and other rights that we have licensed or co-own prevent or impair our ability to maintain our current licensing or exclusivity arrangements on acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates. In addition, under certain of our collaboration agreements, our licensors may retain the right to grant non-exclusive licenses to the licensed patents and technology to other academic or research institutions for non-commercial research purposes.

Certain provisions in the agreements under which we currently license intellectual property or technology to and from third parties may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, increase what we believe to be our financial or other obligations under the relevant agreement or decrease the third party’s financial or other obligations under the relevant agreement, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

#### *ASLAN004*

On May 12, 2014, we entered into a license agreement with CSL, which was subsequently amended and restated on May 31, 2019, pursuant to which we obtained an exclusive, worldwide license to certain patents, know-how and other intellectual property owned or controlled by CSL related to CSL’s anti-IL13 receptor monoclonal antibody, CSL334, which we refer to as ASLAN004, and antigen binding fragments thereof, to develop, manufacture for clinical trials and commercialize ASLAN004 for the treatment, diagnosis or prevention of diseases or conditions in humans. Our development under such agreement is currently focused on the treatment of respiratory and inflammatory conditions, and in particular, atopic dermatitis.

With respect to ASLAN004, we exclusively licensed from CSL a family of patents which includes species (specific sequence) composition of matter patents, derived from WO2008/060813, filed October 19, 2007.

As of March 26, 2021, this family of patents included five issued patents in the United States and issued patents in a number of foreign countries and jurisdictions, including Australia, Canada, China, Europe, Hong Kong, India, and Japan. The scope of the claims may differ in the various countries. The issued patents in this family are expected to expire in October 2027, subject to the payment of renewal fees, excluding any additional term for patent term adjustments or patent term extensions.

#### *Owned by Us*

We are co-applicants together with CSL on a number of pending patents mostly relating to medical uses or combination therapies. These include the following pending patent applications:

- WO2019/004943 filed June 29, 2018 relates to use of ASLAN004 in the treatment of cutaneous T cell lymphoma, in particular mycosis fungoides and/or Sézary syndrome. As of March 26, 2021, this family of patents includes patent applications filed in China, Europe, Japan and the United States. The normal expiry of these patents is 2038, subject to the payment of renewal fees.
- WO2020/197502 filed March 26, 2020 relates to use of ASLAN004 in a dosing regimen. As of March 26, 2021, this application is currently being processed under the Patent Cooperation Treaty. The normal expiry of patents granted under this application is 2040, subject to the payment of renewal fees.
- A derivative of WO2020/197502 filed in the United States only on February 26, 2021, relates to a formulation of ASLAN004. As of March 26, 2021, this application is currently being examined in the USPTO. The normal expiry of this patent is 2041, subject to the payment of renewal fees.

These cases are at an early stage and it is unclear what claims may be granted, if any.

Pursuant to the amended and restated license agreement with CSL entered into on May 31, 2019, any patents on intellectual property newly developed prior to the completion of the SAD study are to be in the joint names of ASLAN and CSL. Any patents on intellectual property newly developed after the completion of the SAD study are to be in the sole name of ASLAN. There are two unpublished Singaporean priority patent applications in the sole name of ASLAN filed in Singapore in March 2021 relating to use of ASLAN004 in treatment. The deadline for completing these cases is March 1, 2022. If progressed and granted, these cases will have a normal expiry of 2042, subject to the payment of renewal fees. These cases are at an early stage and it is not clear what claims may be granted, if any.

#### *ASLAN003*

##### *Licensed from Ammirall*

On May 16, 2012, we entered into a development and license agreement with Ammirall, pursuant to which we obtained an exclusive, worldwide license to certain patents, know-how and other intellectual property controlled by Ammirall to a DHODH inhibitor, LAS186323, which we refer to as ASLAN003. On December 21, 2015, we entered into an amended development and license agreement with Ammirall which replaced the previous agreement. This was further amended by an amendment agreement entered into on March 16, 2018. Under the amended agreement as so amended, we obtained from Ammirall an expanded exclusive, worldwide license to develop, manufacture and commercialize ASLAN003 products for all human diseases with primary focus on oncology diseases, excluding topically-administered products embodying the compound for keratinocyte hyperproliferative disorders, and the non-melanoma skin cancers basal cell carcinoma, squamous cell carcinomas and Gorlin Syndrome.

The basic compound protection for ASLAN003 is provided by the composition of matter family of patents derived from WO2008/077639 filed December 21, 2007. As of March 26, 2021, this family of patents included patents issued in Argentina, Australia, Bolivia, Canada, China, Chile, Columbia, Europe, Hong Kong, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Nigeria, Norway, Peru, Philippines, Russia, Singapore, South Africa, South Korea, Taiwan, Ukraine, Uruguay, the United States (two patents) and Vietnam, and an allowed patent application in Ecuador. In addition, as of March 26, 2021, this family of patents included patent applications filed in Brazil, Egypt, Pakistan, Thailand, and Venezuela. The scope of the claims may differ in different countries. The normal expiration of this family of patents is December 2027, subject to the payment of renewal fees.

#### *Owned by Us*

We are the applicant on a number of pending patents mostly relating to medical uses or combination therapies. These include the following pending patent applications:

- WO2018/160138 filed March 1, 2018 relates to use of ASLAN003 in treatment of hematological cancers. As of March 26, 2021, this family of patents includes patent applications filed in China, Europe, Japan, and the United States. The normal expiration of this family of patents is Mar 2038, subject to the payment of renewal fees.

We also own two unpublished Singapore priority patent applications filed in August 2020 and October 2020 relating to the use of ASLAN003 in treatment. The deadline for completing these applications is August 31, 2021 and October 15, 2021 respectively. If progressed and granted, these cases will have a normal expiry of August 2041 and October 2041, subject to payment of renewal fees.

These cases are at an early stage and it is unclear what claims may be granted, if any.

#### *Varlitinib*

##### *Licensed from Array*

On July 12, 2011, we entered into a collaboration and license agreement with Array, relating to Array's pan-HER inhibitor, ARRY-334543, which we refer to as ASLAN001 (*varlitinib*), pursuant to which we obtained an exclusive, worldwide license to develop products incorporating *varlitinib* as an active ingredient for the treatment or prevention of any diseases or conditions in humans, pursuant to an agreed development plan, and an exclusive, worldwide license to pursue a commercial licensing program in relation to such products. On January 3, 2018, we entered into a new license agreement with Array, which replaces and supersedes our previous collaboration and license agreement, pursuant to which we obtained an exclusive, worldwide license to develop, manufacture and commercialize *varlitinib* for all human and animal therapeutic, diagnostic and prophylactic uses.

The basic protection for *varlitinib* is provided by a family of composition of matter patents. These patents disclose a genus and also explicitly discloses *varlitinib* (example number 52 in WO2005/016346).

As of March 26, 2021, this family of patents included patents issued in the United States (four patents, some relating to intermediates and processes), Australia, Brazil, Canada, China (at least three patents), Chile, Colombia, Europe, Hong Kong, Indonesia, India, Iceland, Israel, Japan, South Korea, Macau, Mexico, Norway, New Zealand, Philippines, Russia, Singapore, Ukraine, South Africa, and Taiwan. In addition, as of March 26, 2021, this family of patents included patent applications filed in Egypt and Venezuela. The scope of the claims may differ in the various countries. The normal expiration of this family of patents is August 2024, subject to the payment of renewal fees.

The first patent application filed in China was not granted based on a technicality of Chinese practice. Subsequently filed divisional patent applications were granted. If the validity of one or more of the

granted divisional patents is challenged then one or more of these patents may ultimately be considered invalid. In China typically branded medicines may still grow their market share, even after patent expiration. This trend along with subsequently filed patent applications and the Chinese market exclusivity provisions may minimize the impact of negative decisions that may be received in respect of one or more of the divisional patents.

Protection for the synthetic process of making *varlitinib* and a key intermediate in that process may be provided from the family of patents derived from WO2007/059257, filed November 15, 2006. As of March 26, 2021, this family of patents includes issued patents in Australia, Canada, China, Colombia, Europe, Hong Kong, Iceland, India, Israel, Japan, South Korea, Mexico, Norway, Philippines, Russia, Singapore, South Africa, Ukraine and the United States. In addition, as of March 26, 2021, this family of patents includes a patent application filed in Brazil. The scope of the claims may differ in the various countries. The normal expiration of this family of patents is November 2026.

#### *Owned by Us*

We are the applicant on a number of pending patents mostly relating to medical uses or combination therapies. These include the following:

- WO2017/037298 filed September 5, 2016 which relates to use of *varlitinib* in sensitizing a patient to chemotherapy. As of March 26, 2021, this family of patents includes two issued patents in the United States, an allowed application filed in Europe and patent applications filed in China, Japan and South Korea;
- WO2017/037300 filed September 5, 2016 relates to use of *varlitinib* in treatment of resistant cancers. As of March 26, 2021, this family of patents includes a patent in Europe and the United States.

Normal expiration of these patents, if granted, is 2036 subject to the payment of renewal fees. It is not clear what claims may be granted, if any, since most of these cases are at an early stage.

There is also a published PCT application WO2020/076239 filed on October 9, 2019 which relates to a salt of *varlitinib*. The normal expiration of this patent, if granted, is October 2039, subject to payment of renewal fees.

It is not clear what claims may be granted, if any, when the cases are progressed in the national and regional phase.

#### **Trade Secrets**

In addition to patents, we rely upon unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our competitive position. However, trade secrets and know-how can be difficult to protect. We seek to protect our proprietary information, in part, by executing confidentiality agreements with our partners, collaborators, scientific advisors, employees, consultants and other third parties, and invention assignment agreements which are included in the engagement and employment contracts we have with our consultants and employees. The confidentiality agreements we enter into are designed to protect our proprietary information and the agreements or clauses requiring assignment of inventions to us are designed to grant us ownership of technologies that are developed through our relationship with the respective counterparty. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary technology and processes or that these agreements will afford us adequate protection of our intellectual property and proprietary information rights. If any of the partners, collaborators, scientific advisors, employees and consultants who are parties to these agreements breaches or violates the terms of any of these agreements or otherwise discloses our proprietary information, we may not have adequate remedies

for any such breach or violation, and we could lose our trade secrets as a result. If we are unable to maintain the confidentiality of our trade secrets, our business and competitive position may be harmed.

### ***Trademarks and Domain Names***

We conduct our business using the trademark “ASLAN,” “ASLAN PHARMACEUTICALS” and our lion logo, as well as domain names incorporating either or both of these trademarks. “ASLAN” and our lion logo are the subject of pending trademark applications in Singapore. “ASLAN PHARMACEUTICALS” has been registered in Singapore. We have a portfolio of 16 domain names, which includes: aslanpharma.com, aslanpharma.com.sg, aslanpharma.com.tw, aslanpharma.asia, aslanpharma.org, and aslanpharma.biz.

### **Government Regulation**

The U.S. FDA and comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements upon the clinical development, manufacture and marketing of pharmaceutical products. These agencies and other federal, state and local entities regulate research and development activities and the testing, manufacture, quality control, safety, effectiveness, labeling, storage, packaging, recordkeeping, tracking, approval, import, export, distribution, advertising and promotion of our products.

#### ***U.S. Government Regulation of Drug and Biologic Products***

In the United States, the U.S. FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act (FFDCA) and biologics such as ASLAN004 additionally under the Public Health Service Act, as well as the implementing regulations for these laws. The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state, local and foreign statutes and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to a variety of administrative or judicial sanctions, such as the U.S. FDA’s refusal to approve pending New Drug Applications (NDAs) or Biologics License Applications (BLAs), withdrawal of an approval, imposition of a clinical hold, issuance of warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties.

The process required by the U.S. FDA before product candidates may be marketed in the United States generally involves the following:

- Nonclinical laboratory and animal tests that must be conducted in accordance with GLP;
- Submission of an IND, which must become effective before clinical trials may begin;
- Approval by an independent institutional review board (IRB) for each clinical site or centrally before each trial may be initiated;
- Adequate and well-controlled human clinical trials to establish the safety and efficacy of the proposed drug product for its intended use or the safety, purity and potency of a biologic for its intended use, performed in accordance with current clinical practices (cGCP);
- Submission to the U.S. FDA of an NDA or BLA and payment of user fees;
- Satisfactory completion of a U.S. FDA advisory committee review, if applicable;
- Pre-Approval inspection of manufacturing facilities for their compliance with cGMP;



- Satisfactory completion of U.S. FDA audits of clinical trial sites to assure compliance with cGCP and the integrity of the clinical data;
- FDA approval of an NDA or BLA to permit commercial marketing for particular indications for use; and
- Compliance with any post-approval requirements, including the potential requirement to implement a Risk Evaluation and Mitigation Strategy (REMS) and the potential requirement to conduct post-approval studies.

The testing and approval process requires substantial time, effort and financial resources. Preclinical studies include laboratory evaluation of drug substance chemistry, pharmacology, toxicity and drug product formulation, as well as animal studies to assess potential safety and efficacy. Prior to commencing the first clinical trial with a product candidate, we must submit the results of the preclinical tests and preclinical literature, together with manufacturing information, analytical data and any available clinical data or literature, among other things, to the U.S. FDA as part of an IND. Some preclinical studies may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the U.S. FDA, unless the U.S. FDA, within the 30-day time period, raises safety concerns or questions about the conduct of the clinical trial by imposing a clinical hold. In such a case, the IND sponsor and the U.S. FDA must resolve any outstanding concerns before the clinical trial can begin. Submission of an IND may not result in U.S. FDA authorization to commence a clinical trial.

Clinical trials involve the administration of the investigational new drug to human subjects under the supervision of qualified investigators in accordance with cGCP requirements. A separate submission to the existing IND must be made for each successive clinical trial conducted during product development, as well as amendments to previously submitted clinical trials. Further, an independent IRB for each study site proposing to conduct the clinical trial must review and approve the plan for any clinical trial, its informed consent form and other communications to study subjects before the clinical trial commences at that site. The IRB must continue to oversee the clinical trial while it is being conducted, including any changes to the study plans.

Regulatory authorities, an IRB or the sponsor may suspend or discontinue a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk, the clinical trial is not being conducted in accordance with the U.S. FDA's or the IRB's requirements, if the drug has been associated with unexpected serious harm to subjects, or based on evolving business objectives or competitive climate. Some studies also include a data safety monitoring board, which receives special access to unblinded data during the clinical trial and may advise us to halt the clinical trial if it determines that there is an unacceptable safety risk for subjects or other grounds, such as no demonstration of efficacy.

In general, for purposes of NDA or BLA approval, human clinical trials are typically conducted in three sequential phases that may overlap.

Phase 1—Studies are initially conducted to test the product candidate for safety, dosage tolerance, structure-activity relationships, mechanism of action, absorption, metabolism, distribution and excretion in healthy volunteers or subjects with the target disease or condition. If possible, Phase 1 trials may also be used to gain an initial indication of product effectiveness.

Phase 2—Controlled studies are conducted with groups of subjects with a specified disease or condition to provide enough data to evaluate the preliminary efficacy, optimal dosages and dosing schedule and expanded evidence of safety. Multiple Phase 2 clinical trials may be conducted to obtain information prior to beginning larger and more expensive Phase 3 clinical trials.

Phase 3—These clinical trials are undertaken in larger subject populations to provide statistically significant evidence of clinical efficacy and to further test for safety in an expanded subject population at multiple clinical trial sites. These clinical trials are intended to establish the overall risk/benefit ratio of the product and provide an adequate basis for product labeling. These trials may be done globally to support global registrations so long as the global sites are also representative of the U.S. population and the conduct of the study at global sites conforms with U.S. FDA regulations and guidance, such as compliance with cGCP.

The U.S. FDA may require, or companies may pursue, additional clinical trials after a product is approved. These so-called Phase 4 studies may be made a condition to be satisfied after approval. The results of Phase 4 studies can confirm the effectiveness of a product candidate and can provide important safety information.

Clinical trials must be conducted under the supervision of qualified investigators in accordance with cGCP requirements, which includes the requirements that all research subjects provide their informed consent in writing for their participation in any clinical trial, and the review and approval of the study by an IRB. Investigators must also provide information to the clinical trial sponsors to allow the sponsors to make specified financial disclosures to the U.S. FDA. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the trial procedures, the parameters to be used in monitoring safety and the efficacy criteria to be evaluated and a statistical analysis plan. Information about some clinical trials, including a description of the trial and trial results, must be submitted within specific timeframes to the National Institutes of Health (NIH) for public dissemination on their ClinicalTrials.gov website.

The manufacture of investigational drugs for the conduct of human clinical trials is subject to cGMP requirements. Investigational drugs and active pharmaceutical ingredients imported into the United States are also subject to regulation by the U.S. FDA relating to their labeling and distribution. Further, the export of investigational drug products outside of the United States is subject to regulatory requirements of the receiving country as well as U.S. export requirements under the FDCA. Progress reports detailing the results of the clinical trials must be submitted at least annually to the U.S. FDA and the IRB and more frequently if serious adverse events occur.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the product candidate as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must develop methods for testing the identity, strength, quality and purity of the final product. Additionally, appropriate packaging must be selected and tested, and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

## *Orphan Drug Designation*

Under the Orphan Drug Act, the U.S. FDA may designate a drug as an orphan drug if it is intended to treat a rare disease or condition (generally meaning that it affects fewer than 200,000 individuals in the United States, or more in cases in which there is no reasonable expectation that the cost of developing and making a drug available in the United States for treatment of the disease or condition will be recovered from sales of the product). Orphan product designation must be requested before submitting an NDA or BLA. After the U.S. FDA grants orphan product designation, the identity of the therapeutic agent and its potential orphan use are disclosed publicly by the U.S. FDA. Orphan product designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process.

If a product with orphan status receives the first U.S. FDA approval for the disease or condition for which it has such designation, the product is entitled to orphan product exclusivity, meaning that the U.S. FDA may not approve any other applications to market the same drug for the same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan exclusivity or if the party holding the exclusivity fails to assure the availability of sufficient quantities of the drug to meet the needs of patients with the disease or condition for which the drug was designated. Competitors, however, may receive approval of different products for the same indication for which the orphan product has exclusivity or obtain approval for the same product but for a different indication for which the orphan product has exclusivity. Orphan medicinal product status in the European Union has similar, but not identical, benefits. For example, the European Union grants ten years of product exclusivity for orphan medicinal products.

## *Special U.S. FDA Expedited Review and Approval Programs*

The U.S. FDA has various programs, including fast track designation, breakthrough therapy designation, accelerated approval, and priority review, which are intended to expedite or simplify the process for the development and U.S. FDA review of drugs that are intended for the treatment of serious or life threatening diseases or conditions and demonstrate the potential to address unmet medical needs. The purpose of these programs is to provide important new drugs to patients earlier than under standard U.S. FDA review procedures.

Under the fast track program, the sponsor of a new drug candidate may request that U.S. FDA designate the drug candidate for a specific indication as a fast track drug concurrent with, or after, the filing of the IND for the drug candidate. To be eligible for a fast track designation, the U.S. FDA must determine, based on the request of a sponsor, that a product is intended to treat a serious or life threatening disease or condition and demonstrates the potential to address an unmet medical need. The U.S. FDA will determine that a product will fill an unmet medical need if it will provide a therapy where none exists or provide a therapy that may be potentially superior to existing therapy based on efficacy or safety factors. Fast track designation provides additional opportunities for interaction with the U.S. FDA's review team and may allow for rolling review of NDA or BLA components before the completed application is submitted, if the sponsor provides a schedule for the submission of the sections of the application, the U.S. FDA agrees to accept sections and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the application. However, U.S. FDA's time period goal for reviewing an application does not begin until the last section of the application is submitted. The U.S. FDA may decide to rescind the fast track designation if it determines that the qualifying criteria no longer apply.

In addition, a sponsor can request breakthrough therapy designation for a drug if it is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Drugs designated as breakthrough therapies are eligible for intensive guidance from U.S. FDA on an efficient drug development program, organizational commitment to the development and review of the product including involvement of senior managers, and, like fast track products, are also eligible for rolling review of the NDA. Both fast track and breakthrough therapy products are also eligible for accelerated approval and/or priority review, if relevant criteria are met.

Under the U.S. FDA's accelerated approval regulations, the U.S. FDA may approve a drug for a serious or life threatening illness that provides meaningful therapeutic benefit to patients over existing treatments based upon a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. A drug candidate approved on this basis is subject to rigorous post marketing compliance requirements, including the completion of Phase 4 or post approval clinical trials to confirm the effect on the clinical endpoint. Failure to conduct required post approval studies, or confirm a clinical benefit during post marketing studies, will allow U.S. FDA to withdraw the drug from the market on an expedited basis. All promotional materials for drug candidates approved under accelerated approval regulations are subject to prior review by U.S. FDA.

Once an NDA or BLA is submitted for a product intended to treat a serious condition, the U.S. FDA may assign a priority review designation if U.S. FDA determines that the product, if approved, would provide a significant improvement in safety or effectiveness. A priority review means that the goal for the U.S. FDA to review an application is six months, rather than the standard review of ten months under current Prescription Drug User Fee Act (PDUFA) guidelines. Under the current PDUFA agreement, these six and ten month review periods are measured from the 60-day filing date rather than the receipt date for applications for new molecular entities, which typically adds approximately two months to the timeline for review from the date of submission. Most products that are eligible for fast track breakthrough therapy designation are also likely to be considered appropriate to receive a priority review.

Even if a product qualifies for one or more of these programs, the U.S. FDA may later decide that the product no longer meets the conditions for qualification or decide that the time period for U.S. FDA review or approval will not be shortened. In addition, the manufacturer of an investigational drug for a serious or life threatening disease is required to make available, such as by posting on its website, its policy on responding to requests for expanded access. Furthermore, fast track designation, breakthrough therapy designation, accelerated approval and priority review do not change the standards for approval and may not ultimately expedite the development or approval process.

Assuming successful completion of the required clinical and preclinical testing, among other items, the results of product development, including chemistry, manufacture and controls, nonclinical studies and clinical trials are submitted to the U.S. FDA, along with proposed labeling, as part of an NDA or BLA. The submission of an NDA or BLA requires payment of a substantial user fee to the U.S. FDA. These user fees must be filed at the time of the first submission of the application, even if the application is being submitted on a rolling basis. Fee waivers or reductions are available in some circumstances. One basis for a waiver of the application user fee is if the applicant employs fewer than 500 employees, including employees of affiliates, the applicant does not have an approved marketing application for a product that has been introduced or delivered for introduction into interstate commerce, and the applicant, including its affiliates, is submitting its first marketing application.

In addition, under the Pediatric Research Equity Act, an NDA or BLA or supplement thereto for a new active ingredient, indication, dosage form, dosage regimen or route of administration must contain data that are adequate to assess the safety and efficacy of the drug for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective.

The U.S. FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults or full or partial waivers from the pediatric data requirements.

The U.S. FDA must refer applications for drugs that contain active ingredients, including any ester or salt of the active ingredients, which have not previously been approved by the U.S. FDA to an advisory committee or provide in an action letter a summary of the reasons for not referring it to an advisory committee. The U.S. FDA may also refer drugs which present difficult questions of safety, purity or potency to an advisory committee. An advisory committee is typically a panel that includes clinicians and other experts who review, evaluate and make a recommendation as to whether the application should be approved and under what conditions. The U.S. FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

The U.S. FDA reviews applications to determine, among other things, whether a product is safe and effective for its intended use and whether the manufacturing controls are adequate to assure and preserve the product's identity, strength, quality and purity. Before approving an NDA or BLA, the U.S. FDA will inspect the facility or facilities where the product is manufactured. The U.S. FDA will not approve an application unless it determines that the manufacturing processes and facilities, including contract manufacturers and subcontracts, are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA or BLA, the U.S. FDA will typically inspect one or more clinical trial sites to assure compliance with cGCP.

Once the U.S. FDA receives an application, it has 60 days to review and determine if it is substantially complete to permit a substantive review, before it accepts the application for filing. Once the submission is accepted for filing, the U.S. FDA begins an in-depth review. The U.S. FDA's review times may differ based on whether the application is a standard review or priority review application. The U.S. FDA may give a priority review designation to drugs that are intended to treat serious conditions and provide significant improvements in the safety or effectiveness of the treatment, diagnosis, or prevention of serious conditions. Under the goals and policies agreed to by the U.S. FDA under the PDUFA, the U.S. FDA has set the review goal of 10 months from the 60-day filing date to complete its initial review of a standard NDA or BLA for a new molecular entity (NME) and make a decision on the application. For non-NME standard applications, the U.S. FDA has set the review goal of 10 months from the submission date to complete its initial review and to make a decision on the application. For priority review applications, the U.S. FDA has set the review goal of reviewing NME NDAs within six months of the 60-day filing date and non-NME applications within six months of the submission date. Such deadlines are referred to as the PDUFA date. The PDUFA date is only a goal and the U.S. FDA does not always meet its PDUFA dates. The review process and the PDUFA date may also be extended if the U.S. FDA requests or the NDA sponsor otherwise provides additional information or clarification regarding the submission.

Once the U.S. FDA's review of the application is complete, the U.S. FDA will issue either a Complete Response Letter (CRL) or approval letter. A CRL indicates that the review cycle of the application is complete and the application is not ready for approval. A CRL generally contains a statement of specific conditions that must be met in order to secure final approval of the NDA or BLA and may require additional clinical or preclinical testing, or other information or analyses in order for the U.S. FDA to reconsider the application. Even with the submission of additional information, the U.S. FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. If and when those conditions have been met to the U.S. FDA's satisfaction, the U.S. FDA may issue an approval letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications. The U.S. FDA may delay or refuse approval of an NDA if applicable regulatory criteria are not satisfied, require additional testing or information and/or require post-marketing testing and surveillance to monitor safety or efficacy of a product, or impose other conditions, including distribution restrictions or other risk management mechanisms. For example, the U.S. FDA may require a REMS as a condition of approval or following approval to mitigate any identified or suspected serious risks and ensure safe use of the drug. The U.S. FDA may prevent or limit further marketing of a product, or impose additional post-marketing requirements, based on the results of post-marketing studies or surveillance programs. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further testing requirements, U.S. FDA notification and U.S. FDA review and approval. Further, should new safety information arise, additional testing, product labeling or U.S. FDA notification may be required.

If regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which such product may be marketed or may include contraindications, warnings or precautions in the product labeling, which has resulted in a Black Box warning. The U.S. FDA also may not approve the inclusion of labeling claims necessary for successful marketing. Once approved, the U.S. FDA may withdraw the product approval if compliance with pre- and post-marketing regulatory standards is not maintained or if problems occur after the product reaches the marketplace. In addition, the U.S. FDA may require Phase 4 post-marketing studies to monitor the effect of approved products, and may limit further marketing of the product based on the results of these post-marketing studies.

## *Post-Approval Requirements*

Any products manufactured or distributed by us pursuant to U.S. FDA approvals are subject to continuing regulation by the U.S. FDA, including manufacturing, periodic reporting, product sampling and distribution, advertising, promotion, drug shortage reporting, compliance with any post-approval requirements imposed as a conditional of approval such as Phase 4 clinical trials, REMS and surveillance, recordkeeping and reporting requirements, including adverse experiences.

After approval, most changes to the approved product, such as adding new indications or other labeling claims are subject to prior U.S. FDA review and approval. There also are continuing, annual user fee requirements for any approved products and the establishments at which such products are manufactured, as well as new application fees for supplemental applications with clinical data. Drug manufacturers and their subcontractors are required to register their establishments with the U.S. FDA and certain state agencies and to list their drug products, and are subject to periodic announced and unannounced inspections by the U.S. FDA and these state agencies for compliance with cGMP and other requirements, which impose procedural and documentation requirements upon us and our third-party manufacturers.

Changes to the manufacturing process are strictly regulated and often require prior U.S. FDA approval before being implemented, or U.S. FDA notification. U.S. FDA regulations also require investigation and correction of any deviations from cGMP and specifications, and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain cGMP compliance.

Later discovery of previously unknown problems with a product, including AEs of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in withdrawal of marketing approval, mandatory revisions to the approved labeling to add new safety information or other limitations, imposition of post-market studies or clinical trials to assess new safety risks, or imposition of distribution or other restrictions under a REMS program, among other consequences.

The U.S. FDA closely regulates the marketing and promotion of drugs. A company can make only those claims relating to safety and efficacy, purity and potency that are approved by the U.S. FDA. Physicians, in their independent professional medical judgement, may prescribe legally available products for uses that are not described in the product's labeling and that differ from those tested by us and approved by the U.S. FDA. We, however, are prohibited from marketing or promoting drugs for uses outside of the approved labeling.

In addition, the distribution of prescription pharmaceutical products, including samples, is subject to the Prescription Drug Marketing Act (PDMA) which regulates the distribution of drugs and drug samples at the federal level, and sets minimum standards for the registration and regulation of drug distributors by the states. Both the PDMA and state laws limit the distribution of prescription pharmaceutical product samples and impose requirements to ensure accountability in distribution. The Drug Supply Chain Security Act also imposes obligations on manufacturers of pharmaceutical products related to product and tracking and tracing.

Failure to comply with any of the U.S. FDA's requirements could result in significant adverse enforcement actions. These include a variety of administrative or judicial sanctions, such as refusal to approve pending applications, license suspension or revocation, withdrawal of an approval, imposition of a clinical hold or termination of clinical trials, warning letters, untitled letters, cyber letters, modification of promotional materials or labeling, product recalls, product seizures or detentions, refusal to allow imports or exports, total or partial suspension of production or distribution, debarment, injunctions, fines,

consent decrees, corporate integrity agreements, refusals of government contracts and new orders under existing contracts, exclusion from participation in federal and state healthcare programs, restitution, disgorgement or civil or criminal penalties, including fines and imprisonment. It is also possible that failure to comply with the U.S. FDA's requirements relating to the promotion of prescription drugs may lead to investigations alleging violations of federal and state healthcare fraud and abuse and other laws, as well as state consumer protection laws. Any of these sanctions could result in adverse publicity, among other adverse consequences.

### *Other U.S. Healthcare Laws and Regulations*

Healthcare providers and third-party payors play a primary role in the recommendation and use of medical products and drug formulations that are granted marketing approval. Arrangements with third-party payors, existing or potential customers and referral sources, including healthcare providers, are subject to broadly applicable fraud and abuse and other healthcare laws and regulations, and these laws and regulations may constrain the business or financial arrangements and relationships through which manufacturers conduct clinical research, market, sell and distribute the products for which they obtain marketing approval. Such restrictions under applicable federal and state healthcare laws and regulations include the following:

- The U.S. Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in cash or kind, in exchange for, or to induce, either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers, on the one hand, and prescribers, purchasers and formulary managers, among others, on the other hand. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (PPACA), amended the intent requirement of the U.S. Anti-Kickback Statute. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it in order to commit a violation. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution;
- The federal false claims laws, including the False Claims Act (FCA) and civil monetary penalties laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other third-party payors that are false or fraudulent, or making a false statement to avoid, decrease, or conceal an obligation to pay money to the federal government. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes "any request or demand" for money or property presented to the U.S. government. In addition, manufacturers can be held liable under the FCA even when they do not submit claims directly to government payors if they are deemed to "cause" the submission of false or fraudulent claims. The FCA also permits a private individual acting as a "whistleblower" to bring actions on behalf of the federal government alleging violations of the FCA and to share in any monetary recovery. Government enforcement agencies and private whistleblowers have investigated pharmaceutical companies for or asserted liability under the FCA for a variety of alleged promotional and marketing activities, such as providing free product to customers with the expectation that the customers would bill federal programs for the product; providing consulting fees and other benefits to physicians to induce them to prescribe products; engaging in promotion for "off-label" uses; and submitting inflated best price information to the Medicaid Rebate Program. In addition, the PPACA codified case law that a claim including items or services resulting from a violation of the U.S. Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA.



- The Health Insurance Portability and Accountability Act of 1996 (HIPAA) prohibits, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services;
- The federal Physician Payments Sunshine Act, which requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children’s Health Insurance Program, with specific exceptions, to report annually to the Centers for Medicare & Medicaid Services (CMS), information related to payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and ownership and investment interests held by physicians and other healthcare providers and their immediate family members. Beginning in 2022, applicable manufacturers also will be required to report such information regarding its payments and other transfers of value to physician assistants, nurse practitioners, clinical nurse specialists, anesthesiologist assistants, certified registered nurse anesthetists and certified nurse midwives during the previous year;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH), and their respective implementing regulations, imposes, among other things, specified requirements relating to the security, privacy and transmission of individually identifiable health information held by entities subject to HIPAA, such as health plans, health care clearinghouses and certain healthcare providers, known as covered entities, and their respective business associates, persons or entities that create, use, maintain or disclose individually identifiable health information on behalf of covered entities, as well as their covered subcontractors. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in U.S. federal courts to enforce the federal HIPAA laws and seek attorneys’ fees and costs associated with pursuing federal civil actions; and
- State and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; state and local laws that require the registration of pharmaceutical sales representatives; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and regulatory safe harbors available, it is possible that certain business activities can be subject to challenge under one or more of such laws. In addition, recent health care reform legislation has strengthened these laws.

Violation of the laws described above or any other governmental laws and regulations may result in significant civil, criminal and administrative penalties, damages, fines, the curtailment or restructuring of operations, the exclusion from participation in federal and state healthcare programs, disgorgement, contractual damages, reputational harm, diminished profits and future earnings, imprisonment, and additional reporting requirements and oversight if a manufacturer becomes subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws. Furthermore,

efforts to ensure that business activities and business arrangements comply with applicable healthcare laws and regulations can be costly for manufacturers of branded prescription products.

### *Coverage and Reimbursement*

Significant uncertainty exists as to the coverage and reimbursement status of any products, for which we may obtain regulatory approval, and the procedures utilizing such products. In the United States, sales of any product candidates for which regulatory approval for commercial sale is obtained will depend in part on the availability of coverage and adequate reimbursement from third-party payors for the approved products, and procedures which utilize such products. Third-party payors include government authorities and health programs in the United States such as Medicare and Medicaid, managed care providers, private health insurers and other organizations. These third-party payors are increasingly reducing reimbursements for medical products and services. The process for determining whether a payor will provide coverage for a product, or procedures which utilizes such product, may be separate from the process for setting the reimbursement rate that the payor will pay for the product, or procedures which utilize such product. Third-party payors may limit coverage to specific products on an approved list, or formulary, which might not include all of U.S. FDA-approved products for a particular indication.

Additionally, the containment of healthcare costs has become a priority of federal and state governments. The U.S. government, state legislatures and foreign governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on coverage and reimbursement and requirements for substitution of less expensive products and procedures. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results.

A payor's decision to provide coverage for a product, or procedures which utilize such product, does not imply that an adequate reimbursement rate will be approved. Further, coverage and reimbursement for products, and procedure which utilize such products, can differ significantly from payor to payor. Private payors may follow CMS, but have their own methods and approval processes for determining reimbursement for new medicines, and the procedures that utilize new medicines. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

Third-party payors are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. In order to obtain coverage and reimbursement for any product that might be approved for sale, or any procedure which utilizes such product, it may be necessary to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of the products, and procedures which utilize such products, in addition to the costs required to obtain regulatory approvals. If third-party payors do not consider a product, or procedures which utilize such product, to be cost-effective compared to other available therapies, they may not cover the product, or procedures which utilize such product, after approval as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow a company to sell its products at a profit.

The marketability of any product candidates for which we or our collaborators receive regulatory approval for commercial sale may suffer if the government and third-party payors fail to provide adequate coverage and reimbursement for the product, or any procedure which utilizes such product. In addition, emphasis on managed care in the United States has increased and we expect will continue to increase the pressure on medical products and services pricing. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we or our collaborators receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

In the European Union, pricing and reimbursement schemes vary widely from country to country. Some countries provide that products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost-effectiveness of a particular product candidate to currently available therapies. European Union Member States may approve a specific price for a product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the product on the market. Other member states allow companies to fix their own prices for products, but monitor and control company profits. The downward pressure on health care costs has become intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert competitive pressure that may reduce pricing within a country. Any country that has price controls or reimbursement limitations may not allow favorable reimbursement and pricing arrangements.

### *Health Reform*

The United States and some foreign jurisdictions are considering or have enacted a number of reform proposals to change the healthcare system. There is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by federal and state legislative initiatives, including those designed to limit the pricing, coverage, and reimbursement of pharmaceutical and biopharmaceutical products as well as the procedures which utilize such products, especially under government-funded health care programs, and increased governmental control of health care costs.

By way of example, in March 2010, the PPACA was signed into law, which is intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add transparency requirements for the healthcare and health insurance industries, impose taxes and fees on the healthcare industry and impose additional health policy reforms. Among the provisions of the PPACA of importance to our business are:

- An annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs;
- An increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13.0% of the average manufacturer price for branded and generic drugs, respectively;
- A new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected;
- Expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- Expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- A new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- A new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% (and 70% as of January 1, 2019) point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D;

- Establishment of a Center for Medicare and Medicaid Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending; and
- A licensure framework for follow on biologic products.

There have been executive, judicial and Congressional challenges to certain aspects of the PPACA. For example, former President Trump signed Executive Orders and other directives designed to delay the implementation of certain provisions of the PPACA or otherwise circumvent some of the requirements for health insurance mandated by the PPACA. Further, Congress considered legislation that would repeal or repeal and replace all or part of the PPACA. While Congress has not passed comprehensive repeal legislation, several bills affecting the implementation of certain taxes under the PPACA have been signed into law. The Tax Cuts and Jobs Act of 2017 (Tax Act) includes a provision that repealed, effective January 1, 2019, the tax-based shared responsibility payment imposed by the PPACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate”. In addition, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the PPACA-mandated “Cadillac” tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminated the health insurer tax. The Bipartisan Budget Act of 2018 (BBA) among other things, amended the PPACA, effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the “donut hole.” On December 14, 2018, a U.S. District Court Judge in the Northern District of Texas (Texas District Court Judge) ruled that the individual mandate is a critical and inseparable feature of the PPACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the PPACA are invalid as well. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the PPACA are invalid as well. The United States Supreme Court is reviewing this case—but it is unknown when a decision will be reached. Although the U.S. Supreme Court has yet ruled on the constitutionality of the PPACA, on January 28, 2021, President Biden issued an executive order to initiate a special enrollment period from February 15, 2021 through May 15, 2021 for purposes of obtaining health insurance coverage through the PPACA marketplace. The executive order also instructs certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the PPACA. It is unclear how the Supreme Court ruling, other such litigation and the healthcare measures of the Biden administration will impact the PPACA.

Other legislative changes have been proposed and adopted in the United States since the PPACA was enacted. For example, in August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by U.S. Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2012 through 2021, was unable to reach required goals, thereby triggering the legislation’s automatic reduction to several government programs.

This includes aggregate reductions of Medicare payments to providers of up to 2% per fiscal year, which went into effect in April 2013 and, due to subsequent legislative amendments to the statute, including the BBA, will remain in effect through 2030 unless additional Congressional action is taken. However, COVID-19 relief support legislation suspended the 2% Medicare sequester from May 1, 2020 through March 31, 2021. In January 2013, the American Taxpayer Relief Act of 2012, among other things, further reduced Medicare payments to certain providers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Additionally, there have been several recent Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. At the federal level, the Trump administration used several means to propose or implement drug pricing reform, including through federal budget proposals, executive orders and policy initiatives. For example, on July 24, 2020 and September 13, 2020, the Trump administration announced several executive orders related to prescription drug pricing that attempt to implement several of the administration's proposals. The FDA also released a final rule, effective November 30, 2020, implementing a portion of the importation executive order providing guidance for states to build and submit importation plans for drugs from Canada. Further, on November 20, 2020, HHS finalized a regulation removing safe harbor protection for price reductions from pharmaceutical manufacturers to plan sponsors under Part D, either directly or through pharmacy benefit managers, unless the price reduction is required by law. The implementation of the rule has been delayed by the Biden administration from January 1, 2022 to January 1, 2023 in response to ongoing litigation. The rule also creates a new safe harbor for price reductions reflected at the point-of-sale, as well as a new safe harbor for certain fixed fee arrangements between pharmacy benefit managers and manufacturers, the implementation of which have also been delayed pending review by the Biden administration until March 22, 2021. On November 20, 2020, CMS issued an interim final rule implementing President Trump's Most Favored Nation executive order, which would tie Medicare Part B payments for certain physician-administered drugs to the lowest price paid in other economically advanced countries, effective January 1, 2021. On December 28, 2020, the United States District Court in Northern California issued a nationwide preliminary injunction against implementation of the interim final rule. However, it is unclear whether the Biden administration will work to reverse these measures or pursue similar policy initiatives. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

### **Additional Regulation**

In addition to the foregoing, state and federal laws regarding environmental protection and hazardous substances, including the Occupational Safety and Health Act, the Resource Conservation and Recovery Act and the Toxic Substances Control Act, affect our business. These and other laws govern the use, handling and disposal of various biologic, chemical and radioactive substances used in, and wastes generated by, operations. If our operations result in contamination of the environment or expose individuals to hazardous substances, we could be liable for damages and governmental fines. Equivalent laws have been adopted in other countries that impose similar obligations.

### ***U.S. Foreign Corrupt Practices Act***

The U.S. Foreign Corrupt Practices Act of 1977, as amended (FCPA), prohibits corporations and individuals from engaging in certain activities to obtain or retain business or secure any improper advantage, or to influence a person working in an official capacity. It is illegal to pay, offer to pay or authorize the payment of anything of value to any employee or official of a foreign government or public international organization, or political party, political party official, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The scope of the FCPA also includes employees and official of state-owned or controlled enterprises, which may include healthcare professionals in many countries. Equivalent laws have been adopted in other foreign countries that impose similar obligations.

## ***European Union General Data Protection Regulation***

In addition to European Union regulations related to the approval and commercialization of our products, we may be subject to the European Union's General Data Protection Regulation (GDPR). The GDPR imposes stringent requirements for controllers and processors of personal data of persons in the European Union, including, for example, more robust disclosures to individuals and a strengthened individual data rights regime, shortened timelines for data breach notifications, limitations on retention of information, increased requirements pertaining to special categories of data, such as health data, and additional obligations when we contract with third-party processors in connection with the processing of the personal data. The GDPR also imposes strict rules on the transfer of personal data out of the European Union to the United States and other third countries. A July 2020 decision by the Court of Justice of the European Union, however, created significant uncertainty regarding how data can be legally transferred legally from the EU and the United States; presently, it is unclear if there are any legally viable mechanisms to do so. In addition, the GDPR provides that European Union member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data.

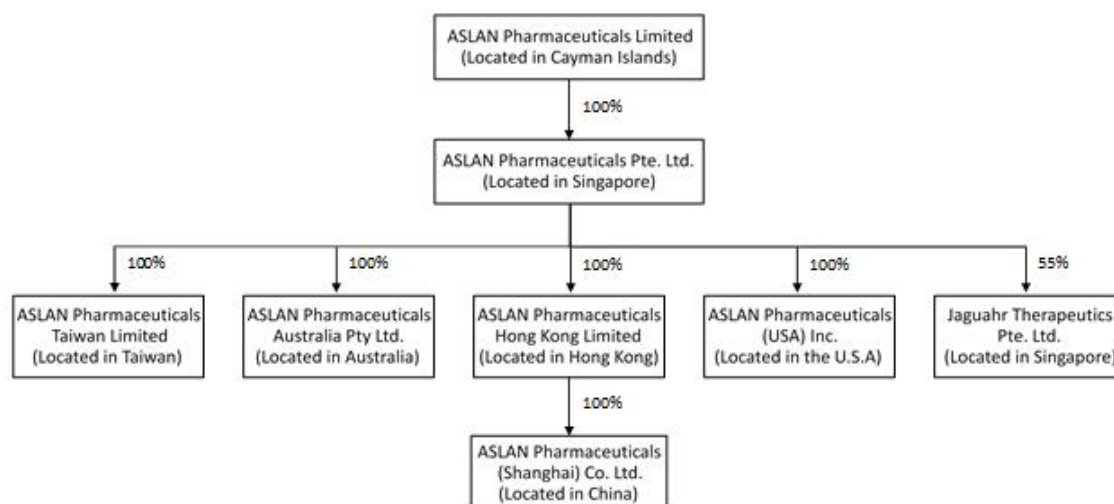
The GDPR applies extraterritorially, and we may be subject to the GDPR because of our data processing activities that involve the personal data of individuals located in the European Union, such as in connection with any European Union clinical trials. Failure to comply with the requirements of the GDPR and the applicable national data protection laws of the European Union member states may result in fines of up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, and other administrative penalties. GDPR regulations may impose additional responsibility and liability in relation to the personal data that we process and we may be required to put in place additional mechanisms to ensure compliance with the new data protection rules.

### *Good Manufacturing Practice*

All facilities and techniques used in the manufacture of products for clinical use or for sale in China must be operated in conformity with good manufacturing practice guidelines as established by the NMPA. Failure to comply with applicable requirements could result in the termination of manufacturing and significant fines.

**C. Organizational structure.**

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



**D. Property, plants and equipment.**

Our corporate headquarters are located in Singapore, where we occupy approximately 4,500 square feet of office space, the lease for which expires in 2022. We lease all of our facilities and believe that our facilities are adequate to meet our needs for the immediate future, and that, should it be needed, suitable additional space will be available on commercially reasonable terms to accommodate any such expansion of our operations.

**Item 4A. Unresolved Staff Comments**

Not Applicable.

## Item 5. Operating and Financial Review and Prospects

*The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes appearing elsewhere in this Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those set forth in the Item 3.D. "Risk Factors" section of this Annual Report, our actual results could differ materially from the results described in or implied by these forward-looking statements. Please also see the section titled "Cautionary Statement Regarding Forward-Looking Statements."*

### A. Operating results.

#### Overview

We are a clinical-stage immunology focused biopharmaceutical company developing innovative treatments to transform the lives of patients.

Our portfolio is led by ASLAN004, a potential first-in-class human monoclonal antibody that binds to the IL-13 receptor  $\alpha 1$  subunit (IL-13R $\alpha 1$ ), blocking signaling of two pro-inflammatory cytokines, IL-4 and IL-13 which are central to triggering symptoms of atopic dermatitis, such as redness and itching of the skin. ASLAN004 has the potential to be best-in-disease for atopic dermatitis and asthma. We are conducting a Phase 1 clinical trial investigating ASLAN004 as a therapeutic antibody for moderate-to-severe atopic dermatitis. Interim results demonstrate a competitive profile with the potential to differentiate over existing therapies. We expect to report top-line data from this trial in the third quarter of 2021. In addition, we plan to explore additional indications for ASLAN004 in the second half of 2021. We are also developing ASLAN003, an orally active, potent inhibitor of human DHODH that has the potential to be best-in-class therapy in autoimmune disease.

Since our inception in 2010, we have devoted substantially all of our resources to acquiring rights to, and developing our product candidates, including preclinical studies and clinical trials and providing general and administrative support for our operations. We have not generated any revenue from product sales and we do not currently have any products approved for commercialization. We have financed our operations through a combination of debt and equity financings and government grants.

On October 9, 2020, we entered into an Open Market Sale Agreement<sup>SM</sup> (the Sale Agreement), with Jefferies LLC, pursuant to which we may issue and sell ADSs from time to time, through at-the-market offerings under which Jefferies LLC will act as sales agent and/or principal. From October 9, 2020 through February 19, 2021, we sold 8,862,972 ADSs for net proceeds of \$21.5 million, of which 3,953,985 ADSs were sold from October 9, 2020 through December 31, 2020 for net proceeds of \$7.4 million and 4,908,987 ADSs were sold after December 31, 2020 for net proceeds of \$14.1 million. In February 2021, we sold 25,568,180 ordinary shares (the equivalent of 5,113,636 ADSs) in a private placement for gross proceeds of approximately \$18.0 million pursuant to a securities purchase agreement we entered into with the purchasers in the private placement (the Securities Purchase Agreement). In March 2021, we sold 17,250,000 ADSs representing 86,250,000 ordinary shares in an underwritten public offering for net proceeds of \$64.9 million after deducting underwriting discounts and commissions and offering expenses.



We did not generate revenue for the year ended December 31, 2018. We recorded \$3.0 million of revenue for the year ended December 31, 2019, which was related to out-licensing activities. We did not generate revenue for the year ended December 31, 2020. To date we have outsourced our manufacturing and clinical operations to third parties. We do not intend to operate our own clinical trials or build or acquire infrastructure for manufacturing our drugs for clinical or commercial supply. All of our clinical supplies are manufactured in accordance with cGMP using high quality contract manufacturing organizations based in the United States, Europe and Asia.

As of December 31, 2020, we had cash and cash equivalents of \$14.3 million. We have never been profitable and have incurred significant net losses in each period since our inception. Our consolidated net loss attributable to ordinary shareholders for the years ended December 31, 2018, 2019 and 2020 was \$42.2 million, \$47.0 million and \$16.2 million, respectively. As of December 31, 2020, we had an accumulated deficit of \$195.7 million. Our primary use of cash is to fund research and development costs. Our operating activities used \$39.5 million, \$25.8 million and \$15.1 million of cash flows during the years ended December 31, 2018, 2019 and 2020, respectively. We expect to continue to incur significant expenses and operating losses for the foreseeable future.

We expect expenses to be incurred in connection with our ongoing activities as we:

- Continue to invest in the clinical development of our product candidates, including in connection with the following planned and ongoing clinical trials:
  - o ASLAN004 Phase 1 and Phase 2 clinical trials in atopic dermatitis; and
  - o Any additional clinical trials that we may conduct for product candidates;
- Engage third parties to manufacture product candidates for clinical trials and, if any product candidates are approved, for commercialization;
- Maintain, expand and protect our intellectual property portfolio; and
- Incur additional costs with operating as a U.S. public company.

We will continue to require additional capital to support our operating activities as we advance our product candidates through clinical development, regulatory approval and, if any of our product candidates are approved, commercialization. The amount and timing of our future funding requirements will depend on many factors, including the pace and results of our product development efforts.

### ***Out-licensing Agreements***

To date, we have out-licensing agreements with BioGenetics.

#### *BioGenetics – License of varlitinib for South Korea*

On February 27, 2019, we entered into a collaboration and license agreement with BioGenetics, pursuant to which we granted BioGenetics the exclusive right to commercialize, and if agreed, manufacture, *varlitinib* for the treatment of all indications in South Korea. In consideration of the rights granted to BioGenetics under the agreement, we received an upfront payment of \$2 million as revenue from BioGenetics and are eligible to receive up to \$11 million in sales and development milestones where the thresholds for payment of such sales milestones depend on the aggregate of net sales of *varlitinib* and ASLAN003 products under our agreements with BioGenetics. We are also eligible to receive tiered double-digit royalties on net sales up to a percentage within the mid-twenties. BioGenetics will be responsible for obtaining initial and all subsequent regulatory approvals of *varlitinib* in South Korea. We may provide clinical drug supplies to

BioGenetics required for regulatory filings and for commercialization of products, pursuant to a separate manufacturing and supply agreement to be agreed between the parties.

#### *BioGenetics – License of ASLAN003 for South Korea*

On March 11, 2019, we entered into a collaboration and license agreement with BioGenetics, pursuant to which we granted BioGenetics the exclusive right to commercialize, and if agreed, manufacture, ASLAN003 for the treatment of all indications in South Korea, excluding topically administered products for the treatment of keratinocyte hyperproliferative disorders and certain non-melanoma skin cancers. In consideration of the rights granted to BioGenetics under the agreement, we received an upfront payment of \$1 million as revenue from BioGenetics and are eligible to receive up to \$8 million in sales and development milestones, the thresholds for payment of such sales milestones being the aggregate of sales of *varlitinib* under the license summarized above and sales of ASLAN003 products. We are also eligible to receive tiered double-digit royalties on net sales up to a percentage within the mid-twenties. BioGenetics agreed to contribute to the global R&D costs incurred by ASLAN in the clinical development of ASLAN003 in acute myeloid leukemia. BioGenetics will be responsible for obtaining initial and all subsequent regulatory approvals of ASLAN003 in South Korea. We may provide clinical drug supplies to BioGenetics required for regulatory filings and for commercialization of products, pursuant to a separate manufacturing and supply agreement to be agreed between the parties.

#### *Hyundai*

On October 30, 2015, we entered into a collaboration and license agreement with Hyundai Pharm Co., Ltd. (Hyundai), pursuant to which we granted Hyundai the right to develop and an option to commercialize *varlitinib* for the treatment of cholangiocarcinoma (subsequently amended to be for the treatment of BTC) in South Korea. In consideration of the rights granted to Hyundai under the agreement, we received an upfront payment of \$0.3 million from Hyundai in 2016. On February 26, 2019, prior to executing the broader agreement for *varlitinib* with BioGenetics above, we made a payment of \$0.325 million to Hyundai to buy back the rights to *varlitinib* in BTC in South Korea and terminated the out-license to Hyundai.

#### ***In-licensing Agreements***

We are required to make milestone payments upon the achievement of certain development, regulatory and commercial milestones and royalties based on the net sales of the licensed products and therefore, we expect our results of operations will continue to be affected by these agreements. In 2016, we made a payment of less than \$0.1 million to Exploit Technologies Pte Ltd to acquire their license that was capitalized as intangible assets. In 2018, we paid an aggregate of \$23.0 million to Array Biopharma Inc. to acquire an exclusive, worldwide license to develop, manufacture and commercialize *varlitinib*, which was capitalized as intangible assets. In June 2018, we paid \$0.5 million to CSL Limited upon the filing of our clinical trial authorization submission with the Singapore Health Sciences Authority, as required under the terms of our license agreement with CSL Limited. In December 2019, we paid Almirall S.A the sum of \$82,259, being 10% of the amount received from BioGenetics in respect of the out-licence of ASLAN003 to BioGenetics dated March 11, 2019, as required under the terms of our license agreement with Almirall S.A. For the year ended December 31, 2020, we have not made any other payments related to the in-license agreements. See “Item 4.B. Information on the Company – Business overview—License and Collaboration Agreements” for a description of our license agreements, which includes a description of the termination provisions of these agreements.

## Key Components of Results of Operations

### Revenues

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from product sales until our product candidates receive regulatory approval. For the year ended December 31, 2019, revenues consisted primarily of upfront payments received under out-licensing arrangements, as described above. We did not generate revenue for the years ended December 31, 2018 and 2020.

### Cost of Revenue

We did not recognize costs of revenue for the years ended December 31, 2018 and 2020. For the year ended December 31, 2019, under the in-licensing agreement to develop ASLAN003 with Almirall, Almirall is eligible to receive a payment of 10% of the proceeds from the out-licensing of ASLAN003. The related cost of revenue in the amount of \$82,259 payable to Almirall was recognized as operating costs accordingly. Additionally, we made a payment of \$325,000 to Hyundai in order to buy back the rights to commercialize *varlitinib* in cholangiocarcinoma (CCA) and recorded as operating costs in February 2019.

### Research and Development Expenses

The largest component of our operating expenses since inception has been research and development activities, including the preclinical and clinical development of our product candidates. Research and development costs are expensed as incurred. Our research and development expenses primarily consist of:

- Costs incurred under agreements with contract research organizations and investigative sites that conduct preclinical studies and clinical trials;
- Costs related to manufacturing pharmaceutical active ingredients and product candidates for preclinical studies and clinical trials;
- Salaries and personnel-related costs, including bonuses, related benefits and share-based compensation expense for our scientific personnel performing or managing out-sourced research and development activities;
- Fees paid to consultants and other third parties who support our product candidate development;
- Other costs incurred in seeking regulatory approval of our product candidates; and
- Allocated facility-related costs and overhead.

Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. Accordingly, we expect research and development costs to increase significantly for the foreseeable future as our programs progress. However, we do not believe that it is possible at this time to accurately project total program-specific expenses through commercialization. Our expenditures on current and future preclinical and clinical development programs are subject to numerous uncertainties in timing and cost to completion. In addition, we may enter into additional collaboration arrangements for our product candidates, which could affect our development plans or capital requirements.

We allocate direct costs to product candidates when they enter into clinical development. For product candidates in clinical development, we allocate development and manufacturing costs to our product candidates on a program-specific basis, and we include these costs in the program-specific expenses. Our

direct research and development expenses tracked by program consist primarily of external costs, such as fees paid to outside consultants, CROs, and contract manufacturing organizations in connection with our preclinical development, manufacturing and clinical development activities. We do not allocate employee costs or facility expenses, including other indirect costs, to specific programs because these costs are deployed across multiple programs and, as such, are not separately presented. We use internal resources primarily to oversee research and discovery as well as for managing our preclinical development, process development, manufacturing and clinical development activities. These employees work across multiple programs and, therefore, we do not track their costs by program.

The table below summarizes our research and development expenses incurred by program for the periods presented:

	<b>For the year ended</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>(in thousands)</b>		
<b>Direct research and development expense by product:</b>			
Varlitinib	\$ 17,474	\$ 9,873	\$ 1,964
ASLAN003	1,623	760	798
ASLAN004	5,897	3,078	3,650
JAGUAHR	—	114	1,658
Other	2,241	20	346
<b>Indirect research and development expense:</b>			
Employee benefit and travel expense	4,320	1,908	898
Other indirect research and development expense	279	834	—
<b>Total research and development expense</b>	<b>\$ 31,834</b>	<b>\$ 16,587</b>	<b>\$ 9,314</b>

### ***General and Administrative Expenses***

General and administrative expenses consist of personnel costs, allocated expenses and other expenses for outside professional services, including legal, audit and accounting services. Personnel costs consist of salaries, bonuses, benefits and stock-based compensation. Other general and administrative expenses include facility-related costs not otherwise allocated to research and development expense, professional fees, expenses associated with obtaining and maintaining patents and costs of our information systems. We anticipate that our general and administrative expenses will decrease in the future as we decrease our headcount and focus on our ongoing research and development.

### ***Non-Operating Income and Expenses***

#### *Other Income*

Other income is the gain recognized on the disposal of the licensed intellectual property or other rights arising from a third-party license agreement and certain government grants and ADS issuance contribution per our depository agreement. Other income of \$0.2 million was recognized for the year ended December 31, 2018 due to the disposal of the licensed intellectual property and \$0.9 million was recognized for the year ended December 31, 2020 due to the ADS issuance contribution and certain statutory government subsidies and grants. There was no other income for the years ended December 31, 2019.

### *Other Gains and Losses, Net*

Other gains and losses are primarily net gains and losses from realized and unrealized currency exchange differences and valuation on fair value changes of financial assets and liabilities at fair value through profit or loss incurred during the period. For the years ended December 31, 2018, 2019 and 2020, other gains and losses were \$0.2 million, (\$0.3) million and (\$0.1) million, respectively.

### *Finance Costs*

Finance costs are interest expenses primarily from the Singapore Economic Development Board (EDB) repayable grant, the CSL Facility, the Convertible Loan Facility and the October/November 2019 Loan Facility. For the years ended December 31, 2018, 2019 and 2020, finance costs were \$0.5 million, \$0.9 million and \$1.2 million, respectively.

## Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this Form 20-F. Our operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,		
	2018	2019	2020
	(in thousands, other than shares or share data)		
Net revenues	—	3,000	—
Cost of revenues	—	(407)	—
Operating expenses			
General and administrative expenses	(10,514)	(8,512)	(7,169)
Research and development expenses	(31,834)	(16,587)	(9,314)
Total operating expenses	(42,348)	(25,099)	(16,483)
Impairment loss on intangible assets	—	(23,073)	—
Loss from operations	(42,348)	(45,579)	(16,483)
Non-operating income and expenses			
Interest income	268	151	—
Other income	187	—	888
Other gains and losses	213	(328)	(129)
Finance costs	(492)	(902)	(1,247)
Total non-operating income and expenses	177	(1,079)	(488)
Loss before income tax	(42,171)	(46,658)	(16,971)
Income tax (expense)/benefits	(14)	(408)	—
Net loss for the year	(42,186)	(47,066)	(16,971)
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss:			
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	—	(55)	(124)
Total comprehensive loss	(42,186)	(47,121)	(17,095)
Net loss attributable to:			
Stockholders of the Company	(42,186)	(47,016)	(16,198)
Non-controlling interests	—	(50)	(773)
	(42,186)	(47,066)	(16,971)
Total comprehensive loss attributable to:			
Stockholders of the Company	(42,186)	(47,071)	(16,322)
Non-controlling interests	—	(50)	(773)
	(42,186)	(47,121)	(17,095)
Weighted-Average shares used in calculating net loss per ordinary shares, basic	149,739,242	162,392,602	192,226,528
Net loss per ordinary share, basic and diluted	(0.28)	(0.29)	(0.08)
Net loss per equivalent ADS, basic and diluted	(1.40)	(1.45)	(0.40)
<i>Each ADS represents five ordinary shares.</i>			

## Comparison of the Years Ended December 31, 2019 and 2020

### Revenue

We did not generate revenue for the years ended December 31, 2020. For the year ended December 31, 2019, revenues consisted of upfront payments received under out-licensing arrangements.

### General and Administrative Expenses

The following table sets forth the components of our general and administrative expenses for the years indicated.

(In thousands)	Year Ended December 31,			
	2019	%	2020	%
<b>General and administrative expenses</b>				
Employee benefit and travel expenses	4,847	57%	4,265	59%
Professional fees	1,055	12%	1,224	17%
Offering costs	1,489	17%	822	12%
Rent relating to operating leases	259	3%	111	2%
Other costs	862	10%	747	11%
<b>Total general and administrative expense</b>	<b>8,512</b>	<b>100%</b>	<b>7,169</b>	<b>100%</b>

General and administrative expenses decreased by \$1.3 million from \$8.5 million for the year ended December 31, 2019 to \$7.2 million for the year ended December 31, 2020. The decrease in general and administrative expenses was primarily due to the delisting from the Taipei Exchange which caused part of the organization to be downsized, and the impact of COVID-19, which caused a decrease in employee benefit and travel expenses, including a decrease in headcount and staffing costs and office administration costs. The decrease in offering costs was primarily due to the follow-on issuance and offering of ADS in 2019 which resulted in higher legal and audit fees.

### Research and Development Expenses

The following table sets forth the components of our research and development expenses for the years indicated.

(In thousands)	Year Ended December 31,			
	2019	%	2020	%
<b>Research and development expenses</b>				
Preclinical and clinical development expenses	13,519	81%	6,765	73%
Manufacturing expenses	1,160	7%	1,651	18%
Employee benefit and travel expenses	1,908	12%	898	9%
<b>Total research and development expenses</b>	<b>16,587</b>	<b>100%</b>	<b>9,314</b>	<b>100%</b>

Research and development expenses decreased by \$7.3 million from \$16.6 million for the year ended December 31, 2019 to \$9.3 million for the year ended December 31, 2020. The decrease in research and development expenses was primarily due to the decrease in preclinical and clinical development work on *varlitinib*.

### ***Other Operating Income and Expenses***

No other operating income and expenses were incurred for the year ended December 31, 2020. Other operating expenses for the year ended December 31, 2019 was \$23.1 million. This was related to the write-off of intangible assets, consisting of an impairment loss of \$23.0 million related to *varlitinib*, and \$0.1 million related to ASLAN005.

### ***Other Income***

Other income for the years ended December 31, 2019 and 2020 was zero and \$0.9 million, respectively. The increase was primarily due to the ADS issuance contribution of \$0.6 million, \$0.2 million grant from the Australian government for research and development expenditures and Singapore government subsidies of \$0.1 million related to job support schemes.

### ***Other Gains and Losses, Net***

Other net losses for the year ended December 31, 2019 were \$0.3 million and other net gains for the year ended December 31, 2020 were \$0.1 million. The decrease of net losses was primarily the recognition of net gain on fair value changes of financial assets and liabilities, which were due to the moderate historical volatility comparing 2019 and 2020.

### ***Interest Income***

Interest income for the years ended December 31, 2019 and 2020 was \$0.2 million and \$0.0 million, respectively. The decrease was primarily due to a lower cash position comparing \$22.2 million and \$14.3 million as of December 31, 2019 and 2020 respectively and the decrease in deposits in banks in 2020.

### ***Net Loss Attributable to Ordinary Shareholders***

For the years ended December 31, 2019 and 2020, net loss attributable to our stockholders was \$47.0 million and \$16.2 million, respectively. The decrease in net losses was mostly driven by the one-off impairment loss on intangible assets recognized in 2019 and the decrease in research and development expenses related to *varlitinib*.



## Comparison of the Years Ended December 31, 2018 and 2019

### Revenue

We did not generate revenue for the years ended December 31, 2018. For the year ended December 31, 2019, revenues consisted of upfront payments received under out-licensing arrangements.

### General and Administrative Expenses

The following table sets forth the components of our general and administrative expenses for the years indicated.

(In thousands)	Year Ended December 31,			
	2018	%	2019	%
<b>General and administrative expenses</b>				
Employee benefit and travel expenses	6,527	62%	4,847	57%
Professional fees	2,263	22%	2,544	30%
Rent relating to operating leases	1,045	10%	259	3%
Other costs	679	6%	862	10%
<b>Total general and administrative expense</b>	<b>10,514</b>	<b>100%</b>	<b>8,512</b>	<b>100%</b>

General and administrative expenses decreased by \$2.0 million from \$10.5 million for the year ended December 31, 2018 to \$8.5 million for the year ended December 31, 2019. The decrease in general and administrative expenses was primarily due to the restructuring that occurred in the beginning of 2019, which caused a decrease in employee benefit and travel expenses, including a decrease in headcount and staffing costs and office administration costs. The decrease in rent relating to operating leases in 2019 was primarily due to the application of IFRS16.

### Research and Development Expenses

The following table sets forth the components of our research and development expenses for the years indicated.

(In thousands)	Year Ended December 31,			
	2018	%	2019	%
<b>Research and development expenses</b>				
Preclinical and clinical development expenses	21,361	67%	13,519	81%
Manufacturing expenses	6,153	19%	1,160	7%
Employee benefit and travel expenses	4,320	14%	1,908	12%
<b>Total research and development expenses</b>	<b>31,834</b>	<b>100%</b>	<b>16,587</b>	<b>100%</b>

Research and development expenses decreased by \$15.2 million from \$31.8 million for the year ended December 31, 2018 to \$16.6 million for the year ended December 31, 2019. The decrease in research and development expenses was primarily due to a decrease in preclinical and clinical development work, as well as manufacturing expenses.

### ***Other Operating Income and Expenses***

No other operating income and expenses were incurred for the year ended December 31, 2018. Other operating expenses for the year ended December 31, 2019 was \$23.1 million. This was related to the write-off of intangible assets, consisting of an impairment loss of \$23.0 million related to *varlitinib*, and \$0.1 million related to ASLAN005.

### ***Other Gains and Losses, Net***

Other net gains for the year ended December 31, 2018 were \$0.2 million and other net losses for the year ended December 31, 2019 were \$0.3 million. The decrease in net gains was primarily attributable to foreign currency translation losses as a result of the translation of our assets, liabilities and results of operations into U.S. dollars using the relevant foreign currency exchange rates. This was caused by the weakening of the U.S. dollar against the Singapore dollar during those years.

### ***Interest Income***

Interest income for the years ended December 31, 2018 and 2019 was \$0.3 million and \$0.2 million, respectively. The decrease was primarily due to a decrease in deposits in banks in 2019.

### ***Other Income***

Other income for the years ended December 31, 2018 and 2019 was \$0.2 million and \$0.0, respectively. The decrease was primarily due to a gain on the disposal of intellectual property in 2018, with no such occurrence in 2019.

### ***Net Loss Attributable to Ordinary Shareholders***

For the years ended December 31, 2018 and 2019, net loss attributable to our stockholders was \$42.2 million and \$47.0 million, respectively. The increased net losses were mostly driven by the one-off impairment loss on intangible assets.

## **B. Liquidity and Capital Resources.**

Since inception, we have invested most of our resources in the development of our product candidates, building our intellectual property portfolio, developing our supply chain, conducting business planning, raising capital and providing support for our operations. To date we have funded our operations through public and private placements of equity securities, upfront and milestone payments received from our collaborators, funding from governmental bodies and interest income from banks. Through December 31, 2020, we raised aggregate gross proceeds of \$182.6 million from private and public offerings, we had received aggregate gross upfront payments of \$13.3 million from our collaborators and received an aggregate of \$7.5 million in grants from government bodies. Since our inception, we have incurred net losses and negative cash flows from our operations. Substantially all of our losses have resulted from funding our research and development programs and general and administrative costs associated with our operations. We incurred net losses of \$42.2 million, \$47.1 million and \$17.0 million for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2019 and 2020, we had an accumulated deficit of \$179.5 million and \$195.7 million, respectively. Our operating activities used \$39.5 million, \$25.8 million and \$15.1 million of cash outflows during the years ended December 31, 2018, 2019 and 2020, respectively.

As of December 31, 2020, we had cash and cash equivalents of \$14.3 million. From October 9, 2020 through February 19, 2021, we sold 8,862,972 ADSs for net proceeds of \$21.5 million under the Sale Agreement with Jefferies LLC through at-the-market offerings, of which net proceeds of \$14.1 million was raised from January 1, 2021 through February 19, 2021. In February 2021, we sold 25,568,180 ordinary shares (an equivalent of 5,113,636 ADSs) in a private placement for gross proceeds of approximately \$18.0 million pursuant to a securities purchase agreement we entered into with the purchasers under the Securities Purchase Agreement. In March 2021, we sold 17,250,000 ADSs representing 86,250,000 ordinary shares in an underwritten public offering for net proceeds of \$64.9 million after deducting underwriting discounts and commissions and offering expenses. Total net proceeds of approximately \$97.0 million was raised after December 31, 2020.

We have not achieved profitability since our inception and we expect to continue to incur net losses for the foreseeable future. Based on our current operating plan, we believe that our existing cash and cash equivalents will enable us to fund our operating expenses and capital requirements for at least the next 12 months from December 31, 2020.

Our future capital requirements will depend on many factors, including:

- The scope, progress, results and costs of drug discovery, preclinical development, laboratory testing and clinical trials for our product candidates;
- The costs, timing and outcome of regulatory review of our product candidates;
- The costs of establishing or contracting for sales, marketing and distribution capabilities if we obtain regulatory approvals to market our product candidates;
- The costs of securing and producing drug substance and drug product material for use in preclinical studies, clinical trials and for use as commercial supply;
- The costs of securing manufacturing arrangements for development activities and commercial production;
- The scope, prioritization and number of our research and development programs;
- The extent to which we are obligated to reimburse, or entitled to reimbursement of, clinical trial costs under future collaboration agreements, if any;
- The extent to which we acquire or in-license other product candidates and technologies;
- The costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims.

We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. If our planned preclinical and clinical trials are successful, or our other product candidates enter clinical trials or advance beyond the discovery stage, we will need to raise substantial additional financing in the future to fund our operations. In order to meet these additional cash requirements, we may incur debt, out-license certain intellectual property and seek to sell additional equity or convertible securities that may result in dilution to our stockholders. If we raise additional funds through the issuance of equity or convertible securities, these securities could have rights or preferences senior to those of our ADSs and ordinary shares and any indebtedness could contain covenants that restrict our operations. There can be no assurance that we will be able to obtain additional equity or debt financing on terms acceptable to us, if at all.

### ***CSL Loan Facility***

In connection with the license agreement with CSL Limited (CSL) related to ASLAN004, in May 2014 we entered into the CSL Facility with CSL Finance Pty Ltd (CSL Finance), pursuant to which CSL Finance agreed to provide a ten-year facility for \$4.5 million. Borrowings under the CSL Facility are unsecured and can be used to reimburse a portion of eligible invoices for certain research and development costs or expenses incurred by us in connection with developing ASLAN004 and approved by CSL Finance at each drawdown period. Interest on the loan is computed at 6% plus LIBOR and is payable on a quarterly basis. Any outstanding principal on the loan must be repaid 10 years from the date of the CSL Facility. Amounts outstanding can be voluntarily prepaid. In addition, we are required to mandatorily prepay amounts outstanding if we receive any income or revenue in connection with the commercialization or out-licensing of any intellectual property rights (other than under the license agreement with CSL related to ASLAN004), in which case we are required to apply at least a low double digit percentage of such income or revenue against any amounts then-outstanding under the CSL Facility.

Under the CSL Facility, we are subject to customary reporting and restrictive covenants. In addition, if Carl Firth, our Chief Executive Officer, were to resign or be removed, we are obligated to find and hire within 12 months a replacement with the same level of experience, seniority and expertise commensurate with that of a CEO of a company in the same field of activity and similar size and resources as ours. If an event of default occurs, CSL Finance can terminate the commitment under the CSL Facility and accelerate all amounts outstanding.

As of December 31, 2019 and December 31, 2020, there were \$4.5 million and \$4.8 million in principal and accrued interest outstanding under the CSL Facility, respectively.

### ***Convertible Loan Facility***

On September 30, 2019, we entered into a convertible loan facility with Bukwang Pharmaceutical Co., Ltd., for an amount of \$1.0 million (the Convertible Loan Facility). The Convertible Loan Facility had a two-year term with a 10% interest rate per annum. The Convertible Loan Facility was repaid on March 29, 2021.

The option of redemption right and the convertible right of the lender are recognized as derivative financial instruments. As of December 31, 2019 and December 31, 2020, the aggregate carrying amount including both the principal and outstanding accrued interest under the Convertible Loan Facility were \$0.8 million and \$1.0 million, respectively.

### ***October/November 2019 Loan Facility***

On October 25, 2019, we entered into a loan facility with certain existing stockholders/directors, or affiliates thereof, and on November 11, 2019 we entered into a related loan facility with the affiliate of another existing stockholder, for an aggregate amount of \$2.25 million (collectively, the October/November 2019 Loan Facility). The October/November 2019 Loan Facility had a two-year term with a 10% interest rate per annum. The October/November 2019 Loan Facility was repaid on March 29, 2021.

In connection with the October/November 2019 Loan Facility, we issued certain warrants (collectively referred to as the "Warrants"). In October 2019, we drew down on \$1.95 million under the loan facility. In connection with this initial draw down, we issued Warrants to purchase 483,448 ADSs (representing 2,417,240 ordinary shares) to the lenders. These Warrants entitle lenders optionally to purchase shares up to a maximum of 50% of the principal loan amount, at an exercise price of \$2.02 per ADS. In November

2019, we drew down on the remaining \$0.3 million under the loan facility. In connection with the second draw down, we issued Warrants to purchase 74,377 ADSs (representing 371,885 ordinary shares) to the lender. These Warrants entitle the lender optionally to purchase shares up to a maximum of 50% of the principal loan amount, at an exercise price of \$2.02 per ADS. The warrants expire on the earlier of (i) August 25, 2021 (the first anniversary of the delisting of our ordinary shares on TPEx) or (ii) expiry of the term of the October/November 2019 Loan Facility. To date, warrants to purchase an aggregate of 285,110 ADSs (representing 1,425,550 ordinary shares) have been exercised, and warrants to purchase an aggregate of 272,715 ADSs (representing 1,363,575 ordinary shares) remain outstanding.

As of December 31, 2019, and December 31, 2020, the aggregate carrying amount including principal and accrued interest outstanding under the *October/November 2019 Loan Facility* were \$2.3 million and \$2.5 million, respectively.

## Cash Flows

The following table provides information regarding our cash flows for the years ended December 31, 2018, 2019 and 2020:

(In thousands)	Year Ended December 31,		
	2018	2019	2020
Net cash used in operating activities	(39,470)	(25,803)	(15,053)
Net cash (used in) generated from investing activities	(23,094)	5	1
Net cash generated from financing activities	40,899	19,092	7,173
<b>Net decrease in cash and cash equivalents</b>	<b>(21,665)</b>	<b>(6,706)</b>	<b>(7,879)</b>

### *Net cash used in operating activities*

The use of cash resulted primarily from our net losses adjusted for non-cash charges and changes in components of our operating assets and liabilities. The primary cash inflow was generated from the consideration received for the out-licensing of experimental drugs. The primary use of our cash was to fund the development of our research and development activities, regulatory and other clinical trial costs, and related supporting administration. Our prepayments and other current assets, accounts payable and other payables balances were affected by the timing of vendor invoicing and payments.

Net cash used in operating activities was \$25.8 million and \$15.1 million for the years ended December 31, 2019 and 2020, respectively. The decrease of net cash used in operating activities for 2020 was primarily due to a decrease of \$1.3 million related to general and administrative expenses, and a decrease of \$7.3 million related to research and development expenses from 2019 to 2020. These decreases were mainly due to cost savings after delisting from the Taipei Exchange and a reduction in research and development expenses related to *varlitinib*.

Net cash used in operating activities was \$39.5 million and \$25.8 million for the years ended December 31, 2018 and 2019, respectively. The decrease of net cash used in operating activities for 2019 was primarily due to a decrease of \$2.0 million related to general and administrative expenses, and a decrease of \$15.2 million related to research and development expenses from 2018 to 2019, as we implemented a corporate restructuring plan to focus our resources on our lead clinical programs.

### ***Net cash used in investing activities***

Net cash provided by investing activities was \$5,380 and \$927 for the years ended December 31, 2019 and 2020, respectively. The decrease in cash used in investing activities for 2020 was primarily due to higher proceeds from disposal of property, plant and equipment.

Net cash used in investing activities was \$23.1 million and provided by investing activities was \$5,380 for the years ended December 31, 2018 and 2019, respectively. The decrease in cash used in investing activities for 2019 was primarily due to the purchase of the worldwide commercial rights for *varlitinib* in 2018, with no such occurrence in 2019.

### ***Net cash provided by financing activities***

Net cash provided by financing activities was \$40.9 million, \$19.1 million and \$7.2 million for the years ended December 31, 2018, 2019 and 2020, respectively, which consisted primarily of net proceeds from our issuance of ADSs in our initial public offering in the United States in 2018, our public follow-on offering in the United States for the year ended December 31, 2019, and our issuance of ADSs from at-the-market offerings for the year ended December 31, 2020.

## **Critical Accounting Policies and Significant Judgments and Estimates**

### ***Critical Accounting Policies***

Summarized below are our accounting policies that we believe are important to the portrayal of our financial results and also involve the need for management to make estimates about the effect of matters that are uncertain in nature. Actual results may differ from these estimates, judgments and assumptions. Certain accounting policies are particularly critical because of their significance to our reported financial results and the possibility that future events may differ significantly from the conditions and assumptions underlying the estimates used and judgments made by our management in preparing our financial statements. The following discussion should be read in conjunction with our consolidated financial statements and related notes, which are included in this Annual Report.

### ***Revenue Recognition***

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

We recognize revenue when we have completed the out-licensing of the experimental drug to business partners, such partners have accepted the products, and collectability of the related receivables is reasonably assured.

Typically the consideration received from out-licensing may take the form of upfront payments, option payments, milestone payments, and royalty payments on licensed products. To determine revenue recognition for contracts with customers, we perform the following five steps: (i) identify the contracts with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy the performance obligations. At contract inception, we assess the goods or services promised within each contract, assess whether each promised good or service is distinct and

identify those that are performance obligations. We recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

#### *Upfront License Fees*

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

#### *Milestone Payments*

At the inception of each contract with customers that includes development or regulatory milestone payments (i.e., the variable consideration), we include some or all of an amount of variable consideration in the transaction price estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty related to the variable consideration is subsequently resolved. Milestone payments that are contingent upon the achievement of events that are uncertain or not controllable, such as regulatory approvals, are generally not considered highly probable of being achieved until those approvals are received, and therefore not included in the transaction price. At the end of each reporting period, we evaluate the probability of achievement of such milestones and any related constraints, and if necessary, may adjust our estimate of the overall transaction price.

#### *Royalties*

For arrangements that include sales-based royalties, including commercial milestone payments based on the level of sales, and for which the license is deemed to be the predominant item to which the royalties relate, we recognize revenue at the later of (i) when the subsequent sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). To date, we have not recognized any royalty revenue resulting from any of out-licensing arrangements.

#### *Acquired in-process research and development product candidate*

In January 2018, we entered into a new license agreement with Array Biopharma Inc. to acquire an exclusive, worldwide license to develop, manufacture and commercialize *varlitinib* for all human and animal therapeutic, diagnostic and prophylactic uses. Since *varlitinib* is still under development and not yet approved for commercialization, the acquired in-process research and development costs related to *varlitinib* are capitalized as an indefinite-lived intangible asset until the completion or abandonment of the related research and development activities. When the related research and development is completed or a change in circumstance occurs that defines the useful life, the asset is reclassified to a definite-lived intangible asset and amortized over its estimated useful life.

Indefinite-lived intangible asset is not subject to amortization, but is tested annually for impairment or more frequently if there are indicators of impairment. In respect of the impairment indicators, we consider both internal and external sources of information to determine whether an asset may be impaired, which

may include significant underperformance of the business in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes with adverse effects in the use of the assets, as well as the internal reporting which indicates the economic performance of an asset is worse than expected. If any such indicators exist, we will estimate the recoverable amount of such indefinite-lived intangible asset and compare it with its carrying amount. Following the same method as used in the annual impairment testing, if the recoverable amount is less than its carrying amount, an impairment charge is recognized in the consolidated statements of comprehensive income accordingly. When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss. We do plan on performing some exploratory work, but there are no current plans to allocate any future funding for the development of *varlitinib*, nor is there any guarantee we will do so in the future.

### *Taxation*

The provision for income tax recognized in profit or loss comprises current and deferred tax. Current tax is income tax paid and payable for the current year based on the taxable profit of the year and any adjustments to tax payable (or receivable) in respect of prior years. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit or loss. When we have net operating loss carry forwards or temporary differences in the amount of tax recorded for tax purposes and accounting purposes, we may be able to reduce the amount of tax that we would otherwise be required to pay in future periods. We generally recognize deferred tax assets to the extent that it is probable that sufficient taxable benefits will be available to utilize. The income tax benefit or expense is recorded when there is a net change in our total deferred tax assets and liabilities in a period. The ultimate realization of the deferred tax assets depends upon the generation of future taxable income during the periods in which the net operating losses and temporary differences become deductible may be utilized. The carrying amount is reviewed at the end of each reporting period on the same basis. Deferred tax is measured at the tax rates that are expected to apply in the period in which the asset or liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Since the determination of the amount of realization of the deferred tax assets is based, in part, on our forecast of future profitability, it is inherently uncertain and subjective. In cases where the actual profits generated are less than expected, a material adjustment of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such adjustment takes place. As of December 31, 2019 and December 31, 2020, no deferred tax asset has been recognized on tax losses due to the unpredictability of future profit streams.

### *Research and Development Expenses*

Elements of research and development expenses primarily include: (i) payroll and other related costs of personnel engaged in research and development activities, (ii) costs related to preclinical testing of our technologies under development and clinical trials, such as payments to contract research organizations (CROs), investigators and clinical trial sites that conduct our clinical studies, (iii) costs to develop the product candidates, including raw materials, supplies and product testing related expenses; and (iv) other research and development expenses. Research and development expenses are expensed as incurred when these expenditures relate to our research and development services and have no alternative future uses. The conditions enabling the capitalization of development costs as an asset have not yet been met and, therefore, all development expenditures are recognized in profit or loss when incurred.



## **JOBS Act**

Subject to certain conditions set forth in the JOBS Act, we are entitled to rely on certain exemptions and reduced reporting requirements as an EGC. We are not required to, among other things, (i) provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b), (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (including critical audit matters), and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer’s compensation to median employee compensation. These exemptions will apply until December 31, 2023 or until we no longer meet the requirements of being an EGC, whichever is earlier.

### **Recently Issued Accounting Pronouncements**

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 3, “Application of new standards, amendments and interpretations,” to our consolidated financial statements and related notes appearing elsewhere in this Annual Report.

#### **C. Research and Development, Patents and Licenses, etc.**

Full details of our research and development activities and expenditures are given in “Item 4.B. Information on the Company – Business overview” and “Item 5.A. Operating Results” within this Annual Report.

#### **D. Trend Information.**

See “Item 5.A. Operating Results” and “Item 5.B. Liquidity and Capital Resources” within this Annual Report.

#### **G. Safe Harbor.**

This Annual Report on Form 20-F contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act and as defined in the Private Securities Litigation Reform Act of 1995. See the section titled “Cautionary Statement Regarding Forward-Looking Statements” at the beginning of this Annual Report.

## Item 6. Directors, Senior Management and Employees

### A. Directors and senior management.

The following table sets forth information regarding our executive officers and directors, including their ages, as of March 31, 2021.

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>
<b>Executive Officers:</b>		
Carl Firth, Ph.D.	48	Chief Executive Officer and Director
Kenneth Kobayashi	66	Chief Medical Officer
Stephen Doyle	49	Chief Business Officer
Kiran Asarpota	43	Chief Operating Officer and Head of Finance
Ben Goodger	58	General Counsel
<b>Non-Executive Directors:</b>		
Andrew Howden	62	Chairman
Robert E. Hoffman	56	Director
Neil Graham	62	Director
Kathleen M. Metters, Ph.D.	64	Director

#### **Executive Officers**

*Carl Firth, Ph.D.* Dr. Firth founded our company in 2010 and served as our Chairman of our board of directors from June 2014 to July 2019, as our Chief Executive Officer since January 2011 and as a director since July 2010. Prior to founding our company, Dr. Firth was Head of Asia Healthcare at Bank of America Merrill Lynch, supporting public and private financing of healthcare companies and advising on M&A transactions, from January 2008 to June 2010. Prior to joining the banking industry, Dr. Firth worked for AstraZeneca from October 1998 to December 2007 in various commercial and R&D roles, including Regional Business Development Director, Asia Pacific, and Director of New Product Development, China. Dr. Firth holds board positions at various biotechnology companies, including JAGUAHR Therapeutics and DotBio Pte. Ltd., and is an independent director of A\*ccelerate, the commercialisation arm of Singapore's Agency for Science, Technology and Research (A\*STAR). Previously, Dr. Firth was an independent director of Hong Kong listed Uni-Bio Sciences, a leading Chinese biopharmaceutical company engaged in the research, development, production and commercialization of biopharmaceuticals for the Chinese healthcare market, where he served in such capacity from April 2014 to November 2017. Dr. Firth is an Adjunct Professor at Duke-NUS Medical School, a position he has held since June 2014. He holds a Ph.D. in Molecular Biology from Cambridge University (Trinity College), an Executive M.B.A. from London Business School, and a B.A. in Molecular Biology from Cambridge University.

*Kenneth Kobayashi.* Dr. Kobayashi has served as Chief Medical Officer of ASLAN Pharmaceuticals since August 2020. Dr Kobayashi has more than 25 years of experience in drug development, clinical practice and regulatory affairs as a Dermatology expert. From August 2019 to July 2020, Mr. Kobayashi served as Senior Medical Director at Dermira, a subsidiary of Eli Lilly, where he was responsible for the development of *lebrikizumab*, a monoclonal antibody for atopic dermatitis, and supported five Phase 3 registration studies together with preclinical and early clinical development for two novel compounds. Prior to joining Dermira, from 2015 to 2019 Dr. Kobayashi was Clinical Development Medical Director at Novartis, in the Immunology, Hepatology and Dermatology Global Development Unit, where he supported the development programs for anti-IL-17C and anti-IgE monoclonal antibodies. He has also held senior and global leadership positions at LEO Pharma and was an Associate Professor, and Chair and Chief of the Division of Dermatology at the University of Ottawa and The Ottawa Hospital. He is an Adjunct Professor, Department of Medicine, at the University of Ottawa, and a fellow of the Royal College of Physicians and Surgeons of Canada and the American Academy of Dermatology. Dr Kobayashi completed his residency in Dermatology at the University of British Columbia and was a Chief Resident at the National Defence Medical Centre, Ottawa.

*Stephen Doyle.* Mr. Doyle has served as our Vice President Commercial and Head of China since February 2018, and was appointed Chief Business Officer in January 2019. Prior to joining us, Mr. Doyle was the Vice President and Head of Specialty Care for China at Boehringer Ingelheim GmbH, a global pharmaceutical company, from January 2014 to February 2018. Mr. Doyle also previously served as the Vice President of Oncology, Haematology and Transplantation Business Unit with Sanofi S.A. in Shanghai, a global pharmaceutical company, from October 2010 to October 2013, as Regional Commercial Director for Oncology for Asia Pacific, Russia and India with Sanofi-aventis in Singapore, from 2007 to 2010, and as Director and Head of Scientific Communications, Global Marketing, Oncology Franchise with Sanofi-aventis in Paris from 2005 to 2007. Mr. Doyle holds a B.S. in Pharmacy from The Robert Gordon University in the United Kingdom and an M.S. in Clinical Pharmacy from the University of Derby in the United Kingdom.

*Kiran Asarpota.* Mr. Asarpota has served as our Vice President Finance since November 2010, and was appointed Chief Operating Officer in June 2020. Prior to joining us, Mr. Asarpota was Group Finance Director at Global Brands Group Holding Limited, a public branded apparel company, where he was responsible for the group's corporate and commercial finance functions. Mr. Asarpota received his MBA from London South Bank University in the United Kingdom, and a BBM from Oxford Brookes.

*Ben Goodger.* Mr. Goodger has served as our General Counsel since November 2016. Prior to joining us, Mr. Goodger was the Partner and Head of Intellectual Property (IP) Licensing and Transactions with Osborne Clarke in the United Kingdom, a multinational law firm, from November 2014 to October 2016. Mr. Goodger also previously served as Partner, Head of IP Commercialization, at Edwards Wildman in the United Kingdom, a multinational law firm, from November 2010 to October 2014, as Executive, Head of IP Commercial, at Rouse & Co. International in London, Oxford, and Shanghai, a multinational law firm, from December 1997 to October 2010, and as the President of Licensing Executives Society, a not for profit, non-political, umbrella organization, from 1998 to 1999. Mr. Goodger received his M.A. in English Literature & Language from Oxford University (Exhibitioner, Keble College) and he is a Solicitor of England & Wales, enrolled October 1986.

#### ***Non-Executive Directors***

*Andrew Howden.* Mr. Howden has served as Chairman of our board of directors since July 2019 and a member of our board of directors since April 2016. He currently serves as Executive Chairman of First Pharma P/L, an Australian pharmaceutical company, a position he has held since September 2016. He was previously Chairman of the True Origins Company P/L, an Australian company involved in the marketing of infant formula in China and Asia from 2016 to 2019. He previously served as the Chief Executive Officer of iNova Pharmaceuticals, an Asia Pacific pharmaceutical company developing and commercializing drugs across a range of therapeutic areas, from August 2008 to February 2015. Previously, he was the President of IMS Health, Asia Pacific, a provider of information, services and technology for the healthcare industry, from 2007 to 2008, Regional Vice President of Asia Pacific for

AstraZeneca, a multinational pharmaceutical and biopharmaceutical company, from 2002 to 2006, and he has held senior executive roles at Quintiles Transnational Inc., a clinical research company, from 1998 to 2002. Mr. Howden has also previously served on the board of directors of over 20 companies within the pharmaceutical and healthcare industries. He received a B.Sc. from the University of New England (Australia), and an M.Com. from the University of New South Wales, Australia.

*Robert E. Hoffman.* Mr. Hoffman has served a member of our board of directors since October 2018. Mr. Hoffman serves as a board member of the following other Nasdaq-listed companies: Kura Oncology, Inc., Kintara Therapeutics and Antibe Therapeutics, serving as chairman on one of the boards and as a financial expert on the other boards. In his most recent operating role, Mr. Hoffman was CFO of San Diego-based Heron Pharmaceuticals, a Nasdaq-listed commercial stage drug developer with a pipeline of acute pain therapeutics. Prior to joining Heron Therapeutics, Mr. Hoffman served as Executive Vice President and Chief Financial Officer of Innovus Pharmaceuticals, Inc., a public pharmaceutical company, from September 2016 to April 2017. From July 2015 to September 2016, Mr. Hoffman served as Chief Financial Officer of AnaptysBio, Inc., a public biotechnology company. From June 2012 to July 2015, Mr. Hoffman served as the Senior Vice President, Finance and Chief Financial Officer and part of the founding management team of Arena Pharmaceuticals, Inc. (Arena), a public biopharmaceutical company. From August 2011 to June 2012 and previously from December 2005 to March 2011, he served as Arena's Vice President, Finance and Chief Financial Officer and in a number of various roles of increasing responsibility from 1997 to December 2005. From March 2011 to August 2011, Mr. Hoffman served as Chief Financial Officer for Polaris Group, a biopharmaceutical drug company. Mr. Hoffman formerly served as a member of the board of directors of CombiMatrix Corporation, a molecular diagnostics company, and MabVax Therapeutics Holdings, Inc., a biopharmaceutical company. Mr. Hoffman serves as an advisory committee member of the Financial Accounting Standards Board (FASB). Mr. Hoffman formerly served as a director and President of the San Diego Chapter of Financial Executives International. Mr. Hoffman holds a B.B.A. from St. Bonaventure University, and is licensed as a C.P.A. (inactive) in the State of California.

*Neil Graham.* Dr. Graham has 30 years' experience in global drug development and commercialization. Currently, Dr. Graham is Chief Medical Officer of Tiziana life sciences and Non-Executive Director of Pharmaxis. Previously, Dr. Graham served as VP of Strategic Program Direction, Immunology and Inflammation at Regeneron Pharmaceuticals, Inc., from 2010 to 2020. Dr. Graham also held roles as CMO at Trimeris Inc. and XTL Biopharmaceuticals and Director of HIV Medical Affairs at Glaxo Wellcome. Dr. Graham began his career as Associate Professor of Epidemiology and Medicine, Johns Hopkins Bloomberg School of Public Health MD, MPH, MBBS from the University of Adelaide.

*Kathleen M. Metters.* Dr. Metters has over 30 years' experience in the discovery and development of novel therapies for treatment of serious diseases. She is currently working as an independent strategic advisor for New York-based Bridge Medicines and sits on several boards. From 2011 to 2014, Dr. Metters was President and CEO of Lycera Corp., a biopharmaceutical company pioneering innovative approaches to oral medicines for treatment of autoimmune diseases and cancer. Under her leadership, Lycera developed a robust pipeline of proprietary and partnered immune modulator programs which led, in June 2015, to an exclusive global collaboration with Celgene Corporation. In 1988, Dr. Metters joined Merck Frosst Canada Inc., a wholly owned subsidiary of Merck & Co., Inc. During her early Merck career, her research focused on the arachidonic acid cascade which resulted in the development of SINGULAIR®, an oral therapy for asthma and allergic rhinitis. For her work on SINGULAIR®, she was one of the team who won the Prix Galien Canada 2000 for excellence in innovative research. In 2002, Dr. Metters was appointed vice president of Merck Frosst and in 2005, to senior vice president and head of worldwide basic research for Merck & Co. In this role, she had oversight of all research activities at major sites around the globe; across all therapeutic modalities and all therapeutic areas. Dr. Metters graduated with a B.S. in biochemistry from the University of Manchester Institute for Science and Technology, and a Ph.D. from Imperial College of Science and Technology in London. She completed post-doctoral training at the Centre National de la Recherche Scientifique in France and at the Clinical Research Institute of Montréal. During her time in Montréal Dr. Metters was an Adjunct Professor appointment in the Department of Pharmacology and Therapeutics at McGill University.

## **Family Relationships**

There are no family relationships among any of our executive officers or directors.

### **B. Compensation.**

#### **Compensation of Executive Officers and Directors**

##### **Incentive Compensation**

For the year ended December 31, 2018, 2019 and 2020, the aggregate compensation accrued or paid to the members of our executive officers for services in all capacities was \$3,765,304, \$3,052,805 and \$2,606,154, respectively.

We did not set aside or accrue any amounts for pension, retirement or similar benefits to members of our board of directors or executive officers in the year ended December 31, 2018, 2019 and 2020.

We do not maintain any cash incentive or bonus programs. During the year ended December 31, 2020, we had no performance based compensation programs other than the Senior Management Team (SMT) Long Term Incentive Plans (LTIP) for the years 2017, 2018, 2019 and 2020. For more information on our LTIPs, see the discussion below under “—Compensation Plans—2017, 2018, 2019 and 2020 SMT LTIPs.”

##### *Executive Officer Compensation*

##### **Equity Awards**

On December 10, 2020, our Board of Directors (the “Board”) approved the 2020 Equity Incentive Plan (the “2020 EIP”). The 2020 EIP, among other things, provides for the grant of restricted stock awards, stock options and other equity-based awards to employees, officers, directors, and consultants. For more information on our equity awards, see the discussion below under—“Option Grants.”

##### **Employment Agreements with Executive Officers**

We have entered into employment agreements with our executive officers. Each of our executive officers is employed for a continuous term unless either we or the executive officer gives prior notice to terminate such employment. We may terminate the employment for just cause, at any time, without notice or remuneration, for certain acts of the executive officer. An executive officer may terminate his or her employment at any time by giving a minimum period of prior written notice, three months in some cases, six months in others, except for our Chief Medical Officer (CMO), who has an “at will” contract under California law. This may be terminated at any time by either us or the executive by notice in writing.

Each executive officer has agreed to maintain the confidentiality of any confidential information, both during and after the employment agreement expires or is earlier terminated. In addition, all executive officers except our CMO have agreed to be bound by a non-compete covenant that prohibits each executive officer from competing with us, directly or indirectly, during his or her employment and for a period of months (minimum of three) after the termination of his or her employment. Our CMO has agreed to be bound by a non-solicitation covenant that prohibits him during his employment and for one year after his employment with us ends, either directly or through others soliciting, inducing, or encouraging any employee, consultant, or independent contractor of ours to terminate his, her or its relationship with us.

## Option Grants

We have made grants of options to our employees pursuant to our 2014 Employee Share Option Scheme Plan (the 2014 Plan) and our 2017 Employee Share Option Plan (the 2017 Plan). Options granted pursuant to the 2014 Plan are either vested in full as of the date of grant or are 25% vested as of the date of grant, with the remaining 75% vesting in equal annual installments over the three years following the date of grant. Options granted pursuant to the 2017 Plan vest in full upon the two year anniversary of the date of grant. On December 10, 2020, the Board approved 2020 EIP. The 2020 EIP, among other things, provides for the grant of restricted stock awards, stock options and other equity-based awards to employees, officers, directors, and consultants. The maximum number of ordinary shares that may be issued under the 2020 EIP is 20,676,974 ordinary shares (an equivalent of 4,135,395 ADSs). Awards granted under the 2020 EIP in substitution for any options or other equity or equity-based awards granted by an entity before the entity's merger or consolidation with us or our acquisition of the entity's property or stock will not reduce the number of ordinary shares available for grant under the 2020 EIP, but will count against the maximum number of ordinary shares that may be issued upon the exercise of incentive stock options. References in this summary to ordinary shares include an equivalent number of our ADSs.

Vested options may be exercised during their term and for varying periods following termination of service, depending on the reason for termination. Options will be adjusted to account for any changes in capitalization or certain other corporate events and are not transferable (but may be exercised by the individual's heirs in the case of death, to the extent vested at the time of death).

## SMT LTIPs

On August 23, 2017 and February 1, 2018, we granted 292,400 and 20,800 bonus entitlement units to our executive officers pursuant to the 2017 LTIP, respectively. On July 30, 2018, we granted 241,142 bonus entitlement units to our executive officers pursuant to the 2018 LTIP, and on July 30, 2019, we granted 491,020 bonus entitlement units to our executive officers pursuant to the 2019 LTIP.

Upon vesting and redemption, each unit award is converted into a cash payment equal to the number of units multiplied by the per-share fair market value of our ordinary shares on the day following our receipt of a redemption notice. The 292,400 bonus entitlement units granted under the 2017 LTIP will be one-third vested each year after the first, second, and third anniversary of the award. The 20,800 bonus entitlement units granted under the 2017 LTIP will be one-half vested each year after the second and third anniversary of the award. The 241,142 bonus entitlement units granted under the 2018 LTIP will be one-third vested each year after the first, second, and third anniversary of the award. The 491,020 bonus entitlement units granted under the 2018 LTIP will be one-third vested each year after the first, second, and third anniversary of the award.

Regarding our 2017, 2018 and 2019 LTIPs, the respective quoted fair value of the awards on the grant date was \$1.10, \$7.90 and \$2.92, based on the equivalent ADS price of the Taiwan share price on August 23, 2017, the closing price per ADS on July 30, 2018, and the closing price per ADS on July 30, 2019 respectively.

As of December 31, 2020, 283,501 units have been forfeited.

We recognized total expenses of \$1,272 and \$213,636 in respect of the LTIPs for the years ended December 31, 2019 and 2020, respectively. As of December 31, 2019 and 2020, we recognized compensation liabilities of \$755,787 and \$1,073,593 as current (classified as other payables), respectively, and \$184,870 and \$111,990 as non-current, respectively

## Other Programs

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

## Director Compensation

We provide only cash compensation to each of our non-executive directors not serving as a representative of a shareholder for the time and effort necessary to serve as a member of our board of directors. The compensation of the non-executive directors complies with our Articles and is determined by our remuneration committee and board of directors as a whole, based on a review of individual contributions to our operations and current practices in other companies.

### 2020 Director Compensation Table

The following table sets forth information regarding the compensation earned by our non-executive directors for service on our board of directors during the year ended December 31, 2020.

Name	Fees Earned in Cash	All Other Compensation	Total
Jun Wu, Ph.D. (representing Alnair Investment)(1)	\$ —	\$ —	\$ —
Lim Chin Hwee Damien (representing BV Healthcare)(2)	\$ —	\$ —	\$ —
Andrew Howden	\$ 75,000	\$ —	\$ 75,000
Kelvin Sun(3)	\$ 30,000	\$ —	\$ 30,000
Robert E. Hoffman	\$ 75,000	\$ —	\$ 75,000

(1)Dr. Wu resigned from our Board on February 18, 2021.

(2)Mr. Lim resigned from our Board on March 18, 2021.

(3)Mr. Sun resigned from our Board on February 18, 2021.

## Grants of Share Options to Non-Executive Directors

The following table sets forth information regarding the share options granted as equity awards to our non-executive directors pursuant to the 2020 EIP for service on our board of directors during the year ended December 31, 2020.

Name	Grant Date	Number of Ordinary Shares Underlying Stock Option	Number of Equivalent ADSs Underlying Stock Option	Equivalent Exercise Price per Share	Stock Option Expiration Date
Andrew Howden	December 15, 2020	375,000	75,000	\$ 2.06	December 15, 2030
Kelvin Sun	December 15, 2020	375,000	75,000	\$ 2.06	December 15, 2030
Robert E. Hoffman	December 15, 2020	375,000	75,000	\$ 2.06	December 15, 2030

## Grants of Share Options to Executive Officers

The following table summarizes, as of the date of this Annual Report, outstanding share options to purchase ordinary shares granted to our executive officers.

Name	Grant Date	Number of Ordinary Shares Underlying Stock Option Scheme	Number of Equivalent ADSs Underlying Stock Option Scheme	Equivalent Exercise Price per ADS	Stock Option Expiration Date
Carl Firth, Ph.D.	July 1, 2013	4,500	900	\$ 2.00	July 1, 2023
	July 1, 2013	300,000	60,000	\$ 3.40	July 1, 2023
	July 1, 2014	300,000	60,000	\$ 3.40	July 1, 2024
	July 1, 2015	150,000	30,000	\$ 3.40	July 1, 2025
	July 1, 2015	1,050,000	210,000	\$ 4.70	July 1, 2025
	July 1, 2016	300,000	60,000	\$ 5.65	July 1, 2026
	December 15, 2020	1,150,500	230,100	\$ 2.06	December 15, 2020
	December 15, 2020	5,169,245	1,033,849	\$ 2.06	December 15, 2030
Kiran Asarpota	July 1, 2013	60,000	12,000	\$ 3.40	July 1, 2023
	July 1, 2014	60,000	12,000	\$ 3.40	July 1, 2024
	July 1, 2015	40,000	8,000	\$ 3.40	July 1, 2025
	July 1, 2015	40,000	8,000	\$ 4.70	July 1, 2025
	July 1, 2016	120,000	24,000	\$ 5.65	July 1, 2026
	December 15, 2020	180,000	36,000	\$ 2.06	December 15, 2020
	December 15, 2020	2,481,235	496,247	\$ 2.06	December 15, 2030
Ben Goodger	July 1, 2016	276,000	55,200	\$ 5.65	July 1, 2026
	December 15, 2020	2,481,235	496,247	\$ 2.06	December 15, 2030
Stephen Doyle	December 15, 2020	2,481,235	496,247	\$ 2.06	December 15, 2030
Kenneth Kobayashi	December 15, 2020	3,721,855	744,372	\$ 2.06	December 15, 2030

## Compensation Plans

### 2014 Employee Share Option Scheme Plan

We maintain the 2014 Plan, pursuant to which we have granted share options to our employees, directors and consultants. The 2014 Plan became effective on August 26, 2014, and has a term of ten years. After the effective date of the 2017 Plan, no additional awards were granted, and no future awards are allowed to be granted, under the 2014 Plan.



The 2014 Plan may be administered by our board of directors or a committee thereof, which administrator has the authority to: determine the individuals to whom awards may be granted and the terms of such awards; amend the terms of any outstanding award, provided that the consent of the grantee is required where the grantee's rights would be adversely affected; construe and interpret the terms of the 2014 Plan and awards granted thereunder; and take such other action, not inconsistent with the terms of the 2014 Plan, as it deems appropriate.

The number of shares under the 2014 Plan and under outstanding awards, and the exercise price of outstanding awards, will be adjusted to reflect certain changes in capitalization. In the event of a corporate transaction (as defined in the 2014 Plan), awards will terminate if not assumed. If they are assumed, the awards will fully vest if the holder's employment is terminated without cause or the holder resigns for good reason, in either case within 12 months thereafter.

#### *2017 Employee Share Option Plan*

We maintain the 2017 Plan, pursuant to which we may grant share options. The 2017 Plan became effective on September 13, 2017, and has a term of ten years. Awards under the 2017 Plan may be granted to our employees. The maximum aggregate number of shares that may be issued under the plan is 1,000,000 ordinary shares (an equivalent of 200,000 ADSs, each representing five ordinary shares).

The 2017 Plan is administered by our board of directors, which has the authority to determine the individuals to whom awards may be granted and the terms of such awards; and to construe and interpret the terms of the 2017 Plan and awards granted thereunder.

The number of shares under the 2017 Plan and under outstanding awards, and the exercise price of outstanding awards, will be adjusted to reflect certain changes in capitalization. In the event of a corporate transaction (as defined in the 2017 Plan), awards will terminate if not assumed. If they are assumed, the awards will vest if the holder's employment is terminated without cause or the holder resigns, in either case within 12 months thereafter. In the event of a change in control (as defined in the 2017 Plan) that is not a corporate transaction, awards will fully vest if the holder's employment is terminated without cause or the holder resigns, in either case within 12 months thereafter.

#### *2020 EIP*

We maintain the 2020 EIP, pursuant to which we may grant share options. The 2020 EIP became effective on December 15, 2020, and has a term of ten years. Awards under the 2020 EIP may be granted to our employees and also non-executive officers.

The 2020 EIP is administered by the Board, which may delegate its duties and responsibilities to one or more committees of our directors and/or officers (referred to as the "Plan Administrator"), subject to certain limitations imposed under the 2020 EIP, and other applicable laws and stock exchange rules. The Plan Administrator has the authority to take all actions and make all determinations under the 2020 EIP, to interpret the 2020 EIP and award agreements and to adopt, amend and repeal rules for the administration of the 2020 EIP as it deems advisable. The Plan Administrator also has the authority to determine which eligible service providers receive awards, grant awards, set the terms and conditions of all awards under the 2020 EIP, including any vesting and vesting acceleration provisions, subject to the conditions and limitations in the 2020 EIP.

The maximum number of ordinary shares that may be issued under the 2020 EIP is 20,676,974 ordinary shares (an equivalent of 4,135,395 ADSs, each representing five ordinary shares). No more than 62,030,922 ordinary shares (an equivalent of 12,406,184 ADS) may be issued under the 2020 EIP upon the exercise of incentive stock options. In addition, the number of ordinary shares reserved for issuance under the 2020 EIP will automatically increase on January 1 of each year, commencing on January 1, 2021 and ending on (and

including) January 1, 2030, in an amount equal to 4% of the total number of ordinary shares outstanding on December 31 of the preceding calendar year. The Board may act prior to January 1 of a given year to provide that there will be no increase for such year or that the increase for such year will be a lesser number of ordinary shares. In connection with the approval of the 2020 EIP, the Board determined that there will be no increase for January 1, 2021.

If an award under the 2020 EIP, expires, lapses or is terminated, exchanged for cash, surrendered, repurchased, cancelled without having been fully exercised, forfeited or is withheld to satisfy a tax withholding obligation in connection with an award or to satisfy a purchase or exercise price of an award, any unused shares subject to the award will, as applicable, become or again be available for new grants under the 2020 EIP.

Awards granted under the 2020 EIP in substitution for any options or other equity or equity-based awards granted by an entity before the entity's merger or consolidation with us or our acquisition of the entity's property or stock will not reduce the number of ordinary shares available for grant under the 2020 EIP, but will count against the maximum number of ordinary shares that may be issued upon the exercise of incentive stock options.

References in this summary to ordinary shares include an equivalent number of ADSs.

#### *2017, 2018 and 2019 SMT LTIPs*

We maintain the 2017, 2018 and 2019 LTIPs, pursuant to which we may grant bonus entitlement unit awards. The 2017 LTIP, 2018 LTIP and 2019 LTIP became effective on August 23, 2017, July 30, 2018, and July 30, 2019, respectively, and each has a term of ten years. Awards under each LTIP may be granted to our employees. All of the awards granted in 2017, 2018 and 2019 were granted to our executive officers.

Each LTIP is administered by the members of the remuneration committee, which committee has the authority to: determine the individuals to whom unit awards may be granted and the terms of such unit awards; amend the terms of any outstanding unit award, provided that the consent of the grantee is required where the grantee's rights would be adversely affected; construe and interpret the terms of each LTIP and unit awards granted thereunder; and take such other action, not inconsistent with the terms of each LTIP, as it deems appropriate.

Upon vesting and redemption, each unit award is converted into a cash payment equal to the number of units multiplied by the per-share fair market value of our ordinary shares on the day following our receipt of a redemption notice, up to a cap of five times the base value of the unit as set forth in the grantee's award agreement. Redemption occurs automatically upon termination of employment and upon the per-share fair market value exceeding five times the base value of the unit award, to the extent not previously redeemed.

The terms of awards will be adjusted to reflect certain changes in capitalization. In the event of a corporate transaction (as defined in each LTIP), awards will terminate if not assumed. If they are assumed, the awards will vest and be redeemed if the holder's employment is terminated without cause or the holder resigns for good reason, in either case within 12 months thereafter. In the event of a change in control (as defined in each LTIP) that is not a corporate transaction, awards will fully vest if the holder's employment is terminated without cause or the holder resigns for good reason, in either case within 12 months thereafter.

#### **Insurance and Indemnification**

We are empowered by our Articles to indemnify our directors against any liability they incur by reason of their directorship. We maintain directors' and officers' insurance to insure such persons against certain

liabilities. In addition, our employment agreements with our executive officers provide for indemnification. We have entered into an indemnification agreement with each of our directors and executive officers.

In addition to such indemnification, we provide our directors and executive officers with directors' and officers' liability insurance as permitted by our Articles.

Insofar as indemnification of liabilities arising under the Securities Act may be permitted to our board, executive officers, or persons controlling us pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### **C. Board practices.**

#### **Composition of our Board of Directors**

As a foreign private issuer, under the listing requirements and rules of the Nasdaq Global Market, we are not required to have independent directors on our board of directors, except to the extent that our audit committee is required to consist of independent directors. Nevertheless, our board of directors has undertaken a review of the independence of the directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. Based upon information requested from, and provided by, each director concerning such director's background, employment and affiliations, including family relationships, our board of directors determined that all of our directors, except for Dr. Firth, qualify as "independent directors" as defined under applicable rules of the Nasdaq Global Market and the independence requirements contemplated by Rule 10A-3 under the Exchange Act. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances that our board of directors deemed relevant in determining their independence, including the beneficial ownership of our securities by each non-employee director and his or her affiliated entities (if any).

#### **Duties of Directors**

Under Cayman Islands law, all of our directors owe us fiduciary duties, including a duty of loyalty, a duty to act honestly and a duty to act in good faith and in a manner they believe to be in our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our Articles, as amended and restated from time to time. We have the right to seek damages if we suffer loss as a consequence of a duty owed by any of our directors being breached.

#### **Committees of our Board of Directors**

Our board of directors has three standing committees: an audit committee, a remuneration committee and a nomination committee.

### *Audit Committee*

The audit committee, which consists of Mr. Howden, Mr. Hoffman and Dr. Graham, assists the board of directors in overseeing our accounting and financial reporting processes and the audits of our financial statements. Mr. Hoffman serves as chairman of the audit committee. The audit committee consists exclusively of independent members of our board. Our board of directors has determined that Mr. Hoffman qualifies as an “audit committee financial expert” as defined by applicable SEC rules and has the requisite financial sophistication as defined under the applicable Nasdaq rules and regulations. Our board has determined that all of the members of the audit committee satisfy the “independence” requirements set forth in Rule 10A-3 under the Exchange Act. The audit committee is governed by a charter that complies with Nasdaq rules.

The audit committee’s responsibilities include:

- The adoption of or amendments to the internal control system;
- Assessment of the effectiveness of the internal control system;
- The adoption or amendment, of the procedures for handling financial or business activities of a material nature such as acquisition or disposal of assets, derivatives trading, lending of funds to others and endorsements or guarantees for others;
- Matters in which a director is an interested party;
- Asset transactions or derivatives trading of a material nature;
- Loans of funds, endorsements or provision of guarantees of a material nature;
- The offering, issuance or private placement of equity-type securities;
- The hiring or dismissal of a certified public accountant or their compensation;
- The appointment or discharge of a financial, accounting or internal audit officer;
- Annual and semi-annual financial reports; and
- Other material matters as may be required by us or by the competent authority.

The audit committee meets as often as one or more members of the audit committee deem necessary, but in any event meets at least once every fiscal quarter.

### *Remuneration Committee*

The remuneration committee, which consists of Mr. Howden, Mr. Hoffman and Dr. Metters, assists the board of directors in determining executive officer compensation. Mr. Howden serves as chairman of the remuneration committee. Under SEC and Nasdaq rules, there are heightened independence standards for members of the remuneration committee, including a prohibition against the receipt of any compensation from us other than standard board member fees. Although foreign private issuers are not required to meet this heightened standard, all of our remuneration committee members meet this heightened standard.

The remuneration committee’s responsibilities include:

- Professionally and objectively evaluate the policies and systems for compensation of the directors, supervisors, and managerial officers of us, and submit recommendations to the board of directors for its reference in decision making;
- Establishing and periodically reviewing the annual and long-term performance goals for the directors and managerial officers of us and the policies, systems, standards, and structure for their compensation;

- Periodically assessing the degree to which performance goals for the directors and managerial officers of us have been achieved, and setting the types and amounts of their individual compensation; and
- Periodically review the charter and propose suggestion for amendments.

When performing these responsibilities, the remuneration committee follows the following principles:

- Ensuring that the compensation arrangements of us comply with applicable laws and regulations and are sufficient to recruit outstanding talent;
- Performance assessments and compensation levels of the directors and managerial officers shall take into account the general pay levels in the industry, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and our operational performance and future risk exposure, with respect to the achievement of our short-term and long-term business goals and the financial position;
- There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level;
- For directors and senior managerial officers, the percentage of bonuses to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of our business; and
- No member of the committee may participate in discussion and voting when the committee is deciding on that member's individual compensation.

The remuneration committee submits its recommendations regarding the above for deliberation to the board. When deliberating the recommendation of the remuneration committee, the board must give comprehensive consideration to matters including the amounts of remuneration, payment methods, and the potential future risk facing our company. If the board would like to decline to adopt, or would like to modify, a recommendation of the remuneration committee, the consent of a majority of the directors in attendance at a meeting attended by two-thirds or more of the entire board is required, and the board in its resolution must provide its comprehensive consideration and must specifically explain whether the remuneration passed by it exceeds in any way the remuneration recommended by the remuneration committee.

#### *Nomination Committee*

The nomination committee, which consists of Mr. Howden, Dr. Graham and Dr. Metters assists the board of directors in selecting and approving director candidates to serve on the board. Under SEC and Nasdaq rules, director nominees must either be selected, or recommended for the board's selection, either by independent directors constituting a majority of the board's independent directors in a vote in which only independent directors participate, or by a nomination committee comprised solely of independent directors. Foreign private issuers are not required to have independent director oversight of director nominations. However, our nomination committee consists entirely of independent directors.

The nomination committee's responsibilities include:

- Reviewing and assessing the composition of the board of directors;
- Identifying appropriate director candidates and independent director candidates;

- Reviewing the qualifications and suitability of each director candidate and independent director candidate identified by the committee;
- Submitting director and independent director recommendations to the board of directors for consideration; and
- Conducting all other necessary actions to facilitate the selection and approval of director candidates and independent director candidates by the board.

The nomination committee submits its recommendations regarding the above for deliberation to the board. When deliberating with respect to the recommendation of the nomination committee, the board must give comprehensive consideration to matters including the current composition of the board, the qualifications of director candidates, the overall diversity of the board and the need for refreshing. The nomination committee meets as often as one or more members of the nomination committee deem necessary.

### Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that covers a broad range of matters including the handling of conflicts of interest, compliance issues and other corporate policies. Our Code of Business Conduct is applicable to both our directors and employees.

### Other Corporate Governance Matters

The Sarbanes-Oxley Act of 2002, as well as related rules subsequently implemented by the SEC, requires foreign private issuers, including our company, to comply with various corporate governance practices. In addition, Nasdaq rules provide that foreign private issuers may follow home country practice in lieu of the Nasdaq corporate governance standards, subject to certain exceptions and except to the extent that such exemptions would be contrary to U.S. federal securities laws.

Because we are a foreign private issuer, our members of our board of directors, executive board members and senior management are not subject to short-swing profit and insider trading reporting obligations under section 16 of the Exchange Act. They will, however, be subject to the obligations to report changes in share ownership under section 13 of the Exchange Act and related SEC rules.

#### D. Employees.

As of December 31, 2020, we had 18 full-time employees. Of these, five were engaged in full-time research and development and 13 were engaged in full-time general and administrative functions. By geography, 16 of our employees are located in Singapore, one is located in the United States and one is located in Taiwan.

We have also engaged and may continue to engage independent contractors to assist us with our operations. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have never experienced any employment related work stoppages, and we consider our relations with our employees to be good.

	As of December 31,	
	2019	2020
<b>Function:</b>		
Research and development	6	5
General and administrative	17	13
<b>Total</b>	<b>23</b>	<b>18</b>

## **E. Share ownership.**

For information regarding the share ownership of our directors and executive officers, see “Item 6.B-Compensation” and “Item 7.A-Major Shareholders.”

## **Item 7. Major Shareholders and Related Party Transactions**

### **A. Major Shareholders.**

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 31, 2021 for:

- Each of our executive officers and directors; and
- All of our executive officers and directors as a group.

We are not aware of any beneficial owners that hold 5% or more of our outstanding ordinary shares as of March 31, 2021. Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and include ordinary shares issuable upon the exercise of options that are immediately exercisable or exercisable within 60 days of March 31, 2021. Percentage ownership calculations are based on 347,604,560 ordinary shares outstanding as of March 31, 2021.

As of March 31, 2021, to the best of our knowledge, approximately 318,434,970 ordinary shares (including ordinary shares in the form of ADSs), or 91.60% of our outstanding ordinary shares as of such date, were held by three shareholders of record in the United States, one of which is JPMorgan Chase Bank N.A., our depository. The actual number of holders is greater than these numbers of record holders and includes beneficial owners whose ordinary shares or ADSs are held in street name by brokers and other nominees. This number of holders of record also does not include holders whose shares may be held in trust by other entities.

Except as otherwise indicated, all of the shares reflected in the table are ordinary shares and all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws. The information is not necessarily indicative of beneficial ownership for any other purpose. None of our major shareholders have different voting rights with respect to their ordinary shares. We have set forth below information known to us regarding any significant change in the percentage ownership of our ordinary shares by any major shareholders during the past three years.

Except as otherwise indicated in the table below, addresses of the directors, executive officers and named beneficial owners are in care of ASLAN Pharmaceuticals Limited, 83 Clemenceau Avenue #12-03 UE Square, Singapore 239920 and our telephone number is +65 6222 4235.

Name of Beneficial Owner	Number of Ordinary Shares Beneficially Owned	Equivalent Number of ADSs beneficially owned	Percentage of Shares Beneficially Owned
<b>Executive Officers and Directors:</b>			
Carl Firth, Ph.D. <sup>(1)</sup>	6,750,836	1,350,167	1.9%
Kiran Asarpota <sup>(2)</sup>	586,996	117,399	*
Ben Goodger <sup>(3)</sup>	404,000	80,800	*
Kenneth Kobayashi <sup>(4)</sup>	—	—	*
Stephen Doyle <sup>(5)</sup>	61,980	12,396	*
Alnair Investment (represented by Jun Wu, Ph.D.) <sup>(6)</sup>	9,887,358	1,977,472	2.8%
BV Healthcare II Pte Ltd. (represented by Lim Chin Hwee Damien) <sup>(7)</sup>	7,542,112	1,508,422	2.1%
Robert E. Hoffman <sup>(8)</sup>	150,000	30,000	*
Andrew Howden <sup>(9)</sup>	1,059,315	211,863	*
Kelvin Sun <sup>(10)</sup>	—	—	*
Neil Graham <sup>(11)</sup>	—	—	
Kathleen Metters <sup>(12)</sup>	—	—	
<b>All current executive officers and directors as a group (12 persons)<sup>(13)</sup></b>	<b><u>26,442,597</u></b>	<b><u>5,288,519</u></b>	<b><u>7.6%</u></b>

\* Represents beneficial ownership of less than one percent.

- (1) Consists of (A) 3,407,340 ordinary shares held by Dr. Firth, (B) 3,255,500 ordinary shares issuable upon the exercise of share options granted to Dr. Firth that are exercisable, and (C) 88,496 ordinary shares held by Dr. Firth's spouse; 5,169,245 ordinary shares (representing 1,033,849 ADSs) granted under 2020 EIP were not exercisable.
- (2) Consists of (A) 86,996 ordinary shares held by Mr. Asarpota and (B) 500,000 ordinary shares issuable upon the exercise of share options granted to Mr. Asarpota that are exercisable; 2,481,235 ordinary shares (representing 496,247 ADSs) granted under 2020 EIP were not yet exercisable.
- (3) Consists of (A) 128,000 ordinary shares held by Mr. Goodger and (B) 276,000 ordinary shares issuable upon the exercise of share options granted to Mr. Goodger that are exercisable; 2,481,235 ordinary shares (representing 496,247 ADSs) granted under 2020 EIP were not exercisable.
- (4) 3,721,860 ordinary shares (representing 744,372 ADSs) issuable upon the exercise of share options granted in 2020 EIP to Mr. Kobayashi were not yet vested or exercisable.
- (5) Consists of 61,980 ordinary shares held by Mr. Doyle; 2,481,235 ordinary shares (representing 496,247 ADSs) granted under 2020 EIP were not yet exercisable.
- (6) Consists of (A) 8,823,528 ordinary shares held by Alnair Investment (Alnair) and (B) 1,063,830 ordinary shares held by Shanghai Cenova Innovation Venture Fund L.P. (Shanghai Cenova). Alnair is wholly owned and controlled by Shanghai Cenova. Shanghai Cenova Bioventure Equity Investment Fund Management Enterprise L.P. (Shanghai Cenova Bioventure) is the general partner of Shanghai Cenova. Shanghai Cenova Bioventure is owned and controlled by Dr. Wu, a former member of our board of directors. As such, Dr. Wu may be deemed to have sole voting and dispositive power with respect to the shares held by Alnair and Shanghai Cenova. The addresses for Alnair and Shanghai Cenova are P.O. Box 2075, George Town, Grand Cayman KY1-1105, Cayman Islands and No. 53 Gao You Road, Shanghai, China 200031, respectively.



- (7) Consists of 7,542,112 ordinary shares held by BV Healthcare II Pte Ltd. (BV Healthcare). BioVeda Capital Singapore Pte Ltd (BioVeda) is the investment manager of BV Healthcare. An investment committee of BV Healthcare, which includes Mr. Lim (the BV Investment Committee), reviews and approves investment and divestment proposals submitted by BioVeda. As such, the BV Investment Committee may be deemed to have voting and dispositive power with respect to the shares held by BV Healthcare. The address for BV Healthcare is 50 Cuscaden Road #08-01 HPL House, Singapore 249724. Mr. Lim was a member of our board of directors and served in such capacity as a representative of BV Healthcare. Mr. Lim is also a director of BV Healthcare and on the BV Investment Committee. As such, Mr. Lim may be deemed to be a beneficial owner of shares held by BV Healthcare.
- (8) Consists of 150,000 ordinary shares (representing 30,000 ADSs) held by Mr. Hoffman; 375,000 ordinary shares (representing 75,000 ADSs) granted under 2020 EIP were not yet exercisable.
- (9) Consists of (A) 439,510 ordinary shares held by Mr. Howden, and (B) 619,805 ordinary shares held by JANK Howden Pty. Ltd. Mr. Howden is a controller of JANK Howden Pty. Ltd. 375,000 ordinary shares (representing 75,000 ADSs) granted under 2020 EIP were not yet exercisable.
- (10) 375,000 ordinary shares (representing 75,000 ADSs) granted under 2020 EIP were not yet exercisable to Mr. Sun. Mr. Sun resigned from board of directors on 18 February, 2021.
- (11) 375,000 ordinary shares (representing 75,000 ADSs) granted under 2020 EIP to Dr. Graham were not yet exercisable.
- (12) 375,000 ordinary shares (representing 75,000 ADSs) granted under 2020 EIP to Dr. Metters were not yet exercisable.
- (13) Consists of the shares referenced in footnotes (1)- (12) above.

## **B. Related party transactions.**

Since January 1, 2020, we have engaged in the following transactions with our directors, executive officers or holders of more than 5% of our outstanding share capital and their affiliates, which we refer to as our related parties.

### **Loan Agreements with Related Parties**

In 2019, we entered into loan transactions with certain related parties. See footnotes 14 and 26 to the consolidated financial statements included elsewhere in this Annual Report for further details.

### **Agreements with Our Executive Officers and Directors**

We have entered into employment agreements with our executive officers and director compensation agreements with our non-executive directors. These agreements contain customary provisions and representations, including confidentiality, non-competition and non-solicitation undertakings by the executive officers. However, the enforceability of the non-competition provisions may be limited under applicable law.

### **Related Party Transaction Policy**

We have adopted a related party transaction policy, which requires that certain related party transactions be approved by our board of directors and audit committee. We intend to afford ourselves of the Nasdaq foreign private issuer exemption from the requirement that our audit committee have review and oversight over all “related party transactions,” as defined in Item 7.B of Form 20-F. The definition of “related party

transactions” per our related party transaction policy is not as broad as the definition in Item 7.B of Form 20-F.

### **Indemnification Agreements**

We have entered into, and intend to continue to enter into, separate indemnification agreements with our directors and executive officers. These indemnification agreements provide our directors and executive officers with contractual rights to indemnification and, in some cases, expense advancement in any action or proceeding arising out of their services as one of our directors or executive officers or as a director or executive officer of any other company or enterprise to which the person provides services at our request.

#### **C. Interests of experts and counsel.**

Not applicable.

### **Item 8. Financial Information**

*The purpose of this standard is to specify which financial statements must be included in the document, as well as the periods to be covered, the age of the financial statements and other information of a financial nature.*

#### **A. Consolidated Statements and Other Financial Information.**

Our consolidated financial statements are appended at the end of this Annual Report, starting at page F-1, and are incorporated herein by reference.

### **Dividend Policy**

We have never declared or paid a dividend, and we do not anticipate declaring or paying dividends in the foreseeable future. In addition, we are not permitted to dispose of a substantial part of our assets pursuant to the terms of our loan agreement with CSL Finance Pty Ltd, and any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our ADSs or ordinary shares.

The holders of our ordinary shares are entitled to receive such dividends as may be declared by an ordinary resolution and subject to our Articles and the Companies Act. Under Cayman Islands law, dividends may be paid only out of profits, which include net earnings and retained earnings undistributed in prior years, and out of share premium, a concept analogous to paid-in surplus in the United States. No dividend may be declared and paid unless our directors determine that immediately after the payment, we will be able to satisfy our liabilities as they become due in the ordinary course of business and we have funds lawfully available for such purpose. We are not permitted to pay any dividends or bonuses if (i) we do not have earnings or (ii) we have not yet covered our losses. Our Articles set out further detailed provisions dealing with how we may fund, create reserves for and pay dividends.

Any dividends will be paid to the custodian of the ADSs that were issued in our public offering and shall be subject to further distribution to you as a beneficial owner of the underlying ordinary shares by the custodian.

## **Legal Proceedings**

From time to time, we may be involved in legal proceedings or be subject to claims arising out of our operations. We are not currently a party to any legal proceedings that in the opinion of our management, would have a material adverse effect on our business.

### **B. Significant Changes.**

Not applicable.

## **Item 9. The Offer and Listing**

### **A. Offer and listing details.**

Our ADSs began trading on The Nasdaq Global Market on May 4, 2018 under the trading symbol “ASLN”. Prior to that date, there was no public trading market for our ADSs. Our ordinary shares traded on the TPEx under “6497” from June 1, 2017 to August 25, 2020. Prior to June 7, 2017, there was no public trading market for our ordinary shares.

### **B. Plan of distribution.**

Not applicable.

### **C. Markets.**

Our ADSs began trading on The Nasdaq Global Market on May 4, 2018 under the trading symbol “ASLN”.

### **D. Selling shareholders.**

Not applicable.

### **E. Dilution.**

Not applicable.

### **F. Expenses of the issue.**

Not applicable.

## **Item 10. Additional Information**

### **A. Share capital.**

Not applicable.

## **B. Memorandum and articles of association.**

### **Tenth Amended and Restated Memorandum and Articles of Association**

Subject to other provisions in our Articles, our shareholders may by ordinary resolution increase our authorized share capital or by special resolution reduce the share capital and may also by special resolution amend our Articles.

#### **Ordinary Shares**

##### *General*

*Ordinary Shares.* All of our outstanding ordinary shares are fully paid and non-assessable, excluding those ordinary shares that have been issued to JPMorgan Chase Bank, N.A., as depository, which are being held for future sales and issuances of ADSs, if any, under the Sale Agreement. Our ordinary shares are issued in registered form and certificates representing the ordinary shares have been issued to certain shareholders, including JPMorgan Chase Bank, N.A. Our shareholders who are nonresidents of the Cayman Islands may freely hold and vote their shares.

*Dividends.* The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors. Our Articles provide that the directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall be applicable for meeting contingencies or for equalizing dividends or for any other purpose to which those funds may be properly applied. Under the laws of the Cayman Islands, our company may pay a dividend out of any of profit, retained earnings or the credit standing in our company's share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business immediately following the date on which the distribution or dividend is paid.

*Voting Rights.* Holders of our ordinary shares shall be entitled to one vote per ordinary share. Voting at any shareholders' meeting is by show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands). A poll may be demanded by the chairman of such meeting or any one or more shareholders present in person or by proxy at the meeting.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name, making changes to our Articles or approving a merger. Holders of the ordinary shares may, among other things, subdivide, consolidate or increase our share capital by ordinary resolution.

*General Meetings of Shareholders.* As a Cayman Islands exempted company, we are not obliged by the Companies Act or our Articles to call shareholders' annual general meetings.

Shareholders' general meetings may be convened by a majority of our board of directors. Advance written notice of at least seven calendar days (counting from the date service is deemed to take place as provided in our Articles) is required for the convening of any general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present or by proxy, representing at least a majority of our paid up voting share capital.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Articles provide general meetings shall also be convened on the requisition in writing of any Shareholder or Shareholders entitled to attend and vote at our general meetings holding at least ten percent of the paid up voting share capital deposited at the Office specifying the objects of the meeting by notice given no later than 21 days from the date of deposit of the requisition duly proceed to convene a general meeting to be held.

*Transfer of Ordinary Shares.* Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors. Our board of directors may determine to decline to register any transfer of shares for any reason.

*Liquidation.* On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay the whole of the share capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

*Calls on Shares and Forfeiture of Shares.* Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

*Redemption, Repurchase and Surrender of Shares.* We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined by our board of directors. We may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors and agreed with the relevant shareholder. Under the Companies Act, the redemption or repurchase of any share may be paid out of our profits, retained earnings or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

*Variations of Rights of Shares.* If at any time our share capital is divided into different classes (and as otherwise determined by our board of directors) the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class only be materially adversely varied or abrogated with the consent in writing of the holders of not less than two-thirds of the issued shares of the relevant class, or with the sanction of a resolution passed at a separate meeting of the holders of the shares of such class by a majority of two-thirds of the votes cast at such a meeting. The board of directors may vary the rights attaching to any class without the consent or approval of shareholders provided that the rights will not, in the determination of the board of directors, be materially adversely varied or abrogated by such action.

*Issuance of Additional Shares.* Our Articles authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our Articles also authorize our board of directors to establish from time to time one or more series of preferred shares with the approval of the board of directors and with the approval of a special resolution and to determine, with respect to any series of preference shares, the terms and rights of that series, including the:

- Order, fixed amount or fixed ratio of allocation of dividends and other distributions on preferred shares;
- Order, fixed amount or fixed ratio of allocation of the assets available for distribution on a liquidation of the Company;
- Order of or restriction on the voting rights (including declaring no voting rights whatsoever) of preferred shareholders;
- Other matters concerning rights and obligations incidental to preferred shares; and
- Method by which the Company is authorized or compelled to redeem the preferred shares, or a statement that redemption rights shall not apply.

Prior to the issuance of any preferred shares, the Articles shall be amended to set forth the rights and obligations of the preferred shares. Issuance of these shares may dilute the voting power of holders of ordinary shares.

*Inspection of Books and Records.* Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our corporate records (except for the memorandum and articles of association of our company, any special resolutions passed by our company and the register of mortgages and charges of our company). However, we will provide our shareholders with annual audited financial statements.

*Anti-Takeover Provisions.* Some provisions of our Articles may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- Authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares; and
- Limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Articles for a proper purpose and for what they believe in good faith to be in the best interests of our company.

*Exempted Company.* We are an exempted company incorporated with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- Does not have to file an annual return of its shareholders with the Registrar of Companies;
- Is not required to open its register of members for inspection;
- Does not have to hold an annual general meeting;

- May issue negotiable or bearer shares or shares with no par value;
- May obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- May register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- May register as a limited duration company; and
- May register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other limited circumstances in which a court may be prepared to pierce or lift the corporate veil).

### **Convertible Loan and Warrants**

In September, October and November 2019, we entered into a series of loan facilities with certain of our directors, existing stockholders or affiliates thereof, and others, for an aggregate loan amount of \$3.25 million. The two types of loan facilities are described below:

#### ***Convertible Loan Facility***

On September 30, 2019, we entered into a convertible loan facility with Bukwang Pharmaceutical Co., Ltd., for an amount of \$1.0 million (the Convertible Loan Facility). The Convertible Loan Facility had a two-year term with a 10% interest rate per annum. The Convertible Loan Facility was repaid in March 2021.

#### ***October/November 2019 Loan Facility***

On October 25, 2019, we entered into a loan facility with certain existing stockholders/directors, or affiliates thereof, and on November 11, 2019 we entered into a related loan facility with the affiliate of another existing stockholder, for an aggregate amount of \$2.25 million (collectively, the October/November 2019 Loan Facility). The October/November 2019 Loan Facility had a two-year term with a 10% interest rate per annum. The October/November 2019 Loan Facility was repaid in March 2021.

In connection with the October/November 2019 Loan Facility, we issued certain warrants (collectively referred to as the “Warrants”). In October 2019, we drew down on \$1.95 million under the loan facility. In connection with this initial draw down, we issued Warrants to purchase 483,448 ADSs (representing 2,417,240 ordinary shares) to the lenders. These Warrants entitle lenders optionally to purchase shares up to a maximum of 50% of the principal loan amount, at an exercise price of \$2.02 per ADS. In November 2019, we drew down on the remaining \$0.3 million under the loan facility. In connection with the second draw down, we issued Warrants to purchase 74,377 ADSs (representing 371,885 ordinary shares) to the lender. These Warrants entitle the lender optionally to purchase shares up to a maximum of 50% of the principal loan amount, at an exercise price of \$2.02 per ADS. The warrants expire on the earlier of (i) August 25, 2021 (the first anniversary of the delisting of our ordinary shares on TPEX) or (ii) expiry of the term of the October/November 2019 Loan Facility. To date, warrants to purchase an aggregate of 285,110 ADSs (representing 1,425,550 ordinary shares) have been exercised, and warrants at the lenders option in exchange for 50% of the principal loan facility to purchase an aggregate of 272,715 ADSs (representing 1,363,575 ordinary shares) remain outstanding.

## **Preferred Shares**

Pursuant to our Articles, we may issue shares with rights which are preferential to those of ordinary shares issued by us with the approval of a majority of our board of directors present at a meeting attended by two-thirds or more of the total number of directors and with the approval of a special resolution. Our Articles must be amended by special resolution to provide for such preference shares.



## Material Differences in Corporate Law

The Companies Act is modeled after the corporate legislation of the United Kingdom but does not follow recent United Kingdom statutory enactments, and differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in Delaware and their shareholders.

	<b>Delaware</b>	<b>Cayman Islands</b>
<b><i>Title of Organizational Documents</i></b>	Certificate of Incorporation Bylaws	Memorandum of Association and Articles of Association
<b><i>Duties of Directors</i></b>	<p>Under Delaware law, the business and affairs of a corporation are managed by or under the direction of its board of directors. In exercising their powers, directors are charged with a fiduciary duty of care to protect the interests of the corporation and a fiduciary duty of loyalty to act in the best interests of its shareholders. The duty of care requires that directors act in an informed and deliberative manner and inform themselves, prior to making a business decision, of all material information reasonably available to them. The duty of care also requires that directors exercise care in overseeing and investigating the conduct of the corporation's employees. The duty of loyalty may be summarized as the duty to act in good faith, not out of self-interest, and in a manner which the director reasonably believes to be in the best interests of the shareholders.</p>	<p>As a matter of Cayman Islands law, directors of Cayman Islands companies owe fiduciary duties to their respective companies to, amongst other things, act in good faith in their dealings with or on behalf of the company and exercise their powers and fulfill the duties of their office honestly. Five core duties are:</p> <ul style="list-style-type: none"><li>• a duty to act in good faith in what the directors bona fide consider to be the best interests of the company (and in this regard, it should be noted that the duty is owed to the company and not to associate companies, subsidiaries or holding companies);</li><li>• a duty not to personally profit from opportunities that arise from the office of director;</li><li>• a duty of trusteeship of the company's assets;</li><li>• a duty to avoid conflicts of interest; and</li><li>• a duty to exercise powers for the purpose for which such powers were conferred.</li></ul> <p>A director of a Cayman Islands company also owes the company a duty to act with skill, care and diligence. A director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience.</p>

***Limitations on Personal Liability of Directors***

Subject to the limitations described below, a certificate of incorporation may provide for the elimination or limitation of the personal liability of a director to the corporation or its shareholders for monetary damages for a breach of fiduciary duty as a director.

Such provision cannot limit liability for breach of loyalty, bad faith, intentional misconduct, unlawful payment of dividends or unlawful share purchase or redemption. In addition, the certificate of incorporation cannot limit liability for any act or omission occurring prior to the date when such provision becomes effective.

The Companies Act has no equivalent provision to Delaware law regarding the limitation of director's liability. However, as a matter of public policy, Cayman Islands law will not allow the limitation of a director's liability to the extent that the liability is a consequence of the director committing a crime or of the director's own fraud, dishonesty or willful default.

***Indemnification of Directors, Officers, Agents, and Others***

A corporation has the power to indemnify any director, officer, employee, or agent of the corporation who was, is, or is threatened to be made a party who acted in good faith and in a manner he believed to be in the best interests of the corporation, and if with respect to a criminal proceeding, had no reasonable cause to believe his conduct would be unlawful, against amounts actually and reasonably incurred.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of directors and officers, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against the consequences of committing a crime, or against the indemnified person's own fraud or dishonesty.

***Interested Directors***

Under Delaware law, a transaction in which a director who has an interest is not void or voidable solely because such interested director is present at or participates in the meeting that authorizes the transaction if: (i) the material facts as to such interested director's relationship or interests are disclosed or are known to the board of directors and the board in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors are less than a quorum, (ii) such material facts are disclosed or are known to the shareholders entitled to vote on such transaction and the transaction is specifically approved in good faith by vote of the shareholders, or (iii) the transaction is fair as to the corporation as of the time it is authorized, approved or ratified. Under Delaware law, a director could be held liable for any transaction in which such director derived an improper personal benefit.

Our Articles contain a provision that allows the director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with us shall declare the nature of his interest at a meeting of the directors. A general notice given to the directors by any director to the effect that he is to be regarded as interested in any contract or other arrangement which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

## ***Voting Requirements***

The certificate of incorporation may include a provision requiring supermajority approval by the directors or shareholders for any corporate action. In addition, under Delaware law, certain business combinations involving interested shareholders require approval by a supermajority of the non-interested shareholders.

For the protection of shareholders, certain matters must be approved by special resolution of the shareholders as a matter of Cayman Islands law, including alteration of the memorandum or articles of association, appointment of inspectors to examine company affairs, reduction of share capital (subject, in relevant circumstances, to court approval), change of name, authorization of a plan of merger or transfer by way of continuation to another jurisdiction or consolidation or voluntary winding up of the company.

The Companies Act requires that a special resolution be passed by a super majority of at least two-thirds or such higher percentage as set forth in the articles of association, of shareholders being entitled to vote and do vote in person or by proxy at a general meeting, or by unanimous written consent of shareholders entitled to vote at a general meeting. Our Articles provide that a resolution in writing signed by all the shareholders for the time being entitled to receive notice of and to attend and vote at our general meetings (or being corporations by their duly authorized representatives) shall be as valid and effective as if the same had been passed at a general meeting duly convened and held.

## ***Voting for Directors***

Under Delaware law, unless otherwise specified in the certificate of incorporation or bylaws of the corporation, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

The Companies Act defines “special resolutions” only. A company’s articles of association can therefore tailor the definition of “ordinary resolutions” as a whole, or with respect to specific provisions.

Our Articles contain a provision that we may by ordinary resolution appoint any person to be a director. Further, The directors shall have power at any time and from time to time to appoint any person to be a director, either as a result of a casual vacancy or as an additional director, subject to the maximum number (if any) imposed by Ordinary Resolution.

***Cumulative Voting***

No cumulative voting for the election of directors unless so provided in the certificate of incorporation.

No cumulative voting for the election of directors unless so provided in the articles of association. Our Articles do not expressly provide for cumulative voting on the election of directors.

***Directors' Powers Regarding Bylaws***

The certificate of incorporation may grant the directors the power to adopt, amend or repeal bylaws.

The memorandum and articles of association may only be amended by a special resolution of the shareholders.

***Nomination and Removal of Directors and Filling Vacancies on Board***

Shareholders may generally nominate directors if they comply with advance notice provisions and other procedural requirements in company bylaws. Holders of a majority of the shares may remove a director with or without cause, except in certain cases involving a classified board or if the company uses cumulative voting. Unless otherwise provided for in the certificate of incorporation, directorship vacancies are filled by a majority of the directors elected or then in office.

Nomination and removal of directors and filling of board vacancies are governed by the terms of the articles of association.

***Mergers and Similar Arrangements***

Under Delaware law, with certain exceptions, a merger, consolidation, exchange or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the outstanding shares entitled to vote thereon. Under Delaware **law**, a shareholder of a corporation participating in certain major corporate transactions may, under certain circumstances, be entitled to appraisal rights pursuant to which such shareholder may receive cash in the amount of the fair value of the shares held by such shareholder (as

determined by a court) in lieu of the consideration such shareholder would otherwise receive in the transaction. Delaware law also provides that a parent corporation, by resolution of its board of directors, may merge with any subsidiary, of which it owns at least

The Companies Act provides for the merger or consolidation of two or more companies into a single entity. The legislation makes a distinction between a "consolidation" and a "merger." In a consolidation, a new entity is formed from the combination of each participating company, and the separate consolidating parties, as a consequence, cease to exist and are each stricken by the Registrar of Companies. In a merger, one company remains as the surviving entity, having in effect absorbed the other merging party that then ceases to exist.

Two or more Cayman Islands companies may merge or consolidate. Cayman Islands companies may also merge or consolidate with foreign companies provided that the laws of the foreign jurisdiction permit such merger or consolidation.

90% of each class of capital stock without a vote by shareholders of such subsidiary. Upon any such merger, dissenting shareholders of the subsidiary would have appraisal rights.

Under the Companies Act, a plan of merger or consolidation shall be authorized by each constituent company by way of (i) a special resolution of the members of each such constituent company; and (ii) such other authorization, if any, as may be specified in such constituent company's articles of association.

Shareholder approval is not required where a parent company registered in the Cayman Islands seeks to merge with one or more of its subsidiaries registered in the Cayman Islands and a copy of the plan of merger is given to every member of each subsidiary company to be merged unless that member agrees otherwise.

Secured creditors must consent to the merger although application can be made to the Grand Court of the Cayman Islands for such requirement to be waived if such secured creditor does not grant its consent to the merger. Where a foreign company wishes to merge with a Cayman company, consent or approval to the transfer of any security interest granted by the foreign company to the resulting Cayman entity in the transaction is required, unless otherwise released or waived by the secured party. If the merger plan is approved, it is then filed with the Cayman Islands Registrar of Companies along with a declaration by a director of each company. The Registrar of Companies will then issue a certificate of merger which shall be prima facie evidence of compliance with all requirements of the Companies Act in respect of the merger or consolidation.

The surviving or consolidated entity remains or becomes active while the other company or companies are automatically dissolved. Unless the shares of such shareholder are publicly listed or quoted, dissenting shareholders in a merger or consolidation of this type are entitled to payment of the fair value of their shares if such shareholder provides a written objection before the vote on such merger or consolidation. With respect to shares that are listed or quoted, a shareholder shall have similar rights only if it is required by the terms of the merger or consolidation to accept for such shares property other than (i) shares (or depositary receipts in respect thereof) in the surviving or consolidated company; (ii) listed or quoted shares (or depositary receipts in respect thereof) of another company; (iii) cash in lieu of any fractions of shares or depositary receipts described at (i) and (ii); or (iv) any combination of shares, depositary receipts or cash described in (i)—(iii).

Cayman companies may also be restructured or amalgamated under supervision of the Grand Court of the Cayman Islands by way of a court-sanctioned “scheme of arrangement.” A scheme of arrangement is one of several transactional mechanisms available in the Cayman Islands for achieving a restructuring. Others include share capital exchange, merger (as described above), asset acquisition or control, through contractual arrangements, of an operating business. A scheme of arrangement must not be beyond the powers of the company, as stated in the constitutional documents of the company and also requires the approval of a majority, in number, of each class of shareholders and creditors with whom the arrangement is to be made and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at the meeting summoned for that purpose. The convening of the meetings and subsequently the terms of the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder would have the right to express to the Court its view that the transaction ought not be approved, the Court can be expected to approve the scheme of arrangement if it is satisfied that:

- the classes which are required to approve the scheme of arrangement have been properly constituted, so that the members of such classes are properly represented;
- the meetings held by the company in relation to the approval of the scheme of arrangement by such classes have been convened and held in accordance with any directions given by the Court;
- the scheme of arrangement has been properly explained to the shareholders or creditors so that they have been able to exercise an informed vote in respect of the scheme; the scheme of arrangement is one which an intelligent and honest man, who is a member of the relevant class and properly acting might approve.

When a takeover offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection may be made to the Grand Court of the Cayman Islands but is unlikely to succeed unless there is evidence of fraud, bad faith or collusion. If the arrangement and reconstruction are thus approved, any dissenting shareholders would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of United States corporations, providing rights to receive payment in cash for the judicially determined value of the shares. Our Articles provide that we may merge or consolidate with one or more other companies in accordance with the Companies Act with the approval of a Special Resolution.



### ***Shareholder Suits***

Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In such actions, the court generally has discretion to permit the winning party to recover attorneys' fees incurred in connection with such action.

The rights of shareholders under Cayman Islands law are not as extensive as those under Delaware law. Class actions are generally not available to shareholders under Cayman Islands laws; historically, there have not been any reported instances of such class actions having been successfully brought before the Cayman Islands courts. In principle, we will normally be the proper plaintiff and a derivative action may be brought by a minority shareholder in only limited circumstances. In this regard, the Cayman Islands courts would ordinarily be expected to follow English case law precedent, which would permit a shareholder to commence an action in the company's name to remedy a wrong done to the company where the act complained of cannot be ratified by the shareholders and where control of the company by the wrongdoer results in the company not pursuing a remedy itself. The case law shows that derivative actions have been permitted in respect of acts that are beyond the company's corporate power, illegal, where the individual rights of the plaintiff shareholder have been infringed or are about to be infringed and acts that are alleged to constitute a "fraud on the minority." The winning party in such an action generally would be able to recover a portion of attorney's fees incurred in connection with such action.

### ***Inspection of Corporate Records***

Under Delaware law, shareholders of a Delaware corporation have the right during normal business hours to inspect for any proper purpose, and to obtain copies of list(s) of shareholders and other books and records of the corporation and its subsidiaries, if any, to the extent the books and records of such subsidiaries are available to the corporation.

Shareholders of a Cayman Islands exempted company have no general right under Cayman Islands law to inspect or obtain copies of a list of shareholders or other corporate records (other than the register of mortgages or charges) of the company. However, these rights may be provided in the company's articles of association.

<b><i>Shareholder Proposals</i></b>	Unless provided in the corporation’s certificate of incorporation or bylaws, Delaware law does not include a provision restricting the manner in which shareholders may bring business before a meeting.	The Companies Act does not provide shareholders any right to bring business before a meeting or requisition a general meeting. However, these rights may be provided in the company’s articles of association. Our Articles do provide for these rights.
<b><i>Approval of Corporate Matters by Written Consent</i></b>	Delaware law permits shareholders to take action by written consent signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting of shareholders.	The Companies Act allows a special resolution to be passed in writing if signed by all the voting shareholders (if authorized by the articles of association). Our Articles authorize such written consents.
<b><i>Calling of Special Shareholders Meetings</i></b>	Delaware law permits the board of directors or any person who is authorized under a corporation’s certificate of incorporation or bylaws to call a special meeting of shareholders.	The Companies Act does not have provisions governing the proceedings of shareholders meetings which are usually provided in the articles of association.  Our Articles allow for shareholders’ meetings to be convened on the requisition in writing of any shareholder or shareholders holding at least ten percent of the paid up voting share capital. Our Articles also provide that, in the event that our board of directors does not or cannot convene a general meeting upon the duly delivered requisition of any shareholder or shareholders (as described above), the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene the general meeting shall be reimbursed to them by us.

**C. Material contracts.**

Except as otherwise disclosed in this Annual Report (including the exhibits thereto), we are not currently, and have not been in the last two years, party to any material contract, other than contracts entered into in the ordinary course of our business.

### **2019 Underwriting Agreement**

We entered into an underwriting agreement with H.C. Wainwright & Co., LLC. as representative of the underwriters, on December 2, 2019, with respect to certain ADSs sold in our public offering. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the U.S. Securities Act of 1933, as amended, and to contribute to payments the underwriters may be required to make in respect of such liabilities.

### **2020 Sales Agreement**

We entered into an Open Market Sale Agreement<sup>SM</sup> (the Sale Agreement), with Jefferies LLC on October 9, 2020 pursuant to which we may issue and sell ADSs from time to time, through at-the-market offerings under which Jefferies LLC will act as sales agent and/or principal.

The Sale Agreement contains customary representations and warranties of the parties and indemnification and contribution provisions under which the Company and Jefferies LLC have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act. Jefferies LLC and the Company have the right, by giving written notice as specified in the Sales Agreement, to terminate the Sales Agreement.

### **2021 Underwriting Agreement**

We entered into an underwriting agreement with Jefferies LLC and Piper Sandler & Co. as representatives of the underwriters, on March 2, 2021, with respect to certain ADSs sold in our public offering. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the U.S. Securities Act of 1933, as amended, and to contribute to payments the underwriters may be required to make in respect of such liabilities.

#### **D. Exchange Controls.**

There are no governmental laws, decrees, regulations or other legislation in the Cayman Islands that may affect the import or export of capital, including the availability of cash and cash equivalents for use by us, or that may affect the remittance of dividends, interest, or other payments by us to non-resident holders of our ordinary shares or ADSs.

There are no governmental laws, decrees, regulations or other legislation in the ROC that may affect the remittance of dividends, interest, or other payments by us to non-resident holders of our ordinary shares or ADSs.

#### **E. Taxation.**

*The following is a discussion of the material Cayman Islands, ROC and U.S. federal income tax considerations that may be relevant to an investment decision by a potential investor with respect to our ADSs. This summary should not be considered a comprehensive description of all the tax considerations that may be relevant to the decisions to acquire ADSs.*

#### **Material U.S. Federal Income Tax Considerations for U.S. Holders**

The following discussion describes the material U.S. federal income tax consequences relating to the ownership and disposition of our ordinary shares or ADSs by U.S. Holders (as defined below). This discussion applies to U.S. Holders that purchase our ADSs and hold such ADSs as capital assets

(generally, property held for investment). This discussion is based on the U.S. Internal Revenue Code of 1986 (as amended the Code), U.S. Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. This discussion does not address all of the U.S. federal income tax consequences that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as certain banks, financial institutions, insurance companies, brokers, dealers or traders in securities, commodities, currencies or notional principal contracts or other persons that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities or governmental organizations, retirement plans, regulated investment companies, real estate investment trusts, grantor trusts, certain former citizens or long-term residents of the United States, persons who hold our ordinary shares or ADSs as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security,” “wash sale” or other integrated investment, persons that have a “functional currency” other than the U.S. dollar, persons that own directly, indirectly or through attribution 10% or more of the voting power or value of our ordinary shares, corporations that accumulate earnings to avoid U.S. federal income tax, entities or arrangements classified as partnerships or S corporations for U.S. federal income tax purposes or other pass-through entities, including hybrid entities and disregarded entities, and investors in such entities). In addition, this discussion does not address any U.S. state or local or non-U.S. tax consequences or any U.S. federal estate, gift or alternative minimum tax consequences, or the special tax accounting rules in Section 451(b) of the Code.

As used in this discussion, the term “U.S. Holder” means a beneficial owner of our ordinary shares or ADSs who is, for U.S. federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income tax regardless of its source or (4) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions or (y) that has elected under applicable U.S. Treasury regulations to be treated as a domestic trust for U.S. federal income tax purposes.

If an entity or arrangement classified as a partnership for U.S. federal income tax purposes holds our ordinary shares or ADSs, the U.S. federal income tax consequences to a partner relating to an investment in such ordinary shares or ADSs will depend in part upon the activities of such entity and the status of the particular partner. Partnerships holding our ordinary shares or ADSs and partners in such partnership should consult their own tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of our ordinary shares or ADSs.

Persons considering an investment in our ADSs should consult their own tax advisors as to the particular tax consequences applicable to them relating to the purchase, ownership and disposition of our ADSs, including the applicability of U.S. federal, state and local tax laws and non-U.S. tax laws.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms. Generally, a holder of an ADS should be treated for U.S. federal income tax purposes as holding the ordinary shares represented by the ADS. Accordingly, no gain or loss will be recognized upon an exchange of ADSs for the underlying ordinary shares represented by such ADSs. The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the beneficial ownership of the underlying security. Accordingly, the creditability of foreign taxes, if any, as described below, could be affected by actions taken by intermediaries in the chain of ownership between the holders of ADSs and our company if as a result of such actions the holders of ADSs are not properly treated as beneficial owners of the underlying ordinary shares.

## ***Passive Foreign Investment Company Consequences***

In general, a corporation organized outside the United States will be treated as a passive foreign investment company (PFIC) for any taxable year in which either (1) at least 75% of its gross income is “passive income” (PFIC income test), or (2) on average at least 50% of its assets, determined on a quarterly basis, are assets that produce passive income or are held for the production of passive income (PFIC asset test). Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents, and gains from the sale or exchange of property that gives rise to passive income.

Assets that produce or are held for the production of passive income generally include cash, even if held as working capital or raised in a public offering, marketable securities, and other assets that may produce passive income. Generally, in determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

Although PFIC status is determined on an annual basis and generally cannot be determined until the end of the taxable year, based on the nature of our current and expected income and the current and expected value and composition of our assets, we believe we were not a PFIC for the taxable year ended December 31, 2020. Because we may hold a substantial amount of cash and cash equivalents, and because the calculation of the value of our assets may be based in part on the value of ordinary shares, which may fluctuate considerably, we may be a PFIC in future taxable years. Even if we determine that we are not a PFIC for a taxable year, there can be no assurance that the Internal Revenue Service (IRS) will agree with our conclusion and that the IRS would not successfully challenge our position. Our status as a PFIC is a fact-intensive determination made on an annual basis applying principles and methodologies that are unclear in some respects and subject to varying interpretations. In particular, the characterization of our assets as active or passive may depend in part on our current and intended future business plans, which are subject to change. The composition of our income and assets is also affected by how, and how quickly, we spend the cash we raise in any offering. Accordingly, our U.S. counsel expresses no opinion with respect to our PFIC status in our current taxable year or in any prior or future taxable year.

If we are a PFIC in any taxable year during which a U.S. Holder owns our ordinary shares or ADSs, the U.S. Holder could be liable for additional taxes and interest charges under the “PFIC excess distribution regime” upon (1) a distribution paid during a taxable year that is greater than 125% of the average annual distributions paid in the three preceding taxable years, or, if shorter, the U.S. Holder’s holding period for our ordinary shares or ADSs, and (2) any gain recognized on a sale, exchange or other disposition, including a pledge, of our ordinary shares or ADSs, whether or not we continue to be a PFIC. Under the PFIC excess distribution regime, the tax on such distribution or gain would be determined by allocating the distribution or gain ratably over the U.S. Holder’s holding period for our ordinary shares or ADSs. The amount allocated to the current taxable year (i.e., the year in which the distribution occurs or the gain is recognized) and any year prior to the first taxable year in which we are a PFIC will be taxed as ordinary income earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates in effect for individuals or corporations, as applicable, to ordinary income for each such taxable year, and an interest charge, generally applicable to underpayments of tax, will be added to the tax.

If we are a PFIC for any year during which a U.S. Holder holds our ordinary shares or ADSs, we must generally continue to be treated as a PFIC by that holder for all succeeding years during which the U.S. Holder holds such ordinary shares or ADSs, unless we cease to meet the requirements for PFIC status and the U.S. Holder makes a “deemed sale” election with respect to our ordinary shares or ADSs. If the election is made, the U.S. Holder will be deemed to sell our ordinary shares or ADSs it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain

recognized from such deemed sale would be taxed under the PFIC excess distribution regime, but any loss would not be recognized. After the deemed sale election, the U.S. Holder's ordinary shares or ADSs would not be treated as shares of a PFIC unless we subsequently become a PFIC.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares or ADSs and one of our non-United States subsidiaries is also a PFIC (i.e., a lower-tier PFIC), such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be taxed under the PFIC excess distribution regime on distributions by the lower-tier PFIC and on gain from the disposition of shares of the lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. Any of our non-United States subsidiaries that have elected to be disregarded as entities separate from us or as partnerships for U.S. federal income tax purposes would not be corporations under U.S. federal income tax law and accordingly, cannot be classified as lower-tier PFICs. However, non-United States subsidiaries that have not made the election may be classified as a lower-tier PFIC if we are a PFIC during your holding period and the subsidiary meets the PFIC income test or PFIC asset test. Each U.S. Holder is advised to consult its tax advisors regarding the application of the PFIC rules to any of our non-United States subsidiaries.

If we are a PFIC, a U.S. Holder will not be subject to tax under the PFIC excess distribution regime on distributions or gain recognized on our ordinary shares or ADSs if a valid "mark-to-market" election is made by the U.S. Holder for our ordinary shares or ADSs. An electing U.S. Holder generally would take into account as ordinary income each year, the excess of the fair market value of our ordinary shares or ADSs held at the end of such taxable year over the adjusted tax basis of such ordinary shares or ADSs. The U.S. Holder would also take into account, as an ordinary loss each year, the excess of the adjusted tax basis of such ordinary shares or ADSs over their fair market value at the end of the taxable year, but only to the extent of the excess of amounts previously included in income over ordinary losses deducted as a result of the mark-to-market election. The U.S. Holder's tax basis in our ordinary shares or ADSs would be adjusted to reflect any income or loss recognized as a result of the mark-to-market election. Any gain from a sale, exchange or other disposition of our ordinary shares or ADSs in any taxable year in which we are a PFIC would be treated as ordinary income and any loss from such sale, exchange or other disposition would be treated first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss. If, after having been a PFIC for a taxable year, we cease to be classified as a PFIC because we no longer meet the PFIC income or PFIC asset test, the U.S. Holder would not be required to take into account any latent gain or loss in the manner described above and any gain or loss recognized on the sale or exchange of the ordinary shares or ADSs would be classified as a capital gain or loss.

A mark-to-market election is available to a U.S. Holder only for "marketable stock." Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable U.S. Treasury regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter.

In general, a U.S. Holder makes a mark-to-market election by attaching a properly executed IRS Form 8621 to its U.S. federal income tax return for the first taxable year to which it wishes the election to apply.

Our ADSs will be marketable stock as long as they remain listed on The Nasdaq Global Market and are regularly traded. A mark-to-market election will not apply to the ordinary shares or ADSs for any taxable year during which we are not a PFIC, but will remain in effect with respect to any subsequent taxable year in which we become a PFIC. Such election will not apply to any of our non-U.S. subsidiaries. Accordingly, a U.S. Holder may continue to be subject to tax under the PFIC excess distribution regime

with respect to any lower-tier PFICs notwithstanding the U.S. Holder's mark-to-market election for the ordinary shares or ADSs.

The tax consequences that would apply if we are a PFIC would also be different from those described above if a U.S. Holder were able to make a valid qualified electing fund (QEF) election. As we do not expect to provide U.S. Holders with the information necessary for a U.S. Holder to make a QEF election, prospective investors should assume that a QEF election will not be available.

**The U.S. federal income tax rules relating to PFICs are very complex. Prospective U.S. investors are strongly urged to consult their own tax advisors with respect to the impact of PFIC status on the purchase, ownership and disposition of our ADSs, the consequences to them of an investment in a PFIC, any elections available with respect to the ADSs and the IRS information reporting obligations with respect to the purchase, ownership and disposition of ADSs of a PFIC.**

### *Distributions*

Subject to the discussion above under “—Passive Foreign Investment Company Consequences,” a U.S. Holder that receives a distribution with respect to our ordinary shares or ADSs generally will be required to include the gross amount of such distribution in gross income as a dividend when actually or constructively received to the extent of the U.S. Holder's pro rata share of our current and/or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent a distribution received by a U.S. Holder is not a dividend because it exceeds the U.S. Holder's pro rata share of our current and accumulated earnings and profits, it will be treated first as a tax-free return of capital and reduce (but not below zero) the adjusted tax basis of the U.S. Holder's ordinary shares or ADSs. To the extent the distribution exceeds the adjusted tax basis of the U.S. Holder's ordinary shares or ADSs, the remainder will be taxed as capital gain. Because we may not account for our earnings and profits in accordance with U.S. federal income tax principles, U.S. Holders should expect all distributions to be reported to them as dividends.

Distributions on our ordinary shares or ADSs that are treated as dividends generally will constitute income from sources outside the United States for foreign tax credit purposes and generally will constitute passive category income. Such dividends will not be eligible for the “dividends received” deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations. Dividends paid by a “qualified foreign corporation” to certain non-corporate U.S. Holders may be eligible for taxation at a reduced capital gains rate if certain requirements are met. Each U.S. Holder is advised to consult its tax advisors regarding the availability of the reduced tax rate on dividends to its particular circumstances. However, if we are a PFIC for the taxable year in which the dividend is paid or the preceding taxable year (see discussion above under “—Passive Foreign Investment Company Consequences”), we will not be treated as a qualified foreign corporation, and therefore the reduced capital gains tax rate described above will not apply.

Dividends will be included in a U.S. Holder's income on the date of the Depository's receipt of the dividend. The amount of any dividend income paid in NT dollars will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect to the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

### *Sale, Exchange or Other Disposition of Our Ordinary Shares or ADSs*

Subject to the discussion above under “—Passive Foreign Investment Company Consequences,” a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of our ordinary shares or ADSs in an amount equal to the difference, if any,

between the amount realized (i.e., the amount of cash plus the fair market value of any property received) on the sale, exchange or other disposition and such U.S. Holder's adjusted tax basis in the ordinary shares or ADSs. Such capital gain or loss generally will be long-term capital gain taxable at a reduced rate for non-corporate U.S. Holders or long-term capital loss if, on the date of sale, exchange or other disposition, the ordinary shares or ADSs were held by the U.S. Holder for more than one year. Any capital gain of a non-corporate U.S. Holder that is not long-term capital gain is taxed at ordinary income rates. The deductibility of capital losses is subject to limitations. Any gain or loss recognized from the sale or other disposition of our ordinary shares or ADSs will generally be gain or loss from sources within the United States for U.S. foreign tax credit purposes.

### ***Medicare Tax***

Certain U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally are subject to a 3.8% tax on all or a portion of their net investment income, which may include their gross dividend income and net gains from the disposition of our ordinary shares or ADSs. If you are a United States person that is an individual, estate or trust, you are encouraged to consult your tax advisors regarding the applicability of this Medicare tax to your income and gains in respect of your investment in our ordinary shares or ADSs.

### ***Information Reporting and Backup Withholding***

U.S. Holders may be required to file certain U.S. information reporting returns with the IRS with respect to an investment in our ordinary shares or ADSs, including, among others, IRS Form 8938 (Statement of Specified Foreign Financial Assets). Each U.S. Holder who is a shareholder of a PFIC must file an annual report on IRS Form 8621 (or any successor form) containing certain information, generally with the U.S. Holder's U.S. federal income tax return for the relevant year. Substantial penalties may be imposed upon a U.S. Holder that fails to comply with the required information reporting.

Unless otherwise provided by the U.S. Treasury, each U.S. shareholder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. A U.S. Holder's failure to file the annual report will cause the statute of limitations for such U.S. Holder's U.S. federal income tax return to remain open with regard to the items required to be included in such report until three years after the U.S. Holder files the annual report, and, unless such failure is due to reasonable cause and not willful neglect, the statute of limitations for the U.S. Holder's entire U.S. federal income tax return will remain open during such period.

Dividends on and proceeds from the sale or other disposition of our ADSs may be reported to the IRS unless the U.S. Holder establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder (1) fails to provide an accurate U.S. taxpayer identification number or otherwise establish a basis for exemption, or (2) is described in certain other categories of persons. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS.

U.S. Holders should consult their own tax advisors regarding the backup withholding tax and information reporting rules.



**EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN OUR ADSs OR ORDINARY SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.**

### **Cayman Taxation**

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any ADSs or ordinary shares under the laws of their country of citizenship, residence or domicile.

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the ADSs or ordinary shares. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

No stamp duty, capital duty, registration or other issue or documentary taxes are payable in the Cayman Islands on the creation, issuance or delivery of the ADSs or ordinary shares. The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax. There are currently no Cayman Islands' taxes or duties of any nature on gains realized on a sale, exchange, conversion, transfer or redemption of the ADSs or ordinary shares. Payments of dividends and capital in respect of the ADSs or ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the ADSs or ordinary shares, nor will gains derived from the disposal of the ADSs or ordinary shares be subject to Cayman Islands income or corporation tax as the Cayman Islands currently have no form of income or corporation taxes.

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, have applied for and have received an undertaking from the Governor of the Cayman Islands that no law enacted in the Cayman Islands during the period of 30 years from 3 January 2018, being the date of the undertaking imposing any tax to be levied on profits, income, gains or appreciation shall apply to us or our operations and no such tax or any tax in the nature of estate duty or inheritance tax shall be payable (directly or by way of withholding) on the ADSs or ordinary shares, debentures or other obligations of ours.

### **ROC Taxation**

The following is a summary under present law of the principal ROC tax consequences of the ownership and disposition of ADSs and shares to a Non-Resident Individual or a Non-Resident Entity that owns ADS or shares (each a Non-ROC Holder). As used in this section, a "Non-Resident individual" is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year; and a "Non-Resident Entity" is a corporation or a non-corporate body that is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or other permanent establishment or business agent in the ROC. Prospective purchasers of the ADSs should consult their tax advisors concerning the ROC tax consequences of owning the ADSs or shares and the laws of any other relevant taxing jurisdiction to which they are subject.

## ***Sale***

There is no ROC tax on (i) the purchase of the ADSs, (ii) the sale of the ADSs or (iii) conversion of the ADSs into their underlying shares. However, securities transaction tax will be withheld at the rate of 0.3% of the transaction price upon a sale of the underlying shares in the ROC.

Under current ROC law, capital gains on transactions in securities issued by Cayman Islands companies and held by a Non-ROC Holder are exempt from income tax. This exemption applies to capital gains derived from the sale of the said shares.

## ***Tax Guarantor***

If a holder of non-ROC nationality converts the ADSs held by the holder into the underlying shares, such holder is required under current ROC law and regulations to appoint a tax agent in the ROC. Such agent must meet certain qualifications set by the Ministry of Finance of the ROC and, upon appointment, become a guarantor of such holder's ROC tax obligations. Evidence of the appointment of such agent and the approval for such appointment by the ROC tax authorities would be required as conditions to such holder's repatriation of the profit derived from the sale of shares. There can be no assurance that a foreign holder will be able to appoint and obtain approval for the required agent in a timely manner.

Subject to certain exceptions, under current ROC law, upon the repatriation of profits of shares sold within the ROC, the tax agent so appointed is required to submit evidence of the appointment of the tax agent to, and approval thereof by, the tax authority, or to submit tax clearance certificates issued by the tax authority. Notwithstanding the above requirements for the appointment of a tax agent or submission of tax clearance certificates as provided in the ROC regulations, the Central Bank of the ROC has not required submission of such evidence or tax clearance certificates as condition to repatriation of sale proceeds of shares from sales that take place within the ROC. However, there can be no assurance that the Central Bank of the ROC will not require submission of such evidence or tax clearance certificates in the future.

## **F. Dividends and paying agents.**

Not applicable.

## **G. Statement by experts.**

Not applicable.

## **H. Documents on display.**

We are subject to the informational requirements of the Exchange Act and are required to file reports and other information with the SEC. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with SEC using its EDGAR system.

We are a "foreign private issuer" as such term is defined in Rule 405 under the Securities Act, and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, we are subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, we do not file the same reports that

a U.S. domestic issuer would file with the SEC. We also make available on our website's investor relations page, free of charge, our annual report and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The address for our investor relations page is [www.aslanpharma.com](http://www.aslanpharma.com). The information contained on our website is not incorporated by reference in this annual report.

## I. Subsidiary Information.

Not applicable.

### Item 11. Quantitative and Qualitative Disclosures about Market Risk

Our financial risk management objective is to monitor and manage the financial risks relating to our operations. These risks include risks in financial markets (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. In order to minimize the effect of financial risks, we devote time and resources to identifying and evaluating the uncertainty of the financial market to mitigate risk exposures.

Our activities expose us primarily to risks of changes in foreign currency exchange rates, interest rates and other price risks.

#### A. Foreign Exchange Risk.

We have foreign currency transactions, which expose us to foreign currency risks. The significant financial assets and liabilities denominated in foreign currencies as of December 31, 2019 were as follows:

	December 31, 2019				
	Foreign Currencies		Exchange Rate	Carrying Amount	
<u>Financial assets</u>					
Monetary items					
	SG\$	2,538,168	0.7431	US\$	1,886,160
	GBP	999,471	1.3187	US\$	1,318,000
<u>Financial liabilities</u>					
Monetary items					
	SG\$	15,126,578	0.7431	US\$	11,240,843

A hypothetical rate change 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. Based on outstanding foreign currency-denominated monetary items, a 5% weakening of the U.S. dollar against the Singapore dollar would result in a \$0.5 million increase to net loss and decrease to equity and a 5% weakening of the U.S. dollar against the British Pound would result in a \$0.07 million decrease to net loss and increase to equity for the year ended December 31, 2019.

The significant financial assets and liabilities denominated in foreign currencies as of December 31, 2020 were as follows:

	December 31, 2020			
	Foreign Currencies		Exchange Rate	Carrying Amount
<b>Financial assets</b>				
<b>Monetary items</b>				
	SG\$	458,878	0.7566	US\$ 347,190
	GBP	49,524	1.3651	US\$ 67,606
<b>Financial liabilities</b>				
<b>Monetary items</b>				
	SG\$	15,722,226	0.7566	US\$ 11,895,538
	GBP	184,320	1.3651	US\$ 251,618

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

#### **B. Interest Rate Risk.**

We are exposed to interest rate risk because we have borrowed funds at both fixed and floating interest rates. The risk is managed by us by maintaining an appropriate mix of fixed and floating rate borrowings.

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, our pre-tax loss for the years ended December 31, 2019 and 2020 would have decreased/increased around by \$0.15 million and \$0.19 million, respectively.

### **Item 12. Description of Securities Other than Equity Securities**

#### **A. Debt Securities.**

Not applicable.

**B. Warrants and Rights.**

Not applicable.

**C. Other Securities.**

Not applicable.

**D. American Depositary Shares.**

JPMorgan Chase Bank, N.A. (JPMorgan), as depositary will issue the ADSs in connection with an offering. Each ADS will represent an ownership interest in a designated number of our ordinary shares which we will deposit with the depositary or the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as an ADR holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which have not distributed directly to you. Unless certificated ADRs are specifically requested by you, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's office is located at 383 Madison Avenue, Floor 11, New York, NY, 10179.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, we will not treat you as a shareholder of ours and you will not have any direct shareholder rights. Because the depositary or its nominee will be the shareholder of record for the ordinary shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all holders from time to time of ADRs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the ordinary shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law. However, our obligations to the holders of ordinary shares will continue to be governed by the Cayman Islands, which may be different from the laws of the United States. Under the deposit agreement, as an ADR holder, you agree that any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement, the ADSs, the ADRs or the transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and you irrevocably waive any objection which you may have to the laying of venue of any such proceeding and irrevocably submit to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to this Annual Report on Form 20-F. You may also obtain a copy of the deposit agreement at the SEC's Public Reference Room which is located at 100 F Street, NE, Washington, DC

### Share Dividends and Other Distributions

**How will I receive dividends and other distributions on the ordinary shares underlying my ADSs?** We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will distribute to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities, after converting any cash received into U.S. dollars (if it determines such conversion may be made on a reasonable basis) and, in all cases, making any necessary deductions provided for in the deposit agreement. The depositary may utilize a division, branch or affiliate of JPMorgan to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement. Such division, branch and/or affiliate may charge the depositary a fee in connection with such sales, which fee is considered an expense of the depositary. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- *Cash.* The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's and/or its agents' fees and expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. *If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.*
- *Shares.* In the case of a dividend or free distribution in ordinary shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such ordinary shares. Only whole ADSs will be issued. Any ordinary shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.
- *Rights to receive additional ordinary shares.* In the case of a distribution of rights to subscribe for additional ordinary shares or other rights, if we timely provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not timely furnish such evidence, the depositary may:
  - (i) Sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or
  - (ii) If it is not practicable to sell such rights by reason of the non-transferability of the rights, limited markets therefor, their short duration or otherwise, do nothing, in which case ADR holders will receive nothing and the rights may lapse.

*Other Distributions.* In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines in its discretion that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable, including the distribution of foreign currency, securities or property, or it may retain such items, without liability for interest thereon or investment thereof, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

*The depositary is not responsible if it fails to determine that any distribution or action is lawful or reasonably practicable.*

*There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period. All purchases and sales of securities will be handled by the depositary in accordance with its then current policies, which are currently set forth in the "Depositary Receipt Sale and Purchase of Security" section of <https://www.adr.com/Investors/FindOutAboutDRs>, the location and contents of which the depositary shall be solely responsible for.*

### **Deposit, Withdrawal and Cancellation**

***How does the depositary issue ADSs?*** Subject to any restrictions on deposit provided for under the laws of the Cayman Islands and the deposit agreement, the depositary will issue ADSs against the deposit of: (i) ordinary shares in registered form, validly issued and outstanding; (ii) rights to receive ordinary shares from us or any registrar, transfer agent, clearing agent or other entity recording share ownership or transactions, subject in each case to payment of the fees and expenses owing to the depositary in connection with such issuance.

Ordinary shares deposited in the future with the custodian must be accompanied by certain documents, including Share certificates, and a certified share extract, reflecting the registration of the shares in the name of JPMorgan, as depositary for the benefit of holders of ADRs or in such other name as the depositary shall direct, a delivery order directing the depositary to issue ADSs to, or upon the written order of, the person designated in such order, instruments assigning to the custodian, the depositary or the nominee of either of them any distribution on the ordinary shares so deposited or indemnity therefor, and proxies entitling the custodian to vote the deposited ordinary shares.

The custodian will hold all deposited ordinary shares for the account and to the order of the depositary for the benefit of holders of ADRs. ADR holders thus have no direct ownership interest in the ordinary shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited ordinary shares. The deposited ordinary shares and any such additional items are referred to as "deposited securities."

Upon each deposit of ordinary shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary's direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder's name. An ADR holder can request that the ADSs not be held through the depositary's direct registration system and that a certificated ADR be issued.

***How do ADR holders cancel an ADS and obtain deposited securities?*** In accordance with the deposit agreement and subject to the requirements of the laws of the Cayman Islands, an ADR holder may request the depositary to withdraw from the depositary receipt facility created by the deposit agreement the ordinary shares represented by such holder's ADRs and transfer such ordinary shares to such holder or, upon the written order of any person designated in such ADR holder's written order, upon surrender of (a) a certificated ADR in a form satisfactory to the depositary or (b) proper instructions and documentation in the case of an ADR issued through the depositary's direct registration system, as the case may be, then an ADR holder hereof is entitled to delivery at, or to the extent in dematerialized form from, the custodian's office of the deposited securities at the time represented by the ADSs evidenced by this ADR. At the request, risk and expense of the holder hereof, the depositary may deliver such deposited securities at such other place as may have been requested by the holder.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- Temporary delays caused by closing our transfer books or those of the depositary or the deposit of ordinary shares in connection with voting at a shareholders' meeting, or the payment of dividends;
- The payment of fees, taxes and similar charges; or
- Compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

### **Record Dates**

The depositary may, after consultation with us if practicable, fix record dates (which, to the extent applicable, shall be as near as practicable to any corresponding record dates set by us) for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- To receive any distribution on or in respect of deposited securities,
- To give instructions for the exercise of voting rights,
- To pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the deposit agreement, or
- To receive any notice or to act or be obligated in respect of other matters,

All subject to the provisions of the deposit agreement.

### **Voting Rights**

***How do I vote?*** If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receipt from us of notice of any meeting at which the holders of shares are



entitled to vote, or of our solicitation of consents or proxies from holders of shares, the depositary shall fix the ADS record date in accordance with the provisions of the deposit agreement. The depositary shall, if we request in writing in a timely manner at least 30 days prior to the date of such vote or meeting and at our expense and provided no legal prohibitions exist, distribute to the registered ADR holders a notice stating final information particular to the voting materials received by the depositary and describing how you may instruct, or, subject to the next paragraph, will be deemed to instruct, the depositary to exercise the voting rights for the shares which underlie your ADSs, including instructions for giving a discretionary proxy to a person designated by us. Each ADR holder shall be solely responsible for the forwarding of voting notices to the beneficial owners of ADSs registered in such holder's name. In accordance with our memorandum and articles of association, a shareholder may not exercise its own vote or by proxy on behalf of another shareholder of the company in respect of any contract or proposed contract or arrangement if such shareholder may be interested therein. Accordingly, no ADR holder shall instruct the depositary to vote on its behalf on any matter to be considered at the relevant meeting in respect of which such holder is interested.

To the extent we have provided the depositary with at least 35 days' notice of a proposed meeting, the notice will be received by all ADR holders and beneficial owners no less than 10 days prior to the date of the meeting and/or the cut-off date for the solicitation of consents, and the depositary does not receive instructions on a particular agenda item from a ADR holder (including, without limitation, any entity or entities acting on behalf of the nominee for The Depository Trust Company) in a timely manner, such holder shall be deemed, and in the deposit agreement the depositary is instructed to deem such holder, to have instructed the depositary to give a discretionary proxy for such agenda item(s) to a person designated by us to vote the shares represented by their ADSs for which actual instructions were not so given by all such ADR holders on such agenda item(s), provided that no such instruction shall be deemed given and no discretionary proxy shall be given unless (1) we inform the depositary in writing that (a) we wish such proxy to be given with respect to such agenda item(s), (b) there is no substantial opposition existing with respect to such agenda item(s) and (c) such agenda item(s), if approved, would not materially or adversely affect the rights of holders of shares and (2) we have provided the depositary with an opinion of our counsel, in form and substance satisfactory to the depositary, confirming that (a) the granting of such discretionary proxy does not subject the depositary to any reporting obligations in the Cayman Islands, (b) the granting of such proxy will not result in a violation of Cayman Island laws, rules, regulations or permits, (c) the voting arrangement and deemed instruction as contemplated herein will be given effect under Cayman Islands laws, rules and regulations, and (d) the granting of such discretionary proxy will not under any circumstances result in the ADSs being treated as assets of the depositary under Cayman Island laws, rules or regulations.

Holders are strongly encouraged to forward their voting instructions to the depositary as soon as possible. For instructions to be valid, the ADR department of the depositary that is responsible for proxies and voting must receive them in the manner and on or before the time specified, notwithstanding that such instructions may have been physically received by the depositary prior to such time. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of deposited securities, distribute to the registered holders of ADRs a notice that provides such holders with, or otherwise publicizes to such holders, instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

We have advised the depositary that under the Cayman Islands law and our memorandum and articles of association, voting at any meeting of our shareholders is by show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded. In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with the memorandum and articles of association, the depositary will refrain from voting and the voting instructions received by the depositary from holders shall lapse. The depositary will not demand a poll or join in demanding a poll, whether or not requested to do so by holders of ADSs.

### **Reports and Other Communications**

**Will ADR holders be able to view our reports?** The depositary will make available for inspection by ADR holders at the offices of the depositary and the custodian, or upon request made to the depositary (which request may be refused by the depositary at its discretion), the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our ordinary shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADR holders.

### **Fees and Expenses**

**What fees and expenses will I be responsible for paying?** The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of ordinary shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, \$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distributions prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs and/or to whom ADSs are issued (including, without limitation, issuances pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- A fee of up to \$0.05 per ADS upon which any cash distribution made pursuant to the deposit agreement;
- An aggregate fee of \$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- A fee for the reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on

behalf of ADR holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the ordinary shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against ADR holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such ADR holders or by deducting such charge from one or more cash dividends or other cash distributions);

- A fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the \$0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were ordinary shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those ADR holders entitled thereto;
- Stock transfer or other taxes and other governmental charges;
- SWIFT, cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares, ADRs or deposited securities;
- Transfer or registration fees for the registration or transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;
- Fees of any division, branch or affiliate of JPMorgan utilized to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement.

*Foreign Exchange Related Matters.* To facilitate the administration of various depositary receipt transactions, including disbursement of dividends or other cash distributions and other corporate actions, the depositary may engage the foreign exchange desk within JPMorgan and/or its affiliates in order to enter into spot foreign exchange transactions to convert foreign currency into U.S. dollars (FX Transactions). For certain currencies, FX Transactions are entered into with JPMorgan or an affiliate, as the case may be, acting in a principal capacity. For other currencies, FX Transactions are routed directly to and managed by an unaffiliated local custodian (or other third party local liquidity provider), and neither the JPMorgan nor any of its affiliates is a party to such FX Transactions.

The foreign exchange rate applied to an FX Transaction will be either (a) a published benchmark rate, or (b) a rate determined by a third party local liquidity provider, in each case plus or minus a spread, as applicable. The depositary will disclose which foreign exchange rate and spread, if any, apply to such currency on the "Disclosure" page (or successor page) of [www.adr.com](http://www.adr.com). Such applicable foreign exchange rate and spread may (and neither the depositary, JPMorgan nor any of their affiliates is under any obligation to ensure that such rate does not) differ from rates and spreads at which comparable transactions are entered into with other customers or the range of foreign exchange rates and spreads at which JPMorgan or any of its affiliates enters into foreign exchange transactions in the relevant currency pair on the date of the FX Transaction. Additionally, the timing of execution of an FX Transaction varies according to local market dynamics, which may include regulatory requirements, market hours and liquidity in the foreign exchange market or other factors. Furthermore, JPMorgan and its affiliates may manage the associated risks of their position in the market in a manner they deem appropriate without regard to the impact of such activities on us, the depositary, holders or beneficial owners. The spread applied does not reflect any gains or losses that may be earned or incurred by JPMorgan and its affiliates as a result of risk management or other hedging related activity.

Notwithstanding the foregoing, to the extent we provide U.S. dollars to the depositary, neither JPMorgan nor any of its affiliates will execute an FX Transaction as set forth herein. In such case, the depositary will distribute the U.S. dollars received from us.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary. The right of the depositary to receive payment of fees, charges and expenses as provided above shall survive the termination of the deposit agreement.

The depositary anticipates reimbursing us for certain expenses incurred by us that are related to the establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time. The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

### **Payment of Taxes**

If any taxes or other governmental charges (including any penalties and/or interest) shall become payable by or on behalf of the custodian or the depositary with respect to any ADR, any deposited securities represented by the ADSs evidenced thereby or any distribution thereon, such tax or other governmental charge shall be paid by the ADR holders to the depositary and by holding or having held an ADR or any ADSs evidenced thereby, the holder and all beneficial owners thereof and all prior holders and beneficial owners holders thereof, jointly and severally, agree to indemnify, defend and save harmless each of the depositary and its agents in respect of such tax or other governmental charge. Each Holder of this ADR and beneficial owner of the ADSs evidenced thereby, and each prior holder and beneficial owner and thereof (collectively, the Tax Indemnitors), by holding or having held an ADR or an interest in ADSs, acknowledges and agrees that the depositary shall have the right to seek payment of amounts owing with respect to this ADR from any one or more Tax Indemnitor(s) as determined by the depositary in its sole discretion, without any obligation to seek payment from any other Tax Indemnitor(s). If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. If any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of ADRs or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) in such amounts and in such manner as the depositary deems necessary and practicable to pay such taxes and shall

distribute any remaining net proceeds or the balance of any such property after deduction of such taxes to the ADR holders entitled thereto.

Notwithstanding the above, we will pay all stamp duties and other similar duties or taxes payable in the Cayman Islands, Singapore, the Republic of China, the United States of America and any other jurisdiction, on or in connection with the constitution and issue of the ADSs and the execution or other event concerning the deposit agreement. If any legal proceedings are taken to enforce our obligations under the deposit agreement or the ADSs and for the purpose of such proceedings any of them are required to be taken into or enforced in any jurisdiction and stamp duties or other similar duties or taxes become payable in connection with such proceedings in such jurisdiction, the ADR holders will pay (or reimburse the person making a valid payment of) all such stamp duties and other similar duties and taxes, including any penalties and interest, unless otherwise ordered by a court of competent jurisdiction in such proceedings. The depository may sell any deposited securities and cancel ADSs with respect thereof in order to pay any such stamp duties or other similar duties or taxes owed under the deposit agreement by ADR holders without the depository being required to request payment thereof from the ADR holders.

Each holder and beneficial owner agrees to indemnify us, the depository, its custodian and any of our or their respective officers, directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained, and such obligations of the holders and beneficial owners shall survive the transfer of ADSs, any surrender of ADSs and withdrawal of deposited securities and any termination of the deposit agreement.

### **Reclassifications, Recapitalizations and Mergers**

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions of ordinary shares or other property not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depository may choose to, and shall if reasonably requested by us:

- (1) Amend the form of ADR;
- (2) Distribute additional or amended ADRs;
- (3) Distribute cash, securities or other property it has received in connection with such actions;
- (4) Sell by public or private sale any securities or property received; or
- (5) None of the above.

If the depository does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

### **Amendment and Termination**

#### **How may the deposit agreement be amended?**

We may agree with the depository to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders or beneficial owners must be given at least 30 days' notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, SWIFT, cable, telex or facsimile transmission costs, delivery costs or

other such expenses), or that otherwise prejudices any substantial existing right of ADR holders or beneficial owners. Such notice need not describe in detail the specific amendments effectuated thereby, but must identify to ADR holders a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Any amendments or supplements which (i) are reasonably necessary (as agreed by us and the depositary) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act of 1933 or (b) the ADSs or shares to be traded solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by ADR holders, shall be deemed not to prejudice any substantial rights of ADR holders or beneficial owners. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

### **How may the deposit agreement be terminated?**

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 60 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 60th day after our notice of removal was first provided to the depositary. Notwithstanding anything to the contrary in the deposit agreement without notice to us, the depositary may terminate the deposit agreement without notice to us, but subject to giving 30 days' notice to the ADR holders, if: (i) we become bankrupt or insolvent, (ii) we effect (or will effect) a redemption of all or substantially all of the deposited securities, or a cash or share distribution representing a return of all or substantially all of the value of the deposited securities, or (iii) there occurs a merger, consolidation, sale of assets or other transaction as a result of which securities or other property are delivered in exchange for or in lieu of deposited securities.

After termination, the depositary shall use its reasonable efforts to ensure that the ADSs cease to be DTC eligible so that neither DTC nor any of its nominees shall thereafter be a holder. At such time as the ADSs cease to be DTC eligible and/or neither DTC nor any of its nominees is a holder, the depositary shall (a) instruct its custodian to deliver all deposited securities to us along with a general stock power that refers to the names set forth on the ADR Register and (b) provide us with a copy of the ADR Register. Upon receipt of such deposited securities and the ADR Register, we shall use our best efforts to issue to each holder a share certificate representing the shares represented by the ADSs reflected on the ADR Register in such holder's name and to deliver such share certificate to the holder at the address set forth on the ADR Register. After providing such instruction to the custodian and delivering a copy of the ADR Register to us, the depositary and its agents shall have no further obligations.

### **Limitations on Obligations and Liability to ADR holders**

***Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs*** Prior to the issue, registration, registration of transfer, split-up, combination, or

withdrawal of any ADRs, or the delivery of any distribution in respect thereof, and from time to time in the case of the production of proofs as described below, we or the depositary or its custodian may require:

- Payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of ordinary shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;
- The production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and
- Compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADRs, the acceptance of deposits of ordinary shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdraw shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of ordinary shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective directors, officers, employees, agents and affiliates, provided, however, that no disclaimer of liability under the Securities Act of 1933 is intended by any of the limitations of liabilities provisions of the deposit agreement. In the deposit agreement it provides that neither we nor the depositary nor any such other party will be liable to holders or beneficial owners if:

- Any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, Singapore, the Republic of China or any other country or jurisdiction, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism, nationalization, expropriation, currency restrictions, work stoppage, strike, civil unrest, revolutions, rebellions, explosions, computer failure or circumstance beyond our, the depositary's or any such other party's direct and immediate control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or such other party (including, without limitation, voting);
- By reason of any non-performance or delay, caused in the performance of any act or things which by the terms of the deposit agreement it is provided shall or may be done or performed or it exercises or fails to exercise discretion under the deposit agreement or the ADRs including, without limitation, any failure to determine that any distribution or action may be lawful or reasonably practicable;

- It performs its obligations under the deposit agreement and ADRs without gross negligence or willful misconduct and the depositary shall not be a fiduciary or have any fiduciary duty to holders or beneficial owners; or
- It takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting ordinary shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information, or in the case of the depositary only, from us.

We and the depositary and its agents may rely and shall be protected in acting upon any written notice, request, direction, instruction or document believed by it to be genuine and to have been signed, presented or given by the proper party or parties.

Neither we, the depositary nor our respective agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs which in its opinion may involve it in expense or liability, if indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depositary shall not be liable for the acts or omissions made by, or the insolvency of, any securities depository, clearing agency or settlement system. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of JPMorgan. Notwithstanding anything to the contrary contained in the deposit agreement or any ADRs, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, any act or omission to act on the part of the custodian except to the extent that any holder has incurred liability directly as a result of the custodian having (i) committed fraud or willful misconduct in the provision of custodial services to the depositary or (ii) failed to use reasonable care in the provision of custodial services to the depositary as determined in accordance with the standards prevailing in the jurisdiction in which the custodian is located. The depositary shall not have any liability for the price received in connection with any sale of securities, the timing thereof or any delay in action or omission to act nor shall it be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained in connection with any such sale or proposed sale.

The depositary has no obligation to inform ADR holders or other holders of an interest in any ADSs about the requirements of the laws, rules or regulations of any country or jurisdiction or of any governmental or regulatory authority or any securities exchange or market or automated quotation system, or any changes therein or thereto.

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder or beneficial owner of ADRs to obtain the benefits of credits or refunds of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax or tax consequences that may be incurred by registered holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. The depositary may rely upon instructions from us or our counsel in respect of any approval or license required for any currency conversion, transfer or distribution. The depositary shall not incur any liability for



the content of any information submitted to it by us or on our behalf for distribution to ADR holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the deposited securities, for the validity or worth of the deposited securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the deposit agreement or for the failure or timeliness of any notice from us. The depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the depositary or in connection with any matter arising wholly after the removal or resignation of the depositary.

Neither we, the depositary nor any of our respective directors, officers, employees, agents or affiliates, nor our company's supervisors, shall be liable to registered holders or beneficial owners for any indirect, special, punitive or consequential damages (including, without limitation, legal fees and expenses) or lost profits, in each case of any form incurred by any person or entity (including, without limitation, holders and beneficial owners), whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each holder and beneficial owner and/or holder of interests in ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or us directly or indirectly arising out of or relating to the ordinary shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory).

The depositary and its agents may own and deal in any class of securities of our company and our affiliates and in ADRs.

#### **Disclosure of Interest in ADSs**

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of, or interests in, deposited securities, other ordinary shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof.

Each ADR holder agrees to comply with requests from us pursuant to the laws, rules and regulations of the Cayman Islands, Singapore and the Republic of China, as well as the rules and regulations of any stock exchange on which the ordinary shares may hereinafter be registered, traded or listed to provide information, inter alia, as to the capacity in which such ADR holder owns ADRs (and ordinary shares as the case may be) and regarding the identity of any other person interested in such ADRs and the nature of such interest.

#### **Books of Depositary**

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders of ADRs may inspect such register at the depositary's office at all reasonable times, but for the purpose of communicating with other ADR holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed at any time or from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADRs.

## **Appointment**

In the deposit agreement, each registered holder of ADRs and each beneficial owner, upon acceptance of any ADSs or ADRs (or any interest in any of them) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- Be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs,
- Appoint the depository its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depository in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR or ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof, and
- Acknowledge and agree that (i) nothing in the deposit agreement or any ADR shall give rise to a partnership or joint venture among the parties thereto nor establish a fiduciary or similar relationship among such parties, (ii) the depository, its divisions, branches and affiliates, and their respective agents, may from time to time be in the possession of non-public information about us, holders, beneficial owners and/or their respective affiliates, (iii) the depository and its divisions, branches and affiliates may at any time have multiple banking relationships with us, holders, beneficial owners and/or the affiliates of any of them, (iv) the depository and its divisions, branches and affiliates may, from time to time, be engaged in transactions in which parties adverse to us or the holders or beneficial owners may have interests, (v) nothing contained in the deposit agreement or any ADR(s) shall (A) preclude the depository or any of its divisions, branches or affiliates from engaging in such transactions or establishing or maintaining such relationships, or (B) obligate the depository or any of its divisions, branches or affiliates to disclose such transactions or relationships or to account for any profit made or payment received in such transactions or relationships, (vi) the depository shall not be deemed to have knowledge of any information held by any branch, division or affiliate of the depository and (vii) notice to a holder shall be deemed, for all purposes of the deposit agreement, to constitute notice to any and all beneficial owners of the ADSs evidenced by such holder's ADRs.

## **Governing Law, Submission to Jurisdiction and Arbitration**

The deposit agreement, the ADSs and the ADRs are governed by and construed in accordance with the laws of the State of New York without giving effect to the application of the conflict of law principles thereof. In the deposit agreement, we have submitted to the jurisdiction of the state and federal courts of the State of New York and appointed an agent for service of process on our behalf. Notwithstanding the foregoing, subject to the terms described below, including the federal securities law carve-out set forth at the end of this sentence, (i) the depository may refer any such suit, action or proceedings to arbitration in accordance with the provisions of the deposit agreement, and, upon such referral, any such suit, action or proceeding instituted by us shall be finally decided in such arbitration rather than in such court, (ii) the depository may, in its sole discretion, elect to institute any dispute, suit, action, controversy, claim or proceeding directly or indirectly based on, arising out of or relating to the deposit agreement or the ADRs or the transactions contemplated thereby, including without limitation any question regarding its or their existence, validity, interpretation, performance or termination, against any other party or parties to the deposit agreement (including, without limitation, against ADR holders and beneficial owners), by having the matter referred to and finally resolved by an arbitration conducted under the terms described below, and (iii) the depository may in its sole discretion require that any dispute, suit, action, controversy, claim, or proceeding of the type described in clause (ii) above, brought against the depository by any party or parties to the deposit

agreement (including, without limitation, by ADR holders and beneficial owners ), shall be referred to and finally settled by an arbitration conducted under the terms described below; *provided however*, that to the extent there are specific federal securities law violation aspects to any disputes against us and/or the depositary brought by any ADR holder or beneficial owner, the federal securities law violation aspects of such disputes brought by an ADR holder and/or beneficial owner against us and/or the depositary may, at the option of such holder, remain in state or federal court in New York, New York and all other aspects, claims, disputes, legal suits, actions and/or proceedings brought by such holder against us and/or the depositary, including those brought along with, or in addition to, federal securities law violation claims, would be referred to arbitration in accordance with the provisions of the deposit agreement. Any such arbitration shall be conducted either in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association or in Hong Kong following the arbitration rules of the United Nations Commission on International Trade Law with the Hong Kong International Arbitration Centre serving as the appointing authority, and the language of any such arbitration shall be English.

Notwithstanding the foregoing, any suit, action or proceeding based on the deposit agreement, the ADSs or the ADRs or the transactions contemplated thereby may be instituted by the depositary in any competent court in the Cayman Islands, the Republic of China, Singapore and/or the United States.

By holding an ADS or an interest therein, registered holders of ADRs and beneficial owners each irrevocably agree that subject to the depositary's rights, (i) any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement, the ADSs or the ADRs or the transactions contemplated herein, therein or hereby may only be instituted in a state or federal court in New York, New York, and each irrevocably waives any objection which it may have to the laying of venue of any such proceeding, and irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

## **PART II**

### **Item 13. Defaults, Dividend Arrearages and Delinquencies**

Not applicable.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

Not applicable.

### **Item 15. Controls and Procedures**

#### **A. Disclosure controls and procedures.**

Our management, with the participation of our Chief Executive Officer and Chief Operating Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2020. Based on such evaluation, our Chief Executive Officer and Chief Operating Officer have concluded that, as of December 31, 2020, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Operating Officer, as appropriate to allow timely decisions regarding required disclosure.

#### **B. Management's annual report on internal control over financial reporting.**

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and for the assessment of the effectiveness of our internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management has assessed the effectiveness of our internal control over financial reporting based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework). Based on our evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

#### **C. Attestation report of the registered public accounting firm.**

This annual report does not include an attestation report of the company's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

#### D. Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### Item 16A. Audit committee financial expert.

Our Audit Committee is comprised of three of our non-executive directors, Mr. Howden, Mr. Hoffman and Dr. Graham. The audit committee consists exclusively of “independent directors” as such term is defined in Rule 10A-3 under the Exchange Act and under the listing standards of the Nasdaq Stock Market. Mr. Sun serves as chair of this committee. Our Board has determined that Mr. Hoffman is an “audit committee financial expert” as defined in Item 16A of Form 20-F.

#### Item 16B. Code of Ethics.

We have adopted a Code of Business Conduct that covers a broad range of matters including the handling of conflicts of interest, compliance issues and other corporate policies. Our Code of Business Conduct is applicable to all of our employees, officers and directors, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. We have posted a copy of our Code of Business Conduct on our website at <http://ir.aslanpharma.com/corporate-governance/highlights>. We expect that any amendment to this code, or any waivers of its requirements, will be disclosed on our website and approved by board of directors. Information contained on, or that can be accessed through, our website is not incorporated by reference into this annual report. See “Item 6.C. Directors, Senior Management and Employees— Code of Business Conduct and Ethics” for more information.

#### Item 16C. Principal Accountant Fees and Services.

The table below summarizes the fees that we paid for services provided by Deloitte & Touche LLP and its affiliated firms (Deloitte Entities) for the years ended December 31, 2019 and 2020. All audit and non-audit services provided by Deloitte & Touche and Deloitte & Touche LLP were pre-approved by our audit committee paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X, entitled “Audit Committee Administration of the Engagement”.

Fee Category	Year Ended December 31,	
	2019	2020
	(in thousands)	
Audit fees	\$ 417	\$ 446
Audit-related fees	—	145
Tax fees	—	29
<b>Total</b>	<b>\$ 417</b>	<b>\$ 620</b>

*Audit Fees.* This category includes the audit of our annual financial statements, review of quarterly financial statements and services that are normally provided by the independent registered public accounting firms in connection with statutory and regulatory filings or engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of quarterly financial statements and statutory audits required by U.S. jurisdictions and non-U.S. jurisdictions and also public offering service fees occurred in the fiscal year if applicable.

*Audit-related fees.* Audit-related fees included fees for comfort letter on our current and historical financial information included in our SEC registration statements in connection with our supplementary public offering on the Nasdaq Global Market.

*Tax fees.* Tax fees consisted of fees relating to tax compliance services and advice relating to the company's assessment of its passive foreign investment status.

The 2020 principal accountant fees included the service from Deloitte & Touche and Deloitte & Touche LLP.

#### *Audit Committee Pre-Approval Policies and Procedures*

Our audit committee reviews and pre-approves the scope and the cost of audit services related to us and permissible non-audit services performed by the independent auditors. All of the services related to our company provided by Deloitte & Touche during the last fiscal year have been approved by the audit committee.

#### **Item 16D. Exemptions from the Listing Standards for Audit Committees.**

Not applicable.

#### **Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

Not applicable.

#### **Item 16F. Change in Registrant's Certifying Accountant.**

The disclosure called for by paragraph (a) of this Item was previously reported in our Form 6-K filed with the Securities and Exchange Commission on February 3, 2021.

#### **Item 16G. Corporate Governance.**

We are a "foreign private issuer," as defined by the SEC. As a result, in accordance with the rules and regulations of The Nasdaq Stock Market LLC (Nasdaq), we comply with home country governance requirements and certain exemptions thereunder rather than complying with Nasdaq corporate governance standards. While we voluntarily follow most Nasdaq corporate governance rules, we intend to take advantage of the following exemptions afforded to foreign private issuers:

- We do not intend to follow Nasdaq Rule 5620, which requires that we hold an annual general meeting of shareholders and that we provide notice thereof to Nasdaq. Such annual general meeting requirement is not required under Cayman Islands law nor our Tenth Amended and Restated Memorandum and Articles of Association, and instead our board of directors may convene an annual general meeting of shareholders at its discretion.
- We do not intend to follow certain provisions of Nasdaq Rule 5635, which requires shareholder approval for certain issuances of our securities, including: (a) issuances where the issued common stock will equal 20% or more of the number of shares of common stock or voting power outstanding before the issuance, except if the issuance is (i) a public offering or (ii) at a price not less than the greater of the book value, or the market value, of the stock; (b) issuances in connection with a stock

option or purchase plan to be established or materially amended to which stock may be acquired by officers, directors, employees, or consultants; and (c) issuances in connection with the acquisition of the stock or assets of another company that, on issuance, will equal 20% or more of the number of shares or voting power outstanding before such issuance. Such shareholder approval requirements are not required under Cayman Islands law nor our Tenth Amended and Restated Memorandum and Articles of Association, and instead our board of directors may decide to proceed with issuances under (a), (b) or (c), in its sole discretion, or if our board of directors so chooses, it may receive prior approval from our shareholders by ordinary resolution.

- We do not intend to follow Nasdaq Rule 5640, which requires that voting rights of existing shareholders of publicly traded registered common stock cannot be disparately reduced or restricted through any corporate action or issuance. Such voting rights are not required under Cayman Islands law nor our Tenth Amended and Restated Memorandum and Articles of Association, and instead we may issue shares with rights which are preferential to those of our currently issued ordinary shares, and the rights of such preferred shares may include the order of, or restriction on, the voting rights of the holders thereof.

We intend to follow our home country practices in lieu of the foregoing requirements. Although we may rely on home country corporate governance practices in lieu of certain of the rules in the Nasdaq Rule 5600 Series, Rule 5250(b)(3), and Rule 5250(d), we must comply with Nasdaq's Notification of Noncompliance requirement (Rule 5625), and have an audit committee that satisfies Rule 5605(c)(3), consisting of committee members that meet the independence requirements of Rule 5605(c)(2)(A)(ii). Although we currently intend to comply with the Nasdaq corporate governance rules applicable other than as noted above, we may in the future decide to use the foreign private issuer exemption with respect to some or all the other Nasdaq corporate governance rules.

In addition, as a foreign private issuer, we take advantage of the following exemptions from SEC reporting obligations:

- Exemption from filing quarterly reports on Form 10-Q or provide current reports on Form 8-K, disclosing significant events within four days of their occurrence.
- Exemption from Section 16 rules regarding sales of common shares by insiders, which will provide less data in this regard than shareholders of U.S. companies that are subject to the Exchange Act.

Accordingly, our shareholders will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq and the domestic reporting requirements of the SEC. We may utilize these exemptions for as long as we continue to qualify as a foreign private issuer.

#### **Item 16H. Mine Safety Disclosure.**

Not applicable.

## **PART III**

### **Item 17. Financial Statements**

See pages F-1 through F-53 of this Annual Report on Form 20-F.

### **Item 18. Financial Statements**

The financial statements are filed as part of this Annual Report beginning on page F-1.

### **Item 19. Exhibits**

List all exhibits filed as part of the registration statement or annual report, including exhibits incorporated by reference.



## EXHIBIT INDEX

Exhibit	Description	Incorporated by Reference			
		Schedule/ Form	File Number	Exhibit	File Date
1.1	<a href="#">Tenth Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect.</a>	6-K	001-38475	1.2	10/09/2020
2.1	<a href="#">Form of Amended and Restated Deposit Agreement (incorporated by reference to Exhibit A to the Registrant's Form F-6 filed with the Securities and Exchange Commission on September 4, 2020).</a>	F-6EF	333-248632	EX-99.A	09/04/2020
2.2	<a href="#">Form of American Depositary Receipt (included in Exhibit 2.1)</a>	F-6	333-248632	EX-99.A	09/04/2020
2.3	<a href="#">Form of Warrant to purchase American Depositary Shares to be issued to October 2019 Loan Facility lenders.</a>	6-K	001-38475	99.5	10/31/2019
2.4*	<a href="#">Description Of Securities Registered Under Section 12 of the Exchange Act.</a>				
4.1†	<a href="#">ASLAN Pharmaceuticals Limited 2014 Employee Share Option Scheme Plan.</a>	F-1	333-223920	10.1	03/26/2018
4.2†	<a href="#">ASLAN Pharmaceuticals Limited 2017 Employee Share Option Plan 1.</a>	F-1	333-223920	10.2	03/26/2018
4.3†	<a href="#">ASLAN Pharmaceuticals Pte. Ltd. 2017 SMT Long Term Incentive Plan.</a>	F-1	333-223920	10.3	03/26/2018
4.4	<a href="#">ASLAN Pharmaceuticals Limited 2020 Equity Incentive Plan</a>	6-K	001-38475	4.1	12/10/2020
4.4#	<a href="#">License Agreement, dated January 3, 2018, by and between ASLAN Pharmaceuticals Pte. Ltd. and Array BioPharma Inc.</a>	F-1	333-223920	10.4	03/26/2018

4.5#	<a href="#"><u>Amended Development and License Agreement, dated December 21, 2015, by and between ASLAN Pharmaceuticals Pte. Ltd. and Almirall, S.A., as amended.</u></a>	F-1	333-223920	10.5	03/26/2018
4.6#	<a href="#"><u>License Agreement, dated May 12, 2014, by and between ASLAN Pharmaceuticals Pte. Ltd. and CSL Limited, as amended.</u></a>	F-1	333-223920	10.6	03/26/2018
4.7#	<a href="#"><u>Agreement Amendment No. 1 to License Agreement, dated September 18, 2018, by and between ASLAN Pharmaceuticals Pte. Ltd. and CSL Limited.</u></a>	6-K	001-38475	10.1	01/09/2019
4.8	<a href="#"><u>Tenancy Agreement in Respect of Unit #12-03 83, Clemenceau Avenue, UE Square, Singapore 239920, dated May 28, 2019, by and between ASLAN Pharmaceuticals Pte. Ltd. and United Engineers Limited, as amended.</u></a>	20-F	001-38475	4.8	04/16/2020
4.9†	<a href="#"><u>Form of Indemnity Agreement by and between ASLAN Pharmaceuticals Limited and each director and executive officer.</u></a>	F-1/A	333-223920	10.9	04/16/2018
4.10+	<a href="#"><u>License Agreement, dated February 27, 2019, by and between ASLAN Pharmaceuticals Pte. Ltd. and BioGenetics Co., Ltd.</u></a>	20-F	001-38475	4.10	04/29/2019
4.11+	<a href="#"><u>License Agreement, dated March 11, 2019, by and between ASLAN Pharmaceuticals Pte. Ltd. and BioGenetics Co., Ltd.</u></a>	20-F	001-38475	4.11	04/29/2019
4.12+	<a href="#"><u>Deed of Amendment and Restatement, dated May 31, 2019, by and between ASLAN Pharmaceuticals Pte. Ltd. and CSL Limited.</u></a>	6-K	001-38475	10.1	06/17/2019
4.13	<a href="#"><u>Loan Facility dated September 30, 2019.</u></a>	6-K	001-38475	99.3	10/31/2019
4.14	<a href="#"><u>Loan Facility dated October 25, 2019.</u></a>	6-K	001-38475	99.4	10/31/2019
8.1*	<a href="#"><u>Subsidiaries of the registrant.</u></a>				

12.1*	<a href="#"><u>Certification by the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
12.2*	<a href="#"><u>Certification by the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
13.1**	<a href="#"><u>Certification by the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
13.2**	<a href="#"><u>Certification by the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
15.1*	<a href="#"><u>Consent of Independent Registered Public Accounting Firm, Deloitte &amp; Touche LLP</u></a>
15.2*	<a href="#"><u>Consent of Independent Registered Public Accounting Firm, Deloitte &amp; Touche Taipei, Taiwan, Republic of China</u></a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

\*\* Furnished herewith.

† Indicates a management contract or any compensatory plan, contract or arrangement.

# Confidential treatment has been granted from the Securities and Exchange Commission as to certain portions of this document.  
+ Certain portions of this exhibit (indicated by “[\*\*\*]”) have been omitted as we have determined (i) the omitted information is not material and (ii) the omitted information would likely cause harm to us if publicly disclosed.



## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<a href="#">Report of Independent Registered Public Accounting Firm, Deloitte &amp; Touche LLP</a>	F-2
<a href="#">Report of Independent Registered Public Accounting Firm, Deloitte &amp; Touche</a>	F-3
<a href="#">Consolidated Balance Sheets as of December 31, 2019 and 2020</a>	F-4
<a href="#">Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2018, 2019, and 2020</a>	F-5
<a href="#">Consolidated Statements of Changes in Equity for the Years Ended December 31, 2018, 2019, and 2020</a>	F-6
<a href="#">Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2019, and 2020</a>	F-7
<a href="#">Notes to Consolidated Financial Statements for the Years Ended December 31, 2018, 2019, and 2020</a>	F-8



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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of

ASLAN Pharmaceuticals Limited

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of ASLAN Pharmaceuticals Limited and its subsidiaries (the "Company") as of December 31, 2020, the related consolidated statements of comprehensive loss, changes in equity and cash flows for the year ended December 31, 2020, and the related notes (collectively, referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP  
Singapore  
April 22, 2021

We have served as the Company's auditor since 2021.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of

ASLAN Pharmaceuticals Limited

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of ASLAN Pharmaceuticals Limited (the “ASLAN Cayman”) and its subsidiaries (collectively referred to as the “Company”) as of December 31, 2019, and the related consolidated statements of comprehensive loss, changes in equity and cash flows for each of the two years in the period ended December 31, 2019 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ **Deloitte & Touche**

Taipei, Taiwan

Republic of China

April 16, 2020

We began serving as the Company’s auditor in 2014. In 2020, we became the predecessor auditor.



**ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2019 AND 2020**
**(In U.S. Dollars, other than shares or share data, or otherwise noted)**

	<u>2019</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 6)	\$ 22,203,031	\$ 14,324,371
Other receivables (Note 18)	-	528,841
Prepayments	68,923	511,208
Financial assets at fair value through profit or loss (Notes 7 and 25)	-	137,926
Total current assets	<u>22,271,954</u>	<u>15,502,346</u>
<b>NON-CURRENT ASSETS</b>		
Financial assets at fair value through profit or loss (Notes 7 and 25)	68,256	-
Financial assets at fair value through other comprehensive income (Notes 8 and 25)	132,160	-
Property, plant and equipment, net (Note 10)	38,333	13,387
Right-of-use assets (Note 11)	727,866	462,550
Intangible assets (Notes 12 and 17)	2,845	160
Refundable deposits	108,076	103,307
Total non-current assets	<u>1,077,536</u>	<u>579,404</u>
<b>TOTAL ASSETS</b>	<u>\$ 23,349,490</u>	<u>\$ 16,081,750</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Trade payables	\$ 1,871,843	\$ 2,319,558
Other payables (Notes 13 and 21)	3,246,842	4,280,409
Current borrowings (Notes 14 and 24)	-	2,900,971
Current borrowings from related parties (Notes 14, 24 and 26)	-	617,912
Lease liabilities – current (Note 11)	264,543	271,624
Financial liabilities at fair value through profit or loss (Notes 7 and 25)	-	267,000
Total current liabilities	<u>5,383,228</u>	<u>10,657,474</u>
<b>NON-CURRENT LIABILITIES</b>		
Financial liabilities at fair value through profit or loss (Notes 7 and 25)	262,350	-
Long-term borrowings (Notes 14 and 24)	17,065,305	15,183,421
Long-term borrowings from related parties (Notes 14, 24 and 26)	566,176	-
Lease liabilities – non-current (Note 11)	490,835	281,149
Other non-current liabilities (Note 21)	184,870	111,990
Total non-current liabilities	<u>18,569,536</u>	<u>15,576,560</u>
<b>TOTAL LIABILITIES</b>	<u>23,952,764</u>	<u>26,234,034</u>
<b>DEFICIT ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY</b> (Note 16)		
Ordinary shares	61,366,844	61,826,237
Capital surplus	116,495,710	123,582,460
Accumulated deficits	(179,484,825)	(195,682,714)
Other reserves	(55,084)	(178,948)
Total deficit attributable to stockholders of the Company	<u>(1,677,355)</u>	<u>(10,452,965)</u>
<b>NON-CONTROLLING INTERESTS</b>		
Total deficit	<u>(603,274)</u>	<u>(10,152,284)</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 23,349,490</u>	<u>\$ 16,081,750</u>

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

**ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020**
**(In U.S. Dollars, other than shares or share data, or otherwise noted)**

	2018	2019	2020
NET REVENUE (Note 17)	\$ -	\$ 3,000,000	\$ -
COST OF REVENUE	-	(407,259)	-
GROSS PROFIT	-	2,592,741	-
OPERATING EXPENSES (Notes 15, 18 and 21)			
General and administrative expenses	(10,513,707)	(8,511,699)	(7,169,177)
Research and development expenses	(31,834,364)	(16,586,617)	(9,314,120)
Total operating expenses	(42,348,071)	(25,098,316)	(16,483,297)
IMPAIRMENT LOSS ON INTANGIBLE ASSETS (Note 12)	-	(23,073,400)	-
LOSS FROM OPERATIONS (Note 18)	(42,348,071)	(45,578,975)	(16,483,297)
NON-OPERATING INCOME AND EXPENSES			
Interest income	268,330	150,610	592
Other income (Note 18a)	187,244	-	888,046
Other gains and losses (Note 18b)	213,243	(327,558)	(129,299)
Finance costs (Notes 18c and 24)	(491,904)	(901,612)	(1,247,331)
Total non-operating income and expenses	176,913	(1,078,560)	(487,992)
LOSS BEFORE INCOME TAX	(42,171,158)	(46,657,535)	(16,971,289)
INCOME TAX EXPENSE (Note 19)	(14,439)	(408,002)	-
NET LOSS FOR THE YEAR	(42,185,597)	(47,065,537)	(16,971,289)
OTHER COMPREHENSIVE LOSS Items that will not be reclassified subsequently to profit or loss:			
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	-	(55,084)	(123,864)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ (42,185,597)	\$ (47,120,621)	\$ (17,095,153)
NET LOSS ATTRIBUTABLE TO			
Stockholders of the Company	\$ (42,185,597)	\$ (47,015,967)	\$ (16,197,889)
Non-controlling interests	-	(49,570)	(773,400)
	\$ (42,185,597)	\$ (47,065,537)	\$ (16,971,289)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO			
Stockholders of the Company	\$ (42,185,597)	\$ (47,071,051)	\$ (16,321,753)
Non-controlling interests	-	(49,570)	(773,400)
	\$ (42,185,597)	\$ (47,120,621)	\$ (17,095,153)
LOSS PER ORDINARY SHARE (Note 20)			
Basic and diluted	\$ (0.28)	\$ (0.29)	\$ (0.08)
LOSS PER EQUIVALENT ADS (Note 20)			
Basic and diluted	\$ (1.40)	\$ (1.45)	\$ (0.40)

Each ADS represents five ordinary shares.

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

# ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 (In U.S. Dollars, other than shares or share data, or otherwise noted)

Equity Attributable to Stockholders of the Company										
	Ordinary Shares (Note 16)		Capital Surplus (Note 16)				Accumulated Deficits	Unrealized Valuation Loss on Financial Assets at Fair Value Through Other Comprehensive Income (Note 16)	Non-controlling Interests (Note 16)	Total Equity
	Number of ordinary shares	Amount	Ordinary Shares	Share Options Reserve	Other	Total				
BALANCE AT JANUARY 1, 2018	130,128,940	\$ 41,514,016	\$ 78,384,290	\$ 5,898,391	\$ -	\$ 84,282,681	\$ (90,283,261)	\$ -	\$ -	\$ 35,513,436
Issuance of new share capital (Note 16)	30,000,000	\$ 10,073,977	\$ 32,106,023	\$ -	\$ -	\$ 32,106,023	\$ -	\$ -	\$ -	\$ 42,180,000
Transaction costs attributable to the issuance of ordinary shares	-	\$ -	\$ (5,388,866)	\$ -	\$ -	\$ (5,388,866)	\$ -	\$ -	\$ -	\$ (5,388,866)
Issuance of ordinary shares under employee share option plan (Note 21)	120,000	\$ 39,226	\$ 41,915	\$ (33,141)	\$ -	\$ 8,774	\$ -	\$ -	\$ -	\$ 48,000
Recognition of employee share options by the Company (Note 21)	-	\$ -	\$ -	\$ 451,060	\$ -	\$ 451,060	\$ -	\$ -	\$ -	\$ 451,060
Net loss for the year ended December 31, 2018	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (42,185,597)	\$ -	\$ -	\$ (42,185,597)
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total comprehensive loss for the year ended December 31, 2018	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (42,185,597)	\$ -	\$ -	\$ (42,185,597)
BALANCE AT DECEMBER 31, 2018	160,248,940	\$ 51,627,219	\$ 105,143,362	\$ 6,316,310	\$ -	\$ 111,459,672	\$ (132,468,858)	\$ -	\$ -	\$ 30,618,033
BALANCE AT JANUARY 1, 2019	160,248,940	\$ 51,627,219	\$ 105,143,362	\$ 6,316,310	\$ -	\$ 111,459,672	\$ (132,468,858)	\$ -	\$ -	\$ 30,618,033
Issuance of new share capital (Note 16)	29,466,030	\$ 9,660,993	\$ 5,072,022	\$ -	\$ -	\$ 5,072,022	\$ -	\$ -	\$ -	\$ 14,733,015
Transaction costs attributable to the issuance of ordinary shares	-	\$ -	\$ (1,444,791)	\$ -	\$ -	\$ (1,444,791)	\$ -	\$ -	\$ -	\$ (1,444,791)
Issuance of ordinary shares under employee share option plan	240,000	\$ 78,632	\$ 29,598	\$ (84,230)	\$ -	\$ (54,632)	\$ -	\$ -	\$ -	\$ 24,000
Recognition of employee share options by the Company (Note 21)	-	\$ -	\$ -	\$ 42,511	\$ -	\$ 42,511	\$ -	\$ -	\$ -	\$ 42,511
Changes in percentage of ownership interests in subsidiary (Note 22)	-	\$ -	\$ -	\$ -	\$ 1,376,349	\$ 1,376,349	\$ -	\$ -	\$ (1,376,349)	\$ -
Equity component of long-term debt borrowed by the Company	-	\$ -	\$ -	\$ -	\$ 44,579	\$ 44,579	\$ -	\$ -	\$ -	\$ 44,579
Net loss for the year ended December 31, 2019	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (47,015,967)	\$ -	\$ (49,570)	\$ (47,065,537)
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (55,084)	\$ -	\$ (55,084)
Total comprehensive loss for the year ended December 31, 2019	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (47,015,967)	\$ (55,084)	\$ (49,570)	\$ (47,120,621)
Net increase in non-controlling interests	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,500,000	\$ 2,500,000
BALANCE AT DECEMBER 31, 2019	189,954,970	\$ 61,366,844	\$ 108,800,191	\$ 6,274,591	\$ 1,420,928	\$ 116,495,710	\$ (179,484,825)	\$ (55,084)	\$ 1,074,081	\$ (603,274)
BALANCE AT JANUARY 1, 2020	189,954,970	\$ 61,366,844	\$ 108,800,191	\$ 6,274,591	\$ 1,420,928	\$ 116,495,710	\$ (179,484,825)	\$ (55,084)	\$ 1,074,081	\$ (603,274)
Issuance of new share capital (Note 16)	19,720,500	\$ 459,393	\$ 7,183,847	\$ -	\$ -	\$ 7,183,847	\$ -	\$ -	\$ -	\$ 7,643,240
Transaction costs attributable to the issuance of ordinary shares	-	\$ -	\$ (229,297)	\$ -	\$ -	\$ (229,297)	\$ -	\$ -	\$ -	\$ (229,297)
Recognition of employee share options by the Company (Note 21)	-	\$ -	\$ -	\$ 132,200	\$ -	\$ 132,200	\$ -	\$ -	\$ -	\$ 132,200
Net loss for the year ended December 31, 2020	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,197,889)	\$ -	\$ (773,400)	\$ (16,971,289)
Other comprehensive	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (123,864)	\$ -	\$ (123,864)

loss for the year ended											
December 31, 2020,											
net of income tax											
Total comprehensive loss											
for the year ended											
December 31, 2020	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,197,889)	\$ (123,864)	\$ (773,400)	\$ (17,095,153)
BALANCE AT											
DECEMBER 31, 2020	<u>209,675,470</u>	<u>\$ 61,826,237</u>	<u>\$ 115,754,741</u>	<u>\$ 6,406,791</u>	<u>\$ 1,420,928</u>	<u>\$ 123,582,460</u>	<u>\$ (195,682,714)</u>	<u>\$ (178,948)</u>	<u>\$ 300,681</u>	<u>\$ (10,152,284)</u>	

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

**ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020**
**(In U.S. Dollars, other than shares or share data, or otherwise noted)**

	2018	2019	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	\$ (42,171,158)	\$ (46,657,535)	\$ (16,971,289)
Adjustments for:			
Depreciation expenses	235,410	441,004	295,072
Amortization expenses	6,355	4,347	2,685
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	(60,004)	46,985	(78,038)
Finance costs	491,904	901,612	1,247,331
Interest income	(268,330)	(150,610)	(592)
Compensation costs recognized of share-based payment transactions	1,289,737	43,783	345,836
Loss (Gain) on disposal of property, plant and equipment	-	74,195	(968)
Unrealized gain on foreign exchange, net	(256,918)	135,344	206,457
Impairment loss recognized on intangible assets	-	23,073,400	-
Loss on lease modification	-	64,287	-
Gain on disposal of licensed rights	(187,244)	-	-
Changes in operating assets and liabilities			
Increase in other receivables	-	-	(528,841)
Decrease (Increase) in prepayments	(111,653)	114,676	(442,285)
(Decrease) Increase in trade payables	1,417,446	(3,443,894)	447,715
(Decrease) Increase in other payables	(108,947)	(156,874)	425,825
Cash used in operations	(39,723,402)	(25,509,280)	(15,051,092)
Interest received	268,330	150,610	592
Interest paid	-	(36,037)	(2,490)
Income tax (paid) incentive	(14,439)	(408,002)	-
Net cash used in operating activities	(39,469,511)	(25,802,709)	(15,052,990)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment	(80,262)	(2,992)	(5,056)
Proceeds from disposal of property, plant and equipment	-	5,826	1,214
Payments for intangible assets	(23,002,895)	-	-
Decrease in refundable deposits	(11,133)	2,546	4,769
Net cash (used in)/generated from investing activities	(23,094,290)	5,380	927
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings	4,060,357	3,250,000	-
Repayment of the principal portion of lease liabilities	-	(243,265)	(202,605)
Repayment of the interest portion of lease liabilities	-	-	(37,935)
Proceeds from exercise of employee share options	48,000	24,000	-
Proceeds from new shares issued	42,180,000	14,733,015	7,643,240
Payments for transaction costs attributable to the issuance of ordinary shares	(5,388,866)	(1,172,291)	(229,297)
Proceeds from non-controlling interests	-	2,500,000	-
Net cash generated in financing activities	40,899,491	19,091,459	7,173,403
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,664,310)	(6,705,870)	(7,878,660)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	50,573,211	28,908,901	22,203,031
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 28,908,901	\$ 22,203,031	\$ 14,324,371

**Non-cash transactions**

As disclosed in Note 16, the majority of shareholders agreed to the Taiwan delisting and conversion of ordinary shares to Nasdaq-listed ADS on a non-cash equity transaction.

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

# ASLAN PHARMACEUTICALS LIMITED AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 (In U.S. Dollars, other than shares or share data, or otherwise noted)

### 1. GENERAL INFORMATION

ASLAN Pharmaceuticals Limited (“ASLAN Cayman”) was incorporated in the Cayman Islands in June 2014 and is the listing vehicle for the listing on the Nasdaq Global Market sponsored with its issuance of American Depositary Shares (“ADSs”) in the United States. ASLAN Cayman and its subsidiaries (collectively referred to as the “Company”) is a clinical-stage immunology focused biopharmaceutical company developing innovative treatments to transform the lives of patients.

The Company’s portfolio is led by ASLAN004, a potential first-in-class human monoclonal antibody that binds to the IL-13 receptor  $\alpha 1$  subunit (IL-13R $\alpha 1$ ), blocking signaling of two pro-inflammatory cytokines, IL-4 and IL-13 which are central to triggering symptoms of atopic dermatitis, such as redness and itching of the skin.

The main businesses and intragroup relationships of the Company were as follows as of December 31, 2020:

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

ASLAN Pharmaceuticals Pte. Ltd. was incorporated in Singapore in April 2010 and ASLAN Pharmaceuticals Limited was incorporated in Cayman Islands in June 2014 as the listing vehicle for the initial public offering and listing on the Taipei Exchange, or TPEX. The Company’s ADSs have been listed on the Nasdaq Global Market since May 2018 and the ordinary shares were previously listed on TPEX. In August 2020, the Company’s ordinary shares ceased trading on TPEX, and in September 2020, the Company’s shareholders approved the cessation of the public company status in Taiwan, resulting in Nasdaq being the primary listing of the Company’s securities. In September 2020, the Company received confirmation from the Financial Supervisory Commission of Taiwan, or the FSC, confirming the removal of the public company status in Taiwan. As a result, the Company is no longer bound by the rules and regulations of the FSC or TPEX.

The Company has financed its operations to date primarily through the issuance of common shares. The Company has incurred net losses since inception. Please refer to Notes 22, 23 and 28 for details of the Company's current fundraising plan.

In addition to its main product candidates, the Company has other earlier stage products candidates in development. On October 15, 2019, the Company established a joint venture with Bukwang Pharmaceutical Co., Ltd., a leading research and development focused Korean pharmaceutical company, to develop antagonists of the aryl hydrocarbon receptor (AhR). The joint venture company, in which the Company currently owns a controlling stake, is called Jaguahr Therapeutics Pte. Ltd.

Both the reporting and functional currency of the Company is the U.S. dollar.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on April 22, 2021.

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

- a. Amendments to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") mandatorily effective for the current year.

The Company has applied the amendments to IFRSs included in Amendments to IFRS 3 "Definition of a Business", Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" and Amendments to IAS 1 and IAS 8 "Definition of Material" for the annual period that began on or after January 1, 2020 and Amendment to IFRS 16 "Covid-19-Related Rent Concessions" for the period that began on or after June 1, 2020.

The application of these amendments has had no material impact on disclosures or amounts recognized in the Company's consolidated financial statements.

- b. New and revised IFRSs issued but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New IFRSs	Description
IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The accompanying consolidated financial statements have been prepared in conformity with IFRSs issued by the IASB.

##### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and long term incentive plan payable arising from cash-settled share-based payment arrangements which 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 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

##### d. Basis of consolidation

The consolidated financial statements include the financial statements of ASLAN Cayman and entities controlled by ASLAN Cayman (its subsidiaries).

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affects its returns.



The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Company are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the stockholders of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the stockholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

e. Foreign currencies

The reporting currency of the Company is the U.S. dollar. The functional currency of the majority of the Company's entities is the U.S. dollar.

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the end of the reporting period. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the year are converted into the functional currencies at the applicable rates of exchange prevailing at the dates of the transactions. Exchange differences are recognized in "other gains and losses, net" in the consolidated statement of comprehensive loss.

f. Property, plant and equipment

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

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

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

g. Intangible assets

1) Intangible assets acquired separately

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

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

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

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

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

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

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

### 3) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### h. Impairment of tangible and intangible assets

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

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

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

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

1) Financial liabilities at FVTPL

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

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

Fair value is determined in the manner described in Note 25.

b) Derecognition of financial liabilities

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

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

#### 4) Compound instruments

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

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

#### 5) Derivative financial instruments

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

#### j. Revenue recognition

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

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

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

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

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

### **Upfront License Fees**

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

### **Milestone Payments**

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

### **Royalties**

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



of the following:

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

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

k. Research and development expenses

Elements of research and development expenses primarily include:

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

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

l. Leasing

2019

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

The Company as lessee

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

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

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

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

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

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

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

## 2018

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

### The Company as lessee

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

m. Retirement benefits

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

n. Share-based payment arrangements

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

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

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

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

o. Taxation

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

p. Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies, which are described in Note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make 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 to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

### Critical judgements in applying the Company's accounting policies

The below are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

### Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Head of Finance is responsible to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to assist in performing the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The senior management team reports to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

The valuations of the Company's assets and liabilities that are measured at fair value are sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Further information on the carrying amounts of these assets and the sensitivity of those amounts to changes in unobservable inputs are provided in Note 25.

## 6. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2020
Cash in hand	\$ 1,723	\$ 1,709
Cash in banks	22,201,308	14,322,662
	<u>\$ 22,203,031</u>	<u>\$ 14,324,371</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2019	December 31, 2020
Financial assets at fair value through profit or loss (FVTPL) - current		
Financial assets classified as at FVTPL		
Derivative financial assets - pre-redemption right (b)	\$ -	\$ 137,926
Financial assets at fair value through profit or loss (FVTPL) - non-current		
Financial assets classified as at FVTPL		
Derivative financial assets - warrants (a)	\$ 13,019	\$ -
Derivative financial assets - pre-redemption right (b)	55,237	-
	<u>\$ 68,256</u>	<u>\$ -</u>
Financial liabilities at fair value through profit or loss (FVTPL) - current		
Financial liabilities at FVTPL		
Derivative financial liabilities - conversion right (b)/(c)	\$ -	\$ 267,000
Financial liabilities at fair value through profit or loss (FVTPL) - non-current		
Financial liabilities at FVTPL		
Derivative financial liabilities - conversion right (b)/(c)	\$ 262,350	\$ -

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

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2019	December 31, 2020
<u>Non-current</u>		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)		
Foreign unlisted ordinary shares	\$ 132,160	\$ -

In July 2018, the Company acquired ordinary shares of DotBio Pte. Ltd., as detailed in Note 17 (under the heading of Nanyang Technological University), which were not held for trading. The management believes that to recognize short-term fluctuations in the investments’ fair value in profit or loss would not be consistent with the Company’s purpose of holding the investments. As a result, the Company elected to designate the investments in equity instruments as at FVTOCI. As part of the annual fair value assessment, the fair value of the investment has been determined to be Nil as of December 31, 2020, based on the Company’s evaluation on accounting judgements and estimation.

## 9. SUBSIDIARIES

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2019	2020	
ASLAN Pharmaceuticals Limited	ASLAN Pharmaceuticals Pte. Ltd.	Investment holding	100%	100%	
ASLAN Pharmaceuticals Ltd.	ASLAN Pharmaceuticals Taiwan Limited	New drug research and development	100%	100%	
ASLAN Pharmaceuticals Ltd.	ASLAN Pharmaceuticals Australia Pty Ltd	New drug research and development	100%	100%	
ASLAN Pharmaceuticals Ltd.	ASLAN Pharmaceuticals Hong Kong Limited	New drug research and development	100%	100%	
ASLAN Pharmaceuticals Hong Kong Limited	ASLAN Pharmaceuticals (Shanghai) Co. Ltd.	New drug research and development	100%	100%	
ASLAN Pharmaceuticals Ltd.	ASLAN Pharmaceuticals (USA) Inc.	New drug research and development	100%	100%	
ASLAN Pharmaceuticals Ltd.	Jaguahr Therapeutics Pte. Ltd.	New drug research and development	55%	55%	1

Remarks: Jaguahr Therapeutics Pte. Ltd. is a subsidiary that has material non-controlling interests. On October 15, 2019, the Company established a joint venture called Jaguahr Therapeutics Pte. Ltd, with Bukwang Pharmaceutical Co., Ltd., to develop antagonists of the aryl hydrocarbon receptor (AhR). The Company owns a 55% controlling stake.

Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2019	2020
Jaguahr Therapeutics Pte. Ltd.	Singapore	45%	45%

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling interests	
	For the Year Ended December 31			
	2019	2020	2019	2020
Jaguahr Therapeutics Pte. Ltd.	\$ (49,570)	\$ (773,400)	\$ 1,074,081	\$ 300,681

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

	<b>December 31 2019</b>	<b>December 31 2020</b>
Current assets	\$ 2,463,003	\$ 807,560
Non-current assets	-	-
Current liabilities	(76,155)	(139,378)
Non-current liabilities	-	-
Equity	<u>\$ 2,386,848</u>	<u>\$ 668,182</u>
Equity attributable to:		
Stockholders of the Company	\$ 1,312,767	\$ 367,501
Non-controlling interests	<u>1,074,081</u>	<u>300,681</u>
	<u>\$ 2,386,848</u>	<u>\$ 668,182</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2020</b>
Revenue	<u>\$ -</u>	<u>\$ -</u>
Loss for the year	\$ (113,923)	\$ (1,718,666)
Other comprehensive income (loss) for the year	-	-
Total comprehensive loss for the year	<u>\$ (113,923)</u>	<u>\$ (1,718,666)</u>
Loss attributable to:		
Stockholders of the Company	\$ (64,353)	\$ (945,266)
Non-controlling interests	(49,570)	(773,400)
	<u>\$ (113,923)</u>	<u>\$ (1,718,666)</u>
Total comprehensive loss attributable to:		
Stockholders of the Company	\$ (64,353)	\$ (945,266)
Non-controlling interests	(49,570)	(773,400)
	<u>\$ (113,923)</u>	<u>\$ (1,718,666)</u>
Net cash inflow/(outflow) from:		
Operating activities	\$ (1,355,768)	\$ (1,655,443)
Investing activities	-	-
Financing activities	2,500,771	-
Net cash inflow/(outflow)	<u>\$ 1,145,003</u>	<u>\$ (1,655,443)</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

The carrying amounts of each class of property, plant and equipment were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2020</b>
Office equipment	\$ 31,105	\$ 12,617
Other equipment	1,938	14
Leasehold improvements	5,290	756
	<u>\$ 38,333</u>	<u>\$ 13,387</u>

For the year ended December 31, 2019

	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>				
Balance at January 1, 2019	\$ 276,935	\$ 36,180	\$ 488,106	\$ 801,221
Additions	2,992	-	-	2,992
Disposals	(68,612)	(889)	(219,733)	(289,234)
Balance at December 31, 2019	<u>\$ 211,315</u>	<u>\$ 35,291</u>	<u>\$ 268,373</u>	<u>\$ 514,979</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2019	\$ 178,115	\$ 25,128	\$ 309,560	\$ 512,803
Depreciation expenses	52,388	8,742	111,926	173,056
Disposals	(50,293)	(517)	(158,403)	(209,213)
Balance at December 31, 2019	<u>\$ 180,210</u>	<u>\$ 33,353</u>	<u>\$ 263,083</u>	<u>\$ 476,646</u>
Carrying amounts at January 1, 2019	<u>\$ 98,820</u>	<u>\$ 11,052</u>	<u>\$ 178,546</u>	<u>\$ 288,418</u>
Carrying amounts at December 31, 2019	<u>\$ 31,105</u>	<u>\$ 1,938</u>	<u>\$ 5,290</u>	<u>\$ 38,333</u>

For the year ended December 31, 2020

	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 211,315	\$ 35,291	\$ 268,373	\$ 514,979
Additions	5,056	-	-	5,056
Disposals	(11,465)	-	-	(11,465)
Balance at December 31, 2020	<u>\$ 204,906</u>	<u>\$ 35,291</u>	<u>\$ 268,373</u>	<u>\$ 508,570</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2020	\$ 180,210	\$ 33,353	\$ 263,083	\$ 476,646
Depreciation expenses	23,298	1,924	4,534	29,757
Disposals	(11,219)	-	-	(11,220)
Balance at December 31, 2020	<u>\$ 192,289</u>	<u>\$ 35,277</u>	<u>\$ 267,617</u>	<u>\$ 495,183</u>
Carrying amounts at January 1, 2020	<u>\$ 31,105</u>	<u>\$ 1,938</u>	<u>\$ 5,290</u>	<u>\$ 38,333</u>
Carrying amounts at December 31, 2020	<u>\$ 12,617</u>	<u>\$ 14</u>	<u>\$ 756</u>	<u>\$ 13,387</u>

No impairment assessment was performed for the year ended December 31, 2018 and 2019 as there was no indication of impairment. The above items of property, plant and equipment used by the Company are depreciated on a straight-line basis over the estimated useful life of 3 years.



## 11. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>Buildings</b>
<u>Cost</u>	
Balance at January 1, 2019	\$ -
Additions	882,670
Balance at December 31, 2019	<u>882,670</u>
Additions	-
Balance at December 31, 2020	<u>\$ 882,670</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2019	\$ -
Charge for the year	(154,804)
Balance at December 31, 2019	<u>(154,804)</u>
Charge for the year	(265,316)
Balance at December 31, 2020	<u>\$ (420,120)</u>
<u>Carrying amounts</u>	
Carrying amounts at December 31, 2020	<u>\$ 462,550</u>
Carrying amounts at December 31, 2019	<u>\$ 727,866</u>

### b. Lease liabilities

<u>Maturity analysis</u>	<b>December 31, 2019</b>	<b>December 31, 2020</b>
Year 1	\$ 302,551	\$ 293,398
Year 2	302,154	285,243
Year 3 and onwards	<u>212,935</u>	<u>-</u>
Less : Unearned Interest	(62,262)	(25,868)
	<u>\$ 755,378</u>	<u>\$ 552,773</u>
	<b>December 31, 2019</b>	<b>December 31, 2020</b>
<u>Carrying amounts</u>		
Current	\$ 264,543	\$ 271,624
Non-current	<u>490,835</u>	<u>281,149</u>
	<u>\$ 755,378</u>	<u>\$ 552,773</u>

Discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2020</b>
Buildings	6%	6%

c. Material lease-in activities and terms

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

Certain of the office buildings leases across the Company contain extension options. These terms are used to maximize operational flexibility in terms of managing contracts. In cases in which the Company is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities. If the payments associated with the optional period are included within lease liabilities, there will be an increase in lease liabilities of \$715,365 and \$Nil as of December 31, 2019 and December 31, 2020 respectively.

d. Other lease information

	<b>For the year ended December 31</b>	
	<b>2019</b>	<b>2020</b>
Expenses relating to short-term leases	\$ 251,549	\$ 107,940
Expenses relating to low-value asset leases	\$ 7,385	\$ 2,732
<b>Total cash outflow for leases</b>	<b>\$ 538,236</b>	<b>\$ 426,288</b>

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

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

	<b>December 31, 2019</b>	<b>December 31, 2020</b>
Lease commitments	\$ 67,935	\$ 2,298

**12. INTANGIBLE ASSETS**

The carrying amounts of each class of intangible assets were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2020</b>
Licenses	\$ -	\$ -
Computer software	2,845	160
	<b>\$ 2,845</b>	<b>\$ 160</b>

For the year ended December 31, 2019

	<u>Licenses</u>	<u>Computer Software</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 23,073,400	\$ 43,070	\$ 23,116,470
Addition (Disposal)	-	-	-
Balance at December 31, 2019	<u>\$ 23,073,400</u>	<u>\$ 43,070</u>	<u>\$ 23,116,470</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2019	\$ -	\$ 35,878	\$ 35,878
Amortization expenses	-	4,347	4,347
Impairment losses recognized	23,073,400	-	23,073,400
Balance at December 31, 2019	<u>\$ 23,073,400</u>	<u>\$ 40,225</u>	<u>\$ 23,113,625</u>
Carrying amounts At December 31, 2019, net	<u>\$ -</u>	<u>\$ 2,845</u>	<u>\$ 2,845</u>

For the year ended December 31, 2020

	<u>Licenses</u>	<u>Computer Software</u>	<u>Total</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 23,073,400	\$ 43,070	\$ 23,116,470
Addition (Disposal)	-	-	-
Balance at December 31, 2020	<u>\$ 23,073,400</u>	<u>\$ 43,070</u>	<u>\$ 23,116,470</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	\$ 23,073,400	\$ 40,225	\$ 23,113,625
Amortization expenses	-	2,685	2,685
Balance at December 31, 2020	<u>\$ 23,073,400</u>	<u>\$ 42,910</u>	<u>\$ 23,116,310</u>
Carrying amount At December 31, 2020, net	<u>\$ -</u>	<u>\$ 160</u>	<u>\$ 160</u>

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

On July 5, 2019, the Company decided not to engage in further development of the licensed intellectual property for ASLAN005 from ETPL. The agreement relating to the research collaboration with ETPL’s P53 Laboratory was terminated on September 3, 2019. As a result, the Company carried out a review of the recoverable amount of ASLAN005 and determined that the carrying amount of \$73,400 was fully impaired for the year ended December 31, 2019.

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

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

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

### 13. OTHER PAYABLES

	December 31, 2019	December 31, 2020
Payables for cash-settled share-based payment transactions (Note 21)	\$ 755,787	\$ 1,073,593
Payables for salaries and bonuses	1,037,213	1,492,325
Interest payables	392,970	735,510
Payables for professional fees	923,726	837,803
Others	137,146	141,178
	<u>\$ 3,246,842</u>	<u>\$ 4,280,409</u>

### 14. BORROWINGS

	December 31, 2019	December 31, 2020
<u>Long-term borrowings - unsecured</u>		
Loans from government (a)	\$ 7,361,124	\$ 7,494,665
Other long-term borrowings (b)	4,813,176	4,060,357
Interest payables (a)	3,183,507	3,628,399
Loans from shareholders (b)	1,707,498	-
	<u>\$ 17,065,305</u>	<u>\$ 15,183,421</u>
<u>Long-term borrowings from related parties - unsecured (c)</u>		
Loans from related parties	\$ 552,426	\$ -
Interest payables	13,750	-
	<u>\$ 566,176</u>	<u>\$ -</u>
<u>Current borrowings - unsecured (b)</u>		
Loans from shareholders	\$ -	\$ 2,571,701
Interest payables	-	329,270
	<u>\$ -</u>	<u>\$ 2,900,971</u>
<u>Current borrowings from related parties - unsecured (c)</u>		
Loans from related parties	\$ -	\$ 550,000
Interest payables	-	67,912
	<u>\$ -</u>	<u>\$ 617,912</u>

#### a. Loans from government

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

In the event any of the Company's clinical product candidates achieve commercial approval after Phase 3 clinical trials, the Company will be required to repay the funds disbursed to the Company under the Grant plus interest of 6%. Until the Company has fulfilled its repayment obligations under the Grant, the Company has ongoing update and reporting obligations to the EDB. In the event the Company breaches any of its ongoing obligations under the Grant, EDB can revoke the Grant and demand that the Company repay the funds disbursed to the Company under the Grant. There were no breaches as of December 31, 2020.

As of December 31, 2019 and December 31, 2020, the amounts of funds disbursed to the Company plus accrued interest were \$10,485,464 and \$11,123,065, respectively.

b. Other long-term borrowings

**CSL Finance Pty Ltd.**

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

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

As of December 31, 2019 and December 31, 2020, the aggregate carrying amount including both the principal and outstanding accrued interest under CSL Loan Facility were \$4,453,327 and \$4,795,867, respectively.

**Convertible Loan Facility**

On September 30, 2019, the Company entered into a loan facility with Bukwang for an amount of \$1.0 million, which is referred to as the Convertible Loan Facility. The Convertible Loan Facility had a two-year term with a 10% interest rate per annum, commencing upon the date the Company drew down on such facility. The Company had the option to prepay the amounts owed under the Convertible Loan Facility at any time, subject to certain conditions. The redemption right of the Company and the convertible right of the lender are recognized as derivative financial instruments. Please refer to Note 7- "Financial liabilities at fair value through profit or loss (FVTPL)".

The lender had the right to convert, at its option, any outstanding principal amount plus accrued and unpaid interest under the loan into that number of the Company's new ADSs which is calculated by dividing (a) such outstanding principal amount and accrued and unpaid interest by (b) 90% of the volume-weighted average price of the Company's ADSs on the date of the conversion notice. Each ADS represents five of the Company's ordinary shares. The ability to convert was subject to certain conditions, and expired at the expiry of the term of the loan. In October 2019, the Company drew down on \$1.0 million under the Convertible Loan Facility. As of December 31, 2020, the lender had not exercised its right to convert the loan into ADSs.

As of December 31, 2019 and December 31, 2020, the aggregate carrying amount including both the principal and outstanding accrued interest under the Convertible Loan Facility were \$769,486 and \$969,730, respectively.

The Company is entitled to repay all or part of the loans at any time prior to expiry of the term and Company evaluated the pre redemption right as derivative financial assets. Please refer to Note 7. On March 29, 2021, the Company exercised the early pre-redemption right to repay the Convertible Loan Facility, including accrued interest. The Company had repaid Convertible Loan Facility including interest in full on March 29, 2021. Please refer to Note 28.

### **October/November 2019 Loan Facility**

On October 25, 2019, the Company entered into a loan facility with certain existing stockholders/directors, or affiliates thereof, and on November 11, 2019, the Company entered into a related loan facility with the affiliate of another existing stockholder, for an aggregate amount of \$2.25 million (collectively, the “October/November 2019 Loan Facility”). The October/November 2019 Loan Facility had a two-year term with a 10% interest rate per annum, commencing upon the date the Company drew down the facility, which was required to be drawn down in full. The Company had the option to repay not less than \$1.0 million of the amounts owed under the October/November 2019 Loan Facility at any time (derivative financial assets – pre-redemption right), subject to certain conditions. In the event that the Company in a single re-financing transaction raised more than ten times the aggregate loan amount prior to expiry of the term, the Company was obligated to repay any unpaid portion of the principal amount and accrued interest thereunder within 30 days of the receipt of the proceeds from such re-financing transaction.

In October 2019, the Company drew down on \$1.95 million under the loan facility. In connection with the October/November 2019 Loan Facility, the Company issued certain warrants (collectively referred to as the “Warrants”). In October 2019, the Company drew down on \$1.95 million under the loan facility. In connection with this initial draw down, the Company issued Warrants to purchase 483,448 ADSs (representing 2,417,240 ordinary shares) to the lenders. These Warrants entitle lenders optionally to purchase shares up to a maximum of 50% of the principal loan amount, at an exercise price of \$2.02 per ADS. In November 2019, the Company drew down on the remaining \$0.3 million under the loan facility. In connection with the second draw down, the Company issued Warrants to purchase 74,377 ADSs (representing 371,885 ordinary shares) to the lender. These Warrants entitle the lender optionally to purchase shares up to a maximum of 50% of the principal loan amount at an exercise price of \$2.02 per ADS.

The Warrants are exercisable only after the Company’s ordinary shares have been delisted from TPEX, and will expire on the earlier of (i) the first anniversary of such TPEX delisting to be August 25, 2021 or (ii) expiry of the term of the October/November 2019 Loan Facility. As of December 31, 2020, none of the warrant holders have exercised their rights to purchase any ADS.

As of December 31, 2019, and December 31, 2020, the aggregate carrying amount including both the principal and outstanding accrued interest under the October/November 2019 Loan Facility were \$2,316,174 and \$2,549,152, respectively.

The Company was entitled to repay all or part of the loans at any time prior to expiry of the term and Company evaluated the pre-redemption right as derivative financial assets. Please refer to Note 7 (Derivative financial assets – pre-redemption right). On March 22, 2021, the Company exercised the early pre-redemption right to repay the October/November 2019 Loan Facility including accrued interest. Please refer to Note 28.

#### **c. Unsecured borrowings from related parties**

The terms of the unsecured borrowings from related parties are the same as the terms of the October/November 2019 Loan Facility as disclosed in 14.b above.

## **15. RETIREMENT BENEFIT PLANS**

### **Defined Contribution Plans**

ASLAN Pharmaceuticals Pte. Ltd. adopted a defined contribution plan, which is a post-employment benefit plan, under which ASLAN Pharmaceuticals Pte. Ltd. pays fixed contributions into the Singapore Central Provident Fund on a mandatory basis. ASLAN

Pharmaceuticals Pte. Ltd. has no further payment obligations once the contributions have been paid. The contributions are recognized as “employee compensation expenses” when they are due.

For the years ended December 31, 2018, 2019 and 2020, the total expense for such employee benefits in the amount of \$424,157, \$325,059 and \$200,045 were recognized, respectively.

## 16. EQUITY

### a. Ordinary shares

	December 31, 2018	December 31, 2019	December 31, 2020
Number of shares authorized	500,000,000	500,000,000	500,000,000
Authorized share capital	NT\$ 5,000,000,000	NT\$ 5,000,000,000	US\$ 5,000,000
Authorized par value of per share	NT\$ 10.00	NT\$ 10.00	US\$ 0.01
Number of outstanding shares issued and fully paid	160,248,940	189,954,970	209,675,470
Amount of outstanding shares issued and fully paid	\$ 51,627,219	\$ 61,366,844	\$ 61,826,237

### Issuance of new ADS shares

On March 27, 2018, ASLAN Cayman filed a 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 ADSs representing ordinary shares. The registration statement for listing its ADSs in the Nasdaq Global Market was declared effective by the SEC, and ASLAN Cayman held the initial public offering of its ADSs on May 4, 2018. The amount of ADSs sold in this offering was 6,000,000, with each ADS representing five of ASLAN Cayman’s ordinary shares, representing a total of 30,000,000 ordinary shares. The offering price per ADS was \$7.03, equivalent to a price per ordinary share of NT\$41.72. The payment of this fundraising was fully collected as of May 8, 2018, and the record date for this capital increase was May 8, 2018.

On November 8, 2019, the Company filed registration statement on Form F-3 with the SEC for the follow-on offering in the United States of its ADSs representing ordinary shares was taken effective. The registration statement for listing its ADSs in the Nasdaq Global Market was declared effective by the SEC on November 8, 2019, and the Company held the follow-on offering of its ADSs on December 3, 2019. The amount of ADSs sold in this offering was 5,893,206 ADS, with each ADS representing five of ASLAN Cayman’s ordinary shares, representing a total of 29,466,030 ordinary shares. The offering price per ADS was \$2.50, equivalent to a price per ordinary share of NT\$15.24. The payment of this fundraising was fully collected as of December 6, 2019, and the record date for this capital increase was December 6, 2019.

On October 9, 2020, the Company filed a registration statement on Form F-3 with the SEC and entered into an Open Market Sale Agreement, or Sales Agreement, with Jefferies LLC, for an at the market offering in the United States of its ADSs representing ordinary shares. In accordance with the terms of the Sales Agreement, the Company may offer and sell ADSs having an aggregate offering price of up to \$50,000,000 from time to time through Jefferies LLC, acting as sales agent. As of December 31, 2020, the Company had raised net proceeds \$7,413,943 by offering 19,720,500 ordinary shares (representing 3,944,100 ADS) under the Sales Agreement.

## **Reduction of authorized share capital and Taiwan delisting**

On September 4, 2020, the shareholders resolved to redenominate the authorized share capital of the Company from NT\$5,000,000,000 divided into 500,000,000 ordinary shares of a nominal or par value of NT\$10.00 to US\$165,000,000 divided into 500,000,000 ordinary shares of a nominal or par value of US\$0.33 each, by redenominating each ordinary share of a nominal or par value of NT\$10.00 into each ordinary share of a nominal or par value of US\$0.33 at an exchange rate of NT\$1:US\$0.03 (the "Redenomination").

The same shareholders further resolved to reduce the authorized share capital, as a special resolution, conditional upon the receipt of an order of the Grand Court of the Cayman Islands approving the authorized capital reduction from US\$165,000,000 divided into 500,000,000 ordinary shares of a nominal or par value of US\$0.33 each to US\$5,000,000 divided into 500,000,000 ordinary shares of a nominal or par value of US\$0.01 each, subject to the Tenth Amended and Restated Memorandum of Association the Company. The authorized capital reduction was approved by the Grand Court of the Cayman Islands on November 16, 2020. The issued ordinary shares with reduced par value of US\$0.01 entitle holders with the rights to vote and receive dividends.

In the same shareholders' meeting on September 4, 2020, it was approved by majority shareholders to convert aggregate total 130,488,940 Taiwan delisting ordinary shares to Nasdaq-listed ADS based on the conversion plan proposed by board of directors on July 17, 2020. Each ADS represents five of ASLAN Cayman's ordinary shares, with the same shareholders' right as other ADS holders. As of December 31, 2020, there were 97,976,475 ordinary shares (representing 19,595,295 ADS) successfully converted to ADS based on a non-cash equity transaction. All the outstanding ordinary shares as of December 31, 2020 are fully paid.

### **b. Retained earnings and dividends policy**

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

ASLAN Cayman may set aside out of the funds legally available for distribution, for equalizing dividends or for any other purpose to which those funds may be properly applied, either employed in the business of ASLAN Cayman or invested in such investments as the directors of ASLAN Cayman may from time to time think fit. There were no dividends distributed in years 2018, 2019 and 2020.

## **17. LICENSE AGREEMENTS**

### **Array Biopharma**

On January 3, 2018, the Company entered into a new license agreement with Array pursuant to which the Company obtained an exclusive, worldwide license to develop, manufacture and commercialize Array's pan-HER inhibitor, ARRY-543 (which the Company refers to as ASLAN001 or *varlitinib*) *varlitinib* for all human and animal therapeutic, diagnostic and prophylactic uses. This new license agreement replaces and supersedes the previous collaboration and license agreement with Array dated July 12, 2011.

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



In consideration of the rights granted under the agreement, the Company made an initial upfront payment to Array of \$12 million in January 2018 and an additional payment \$11 million in June 2018, respectively, that were capitalized as a separately acquired intangible asset. In addition, the Company will be required to pay up to \$30 million if certain development milestones are achieved, \$20 million if certain regulatory milestones are achieved, and up to \$55 million if certain commercial milestones are achieved. The Company is also required to pay Array tiered royalties in the low tens on net sales of *varlitinib*. The royalty obligations will continue on a country-by-country basis through the later of the expiration of the last valid patent claim for *varlitinib* or ten years after the first commercial sale of *varlitinib* in a given country.

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

As of December 31, 2020, the Company did not accrue for the above contingent payments since the milestones are not achieved.

### **Almirall**

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

The original license agreement was replaced by a new agreement, executed in December 2015 and amended in March 2018, granting an exclusive, worldwide license to develop, manufacture and commercialize ASLAN003 products for all human diseases with primary focus on oncology diseases, excluding topically-administered products embodying the compound for keratinocyte hyperproliferative disorders, and the non-melanoma skin cancers basal cell carcinoma, squamous cell carcinomas and Gorlin Syndrome. Under the license agreement, Almirall is eligible to receive milestone payments and royalties based on the sales generated by the Company and/or sublicensees. As of December 31, 2020, the Company did not accrue for the above contingent payments since the milestones are not achieved.

### **CSL**

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

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

In consideration of the rights granted to the Company under the amended agreement, the Company will make a first payment of \$30 million to CSL upon commencement of a Phase 3 clinical trial of ASLAN004. The Company will also be required to pay up to an aggregate of \$95 million to CSL if certain regulatory milestones are achieved, up to an aggregate of \$655 million if certain sales milestones are achieved and tiered royalties on net sales of ASLAN004 products ranging between a mid-single digit percentage and 10%. As of December 31, 2020, the aforementioned milestones have not been met.

#### **Hyundai Pharm Co., Ltd.**

In October 2015, the Company entered into a license agreement with Hyundai Pharm Co., Ltd. (“Hyundai”). Under the terms of the license agreement, the Company granted Hyundai options to acquire the rights to use its intellectual property to develop and commercialize *varlitinib* for the treatment of cholangiocarcinoma (i.e., CCA) in South Korea, and the Company has received an option payment of \$250,000 from Hyundai in 2016. As there was no performance obligation required for the Company, the payment was recognized as revenue, and the related cost of revenue in the amount of \$125,000 paid to one of the third parties with whom the Company has a licensing agreement as part of the payment for the proceeds from out-licensing was recognized as cost of revenue, for the year ended December 31, 2016. The Company was eligible for additional regulatory and commercial milestones payments as well as royalties on product sales.

In February 2019, the Company made a payment of \$325,000 to Hyundai in order to buy back the rights to commercialize *varlitinib* in South Korea.

#### **Exploit Technologies Pte Ltd. (“ETPL”)/P53 Laboratory**

The Company entered into a licensing agreement with ETPL, in August 2016, to license Intellectual Property (IP) arising from a research collaboration with ETPL’s P53 Laboratory. The IP focuses on generation of novel immuno-oncology antibodies targeting *recepteur d’origine nantaïs* (“RON”) and such antibodies are referred to by the Company collectively as ASLAN005. The license fee of SG\$100,000 (or \$73,400) was capitalized as a separately acquired intangible asset. Under the license agreement, the Company has the exclusive rights to develop and commercialize ASLAN005 worldwide. ETPL is eligible to receive up to an aggregate of SG\$12 million (or \$8,978,951) in milestone payments if certain development and commercial milestones are achieved, as well as royalties calculated based on any sales generated by the Company.

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

On July 5, 2019, the Company decided not to engage in further development of the licensed intellectual property for ASLAN005 from ETPL. The agreement relating to the research collaboration with ETPL’s P53 Laboratory was terminated effective September 3, 2019. As a result, the Company carried out a review of the recoverable amount of ASLAN005 and determined that the carrying amount \$73,400 was fully impaired as of December 31, 2019. See Note 12.

## Nanyang Technological University

The Company entered into a licensing and research collaboration agreement with Nanyang Technological University (NTU) in October 2016, for the development of modybodies against three targets of the Company's choice. In July 2018, the technology for modybodies was separated from NTU and licensed to a new company, DotBio Pte. Ltd. In exchange for giving up its residual rights and options in respect to the technology, the Company received 599,445 shares of DotBio Pte. Ltd. equivalent to SG\$255,000 (\$187,244) (see Note 8), together with 599,445 units of warrant to subscribe for the same number of shares at a subscription price of \$0.32 which was the same value per share as applied to other new investors in this round (see Note 7). Accordingly, the Company recorded other income of \$187,244 for the year ended December 31, 2018.

## BioGenetics Co. Ltd.

In February 2019, the Company entered into a licensing agreement with BioGenetics to grant exclusive rights to commercialize *varlitinib* in South Korea in exchange for an upfront payment of \$2 million and up to \$11 million in sales and development milestone payments. The Company is also eligible to receive tiered double digit royalties on net sales up to the mid-twenties. The Company has no other performance obligation in addition to the license, and BioGenetics will be responsible for obtaining initial and all subsequent regulatory approvals of *varlitinib* in South Korea.

In March 2019, the Company entered into another licensing agreement with BioGenetics to grant exclusive rights to commercialize ASLAN003 in South Korea in exchange for an upfront payment of \$1 million and up to \$8 million in sales and development milestone payments. The Company is also eligible to receive tiered double digit royalties on net sales from the high-teens to the mid-twenties range. The Company has no other performance obligation in addition to the license, and BioGenetics will be responsible for obtaining initial and all subsequent regulatory approvals of ASLAN003 in South Korea. There is no transaction with BioGenetics in 2020.

## Net revenue and cost of revenue

With regards to the two licensing agreements with BioGenetics, the Company has no other performance obligation in addition to the licenses, and BioGenetics will be responsible for obtaining initial and all subsequent regulatory approvals of *varlitinib* and ASLAN003 in South Korea. Since the Company has no other performance obligation in addition to the licenses, the Company recognized the upfront combined payments of US\$3 million as revenue in FY 2019.

Under the in-license agreement to develop ASLAN003 with Almirall, Almirall is eligible to receive a payment of 10% (ten per cent) of the proceeds from the out-licensing of ASLAN003. The related cost of revenue in the amount of \$82,259 payment to Almirall and payment of \$325,000 to Hyundai in order to buy back the rights to commercialize *varlitinib* in South Korea was recognized as operating costs accordingly in FY 2019.

**18. LOSS BEFORE INCOME TAX**

## a. Other income

	<b>For the year ended December 31</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
ADS issuance contribution	\$ -	\$ -	\$ 587,736
Government grants for research and development expenditures	-	-	165,699
Government subsidies	-	-	134,611
Others (Note 17)	187,244	-	-
	<u>\$ 187,244</u>	<u>\$ -</u>	<u>\$ 888,046</u>

ADS issuance contribution is other non-operating income receivable from J.P. Morgan Chase Bank N.A., the Custodian and the Depository as part of the conversion of ordinary shares to ADS post Taiwan delisting. As of December 31, 2020, the Company recognized a total \$587,736 as other non-operating income and as of December 31, 2020, \$528,841 is outstanding as other receivables.

Government grants for research and development expenditures relates to a research and development grant of \$165,699, approved by the Australian government on August 13, 2020, for research and development activities carried out in Australia in 2019.

Government subsidies are reliefs from the Singapore government to support and encourage wage increases, raise employability of older Singaporeans and to help employers retain local employees due to economic uncertainty caused by the COVID-19 pandemic.

## b. Other gains and losses

	<b>For the year ended December 31</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Net foreign exchange gains (losses)	\$ 95,894	\$ (135,413)	\$ (210,647)
(Loss) Gain on disposal of property, plant and equipment	-	(74,195)	968
Net gain(loss) on fair value changes of financial assets and liabilities at fair value through profit or loss	60,004	(46,985)	78,038
Loss on lease modification	-	(64,287)	-
Others	57,345	(6,678)	2,342
	<u>\$ 213,243</u>	<u>\$ (327,558)</u>	<u>\$ (129,299)</u>

## c. Finance costs

	<b>For the year ended December 31</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Interest on government loans	\$ 441,474	\$ 435,684	\$ 431,143
Interest on other long term borrowing	50,430	342,540	342,540
Interest on loans from shareholders	-	73,780	327,324
Interest on loans from related parties	-	13,571	105,899
Interest on lease liabilities	-	36,037	40,425
	<u>\$ 491,904</u>	<u>\$ 901,612</u>	<u>\$ 1,247,331</u>

d. Depreciation and amortization

	For the year ended December 31		
	2018	2019	2020
Right-of-use assets	\$ -	\$ 267,948	\$ 265,316
Property, plant and equipment	235,410	173,056	29,757
Computer software	6,355	4,347	2,685
	<u>\$ 241,765</u>	<u>\$ 445,351</u>	<u>\$ 297,758</u>

e. Employee benefits expense

	For the year ended December 31		
	2018	2019	2020
Short-term benefits	\$ 8,002,069	\$ 5,628,025	\$ 4,539,663
Post-employment benefits (Note 15)	424,157	325,059	200,045
Share-based payments (Note 21)			
Equity-settled	451,060	42,511	132,200
Cash-settled	838,677	1,272	213,636
Total employee benefits expense	<u>\$ 9,715,963</u>	<u>\$ 5,996,867</u>	<u>\$ 5,085,544</u>
Employee benefits expense by function			
General and administrative expenses	\$ 6,294,470	\$ 4,210,477	\$ 3,856,753
Research and development expenses	3,421,493	1,786,390	1,228,791
	<u>\$ 9,715,963</u>	<u>\$ 5,996,867</u>	<u>\$ 5,085,544</u>

## 19. INCOME TAXES

### Income Tax Recognized in Profit or Loss

	For the year ended December 31		
	2018	2019	2020
Current tax expense/(benefit)			
In respect of the current period	\$ -	\$ 462,713	\$ -
Adjustments for prior periods	14,439	(54,711)	-
	<u>\$ 14,439</u>	<u>\$ 408,002</u>	<u>\$ -</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Loss before income tax	\$ (42,171,158)	\$ (46,657,534)	\$ (16,971,289)
Income tax benefit calculated at the statutory rate	(7,169,097)	(7,931,781)	(2,885,119)
Nondeductible expenses in determining taxable income	112,263	4,115,850	84,196
Tax credits for research and development expenditures	(2,312,251)	(2,474,280)	(521,234)
Unrecognized loss carryforwards	9,261,996	5,980,036	3,022,607
Effect of different tax rates of group entities operating in other jurisdictions	107,089	322,888	299,550
Withholding tax	-	450,000	-
Adjustments for prior years' tax	14,439	(54,711)	-
Income tax expense recognized in profit or loss	<u>\$ 14,439</u>	<u>\$ 408,002</u>	<u>\$ -</u>

The Company has unused tax losses of \$151 million for year of assessment 2020 (Year of assessment 2019: \$134 million) available for offset against future profits. No deferred tax asset has been recognised in respect of all the unused tax losses as it is not considered

probable that there will be future taxable profits available. Subject to qualifying conditions, the unused trade losses can be carried forward indefinitely.

a. Cayman Islands

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

b. Singapore

ASLAN Pharmaceuticals Pte. Ltd. and Jaguahr Therapeutics Pte. Ltd., incorporated in Singapore, are subject to the statutory corporate income tax rate of 17%. In connection with the licensing agreements with BioGenetics in February and March 2019, the Company collected upfront payments totaled \$3,000,000 from BioGenetics in total, which was subject to withholding taxes of 15% in compliance with local regulations in South Korea. The Company therefore recognized income tax expense at an amount of \$450,000. Except for the above, ASLAN Pharmaceuticals Pte. Ltd. has no taxable income for the years ended December 31, 2018, 2019 and 2020 and Jaguahr Therapeutics Pte. Ltd. has no taxable income for the years ended December 31, 2019 and 2020, and therefore, no other provision for income tax is required.

c. Taiwan

ASLAN Pharmaceuticals Taiwan Limited, incorporated in Taiwan, is subject to the statutory corporate income tax rate of 20% and the corporate surtax rate of 5%.

The income tax returns through 2019 have been assessed by the tax authorities. For the years ended December 31, 2018, 2019 and 2020, ASLAN Pharmaceuticals Taiwan Limited has taxable income of NT\$3,869,726, Nil and Nil respectively.

d. Australia

ASLAN Pharmaceuticals Australia Pty Ltd., incorporated in Australia, is subject to the statutory corporate income tax of 30%. ASLAN Pharmaceuticals Australia Pty Ltd. has no taxable income for the years ended December 31, 2018, 2019 and 2020, and therefore, no provision for income tax is required.

e. Hong Kong

ASLAN Pharmaceuticals Hong Kong Limited, incorporated in Hong Kong, is subject to the statutory corporate income tax of 16.5%. Under the Hong Kong tax law, ASLAN Pharmaceuticals Hong Kong Limited is exempted from income tax on its foreign derived income and there are no withholding taxes in Hong Kong on the remittance of dividends. ASLAN Pharmaceuticals Hong Kong Limited has no taxable income for the years ended December 31, 2018, 2019 and 2020, and therefore, no provision for income tax is required.

f. China

ASLAN Pharmaceuticals (Shanghai) Co. Ltd., incorporated in China, is subject to the statutory corporate income tax rate of 25%. ASLAN Pharmaceuticals (Shanghai) Co. Ltd. has no taxable income for the years ended December 31, 2018, 2019 and 2020, and therefore, no provision for income tax is required.

g. United States of America

ASLAN Pharmaceuticals (USA) Inc., incorporated in Delaware, USA in October 2018, is subject to the statutory federal income tax rate of 21% and state income tax rate of 8.7%. ASLAN Pharmaceuticals (USA) Inc. has no taxable income for the years ended December 31, 2018, 2019 and 2020, and therefore, no provision for income tax is required.

**20. LOSS PER ORDINARY SHARE**

	<b>For the year ended December 31</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Basic and diluted loss per ordinary share	\$ (0.28)	\$ (0.29)	\$ (0.08)
Basic and diluted loss per equivalent ADS	\$ (1.40)	\$ (1.45)	\$ (0.40)

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

	<b>For the year ended December 31</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Loss used in the computation of basic and diluted loss per ordinary share	\$ (42,185,597)	\$ (47,015,967)	\$ (16,197,889)
Weighted-average number of ordinary shares in the computation of basic loss per ordinary share	149,739,242	162,392,602	192,226,528

**21. SHARE-BASED PAYMENT ARRANGEMENTS**

**Employee Share Option Plan**

Under the Company's employee share option plan, qualified employees of the Company and its subsidiaries were granted 661,000 options in July 2010, 910,000 options in July 2011, 669,750 options in July 2012, 619,250 options in July 2013, 680,625 options in July 2014, 2,477,336 options in July 2015, 1,032,250 options in July 2016 and 825,833 options in September 2017. Each option entitles the holder to subscribe for one ordinary share of the Company. Options granted pursuant to the 2010 to 2016 Plan are either vested in full as of the date of grant or are 25% vested as of the date of grant, with the remaining 75% vesting in equal annual installments over the three years following the date of grant. Options granted pursuant to the 2017 Plan vest in full upon the two year anniversary of the date of grant.

On December 10, 2020, the Board of Directors (the "Board") of the Company approved the Company's 2020 Equity Incentive Plan (the "2020 EIP"). The 2020 EIP, among other things, provides for the grant of restricted stock awards, stock options and other equity-based awards to employees, officers, directors, and consultants. The maximum number of ordinary shares that may be issued under the 2020 EIP is 20,676,974 ordinary shares (an equivalent of 4,135,395 ADS of the Company, each ADS representing five ordinary shares). Awards granted under the 2020 EIP in substitution for any options or other equity or equity-based awards granted by an entity before the entity's merger or consolidation with the Company or the Company's acquisition of the entity's property or stock will not reduce the number of ordinary shares available for grant under the 2020 EIP, but will count against the maximum number of ordinary shares that may be issued upon the exercise of incentive stock options. References in this summary to ordinary shares include an equivalent number of the Company's ADSs. On December 15, 2020, 3,824,062 options were granted under the Company's 2020 employee share option plan, which each option entitles the holder to subscribe for one ADS of the Company. The

options granted are valid for 10 years and exercisable at certain percentages once they have vested. No performance conditions were attached to the plan.

Information on employee share options granted from July 2010 to 2016 is as follows. Each option entitles the holder to subscribe for one ordinary share of the Company (1 ADS equals to 5 ordinary shares):

**For the Year Ended December 31**

	2018		2019		2020	
	Number of Options	Weighted-average Exercise Price	Number of Options	Weighted-average Exercise Price	Number of Options	Weighted-average Exercise Price
Balance at January 1	6,887,523	\$ 1.41	6,822,523	\$ 1.41	6,670,356	\$ 1.43
Options forfeited	(5,000)	2.13	(32,167)	2.26	-	-
Options exercised	(60,000)	0.80	(120,000)	0.20	-	-
Balance at December 31	6,822,523	1.41	6,670,356	1.43	6,670,356	1.43
Options exercisable, end of period	6,595,294	1.38	6,670,356	1.43	6,670,356	1.43

Information on employee share options granted in September 2017 is as follows. Each option entitles the holder to subscribe for one ordinary share of the Company (1 ADS equals to 5 ordinary shares):

**For the Year Ended December 31**

	2018		2019		2020	
	Number of Options	Weighted-average Exercise Price	Number of Options	Weighted-average Exercise Price	Number of Options	Weighted-average Exercise Price
Balance at January 1	755,833	\$ 1.28	698,167	\$ 1.28	501,167	\$ 1.28
Options forfeited	(57,666)	1.28	(197,000)	1.28	-	-
Balance at December 31	698,167	1.28	501,167	1.28	501,167	1.28
Options exercisable, end of period	-	-	501,167	1.28	501,167	1.28



Information on employee share options granted in December 2020 is as follows. Each option entitles the holder to subscribe for one ADS of the Company

	<b>For the year ended December 31 2020</b>	
	<b>Number of Options</b>	<b>Weighted- average Exercise Price Per Option</b>
Balance at January 1		
Options granted	3,824,062	\$ 2.06
Options forfeited	-	-
Balance at December 31	3,824,062	2.06
Options exercisable, end of period	-	-
Weighted-average fair value of options granted		\$ 1.62

Information on outstanding options as of December 31, 2020 is as follows:

July 2010		July 2011		July 2012		July 2013		July 2014	
Range of Exercise Price	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price	Weighted-average Remaining Contractual Life (Years)
\$0.20-\$0.80	0	\$0.20-\$0.80	0.7	\$ 0.80	1.7	\$0.80-\$1.36	2.7	\$ 1.36	3.7
July 2015		July 2016		July 2017		Dec 2020			
Range of Exercise Price	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price	Weighted-average Remaining Contractual Life (Years)		
\$1.36-\$1.88	4.7	\$ 2.26	5.7	\$ 1.28	6.9	\$ 2.06	3.5		

Options granted in July of 2010, 2011, 2012, 2013, 2014, 2015, 2016, September 2017 and December 2020, were priced using the binomial option pricing model, and the inputs to the model were as follows:

	July 2010	July 2011	July 2012	July 2013	July 2014	July 2015	July 2016	September 2017	December 2020
Grant-date share price	\$ 0.80	\$ 0.80	\$ 1.25	\$ 1.36	\$ 1.36	\$ 1.88	\$ 2.26	\$ 1.28	\$ 2.22
Exercise price	\$0.20-\$0.80	\$0.20-\$0.80	\$ 0.80	\$0.80-\$1.36	\$ 1.36	\$1.36-\$1.88	\$ 2.26	\$ 1.28	\$ 2.06
Expected volatility	59.16%	54.26%-54.44%	52.25%	50.58%	50.86%	36.37%	39.34%	38.33%	66.25%
Expected life (years)	10	10	10	10	10	10	10	10	10
Expected dividend yield	-	-	-	-	-	-	-	-	-
Risk-free interest rate	2.954%	2.96%-3.22%	1.61%	2.5%	2.58%	2.43%	1.46%	1.10%	0.92%

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

Compensation costs recognized for the years ended December 31, 2018, 2019 and 2020 were \$451,060, \$42,511 and \$132,200 respectively.

## Long Term Incentive Plan

On August 23, 2017 and February 1, 2018, the Company granted 1,462,000 and 104,000 ordinary shares (equivalent to 292,400 ADSs and 20,800 ADSs) bonus entitlement units to the Company's executive officers pursuant to the 2017 LTIP, respectively. The value of the 2017 LTIP, which was originally measured based on the quoted share price, was changed retrospectively at a 5:1 conversion ratio of the Taiwan share price to the ADS price due to the modification of the 2017 LTIP approved by the board of directors on July 30, 2018. On July 30, 2018, the Company granted 241,142 bonus entitlement units to the executive officers pursuant to the 2018 LTIP, and on July 30, 2019, the Company granted 491,020 bonus entitlement units to the executive officers pursuant to the 2019 LTIP .

Upon vesting and redemption, each unit award is converted into a cash payment equal to the number of units multiplied by the per-share fair market value of the Company's ordinary shares on the day following the Company's receipt of a redemption notice. The 292,400 bonus entitlement units granted under the 2017 LTIP will be one-third vested each year after the first, second, and third anniversary of the award. The 20,800 bonus entitlement units granted under the 2017 LTIP will be one-half vested each year after the second and third anniversary of the award. The 241,142 bonus entitlement units granted under the 2018 LTIP will be one-third vested each year after the first, second, and third anniversary of the award. The 491,020 bonus entitlement units granted under the 2019 LTIP will be one-third vested each year after the first, second, and third anniversary of the award.

Regarding the Company's 2017 LTIPs, the respective quoted fair value of the awards on the grant date was \$5.50 and \$8.04, based on the August 23, 2017 and February 1, 2018 equivalent ADS price of the Company's Taiwan share price respectively. The Company's remaining 2018 and 2019 LTIPs are based on the respective quoted fair value of the awards on the grant date of \$7.90 and \$2.92, being the closing price of ADS on July 30, 2018, and July 30, 2019 respectively.

As of December 31, 2020, 283,501 units have been forfeited.

The quoted fair value on the reporting date is based on the closing price per ADS of \$2.03 and \$1.90 as of December 31, 2019 and December 31, 2020, respectively.

The Company recognized total expenses of \$838,677, \$1,272 and \$213,636 in respect of the LTIPs for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2019 and December 31, 2020, the Company recognized compensation liabilities of \$755,787 and \$1,073,593 as current (classified as other payables), respectively, and \$184,870 and \$111,990 as non-current, respectively.

The Company's 2017 LTIP is described as follows:

	Number of ADSs units		
	For the year ended December 31		
	2018	2019	2020
Balance at January 1	292,400	295,867	232,000
Awards granted	20,800	-	-
Awards Exercised	(17,333)	-	-
Awards forfeited	-	(63,867)	(16,867)
Balance at December 31	295,867	232,000	215,133
Balance exercisable, end of period	80,133	145,667	204,733

The Company's 2018 LTIP is described as follows:

	Number of ADSs units For the year ended December 31		
	2018	2019	2020
Balance at January 1	-	241,142	168,089
Awards granted	241,142	-	-
Awards forfeited	-	(73,053)	(25,644)
Balance at December 31	241,142	168,089	142,445
Balance exercisable, end of period	-	56,030	99,237

The Company's 2019 LTIP is described as follows:

	Number of ADSs units For the year ended December 31	
	2019	2020
Balance at January 1	-	491,020
Awards granted	491,020	-
Awards forfeited	-	(104,070)
Balance at December 31	491,020	386,950
Balance exercisable, end of period	-	128,983

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

## 22. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On October 15, 2019, the subsidiary, Jaguahr Therapeutics Pte. Ltd., issued new shares to raise more capital, and the Company did not participate in the capital increase of this round, reducing its continuing interest from 100% to 55%. In 2020, the Company remains the same shareholding of 55%.

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

	For the Year Ended	
	December 31 2019	December 31 2020
Cash consideration received	\$ 2,500,000	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	\$ (1,123,651)	-
Difference recognized from equity transaction	\$ 1,376,349	\$ -

	For the Year Ended	
	December 31 2019	December 31 2020
Line item adjusted for equity transaction		
Capital surplus - changes in percentage of ownership interests in subsidiary	\$ 1,376,349	\$ -

## 23. CAPITAL MANAGEMENT

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

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

As of December 31, 2020, there was no changes in the Company's capital management policy, and the Company is not subject to any externally imposed capital requirements other than those restrictions disclosed in Note 14 under October/November 2019 Loan Facility.

## 24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's consolidated statements of cash flows as cash flows from financing activities.

	January 1, 2018	Interest paid	Net proceeds/ (repayment)	Non-cash changes			December 31, 2018
				Addition/ (Transfers)	Others*	Interest expense	
Long-term of borrowings (Notes 14 and 26)	\$ 9,679,451	-	-	4,060,357	(256,918)	491,904	\$ 13,974,794

	January 1, 2019	Interest paid	Net proceeds/ (repayment)	Non-cash changes			December 31, 2019
				Additions/ (Transfer)	Others*	Interest expense	
Lease Liabilities – current (Note 11)	\$ -	(36,037)	(243,265)	507,808	-	36,037	\$ 264,543
Lease Liabilities – non-current (Note 11)	\$ -	-	-	490,835	-	-	\$ 490,835
Long-term borrowings (Notes 14 and 26)	\$ 13,974,794	-	-	2,697,574	(459,067)	852,004	\$ 17,065,305
Long-term borrowings from related parties (Notes 14 and 26)	\$ -	-	-	552,426	179	13,571	\$ 566,176

	January 1, 2020	Interest paid	Net proceeds/ (repayment)	Non-cash changes			December 31, 2020
				Additions/ (Transfers)	Others*	Interest expense	
Lease Liabilities – current (Note 11)	\$ 264,543	(37,935)	(202,605)	209,686	35,445	2,490	\$ 271,624
Lease Liabilities – non-current (Note 11)	\$ 490,835	-	-	(209,686)	-	-	\$ 281,149
Current borrowings (Notes 14 and 26)	\$ -	-	-	2,900,971	-	-	\$ 2,900,971
Current borrowings from related parties (Notes 14 and 26)	\$ -	-	-	617,912	-	-	\$ 617,912
Long-term borrowings (Notes 14 and 26)	\$17,065,305	-	-	(2,900,971)	(81,920)	1,101,007	\$ 15,183,421
Long-term borrowings from related parties (Notes 14 and 26)	\$ 566,176	-	-	(617,912)	(54,163)	105,899	\$ -

\* Others comprise mainly foreign currency translation differences. For lease liabilities, it also includes lease modifications and disposals.

## 25. FINANCIAL INSTRUMENTS

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

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

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

#### 1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivative financial assets	\$ -	\$ -	\$ 68,256	\$ 68,256
Financial assets at fair value through other comprehensive income				
Investments in equity instruments at fair value through other comprehensive income Unlisted shares	\$ -	\$ -	\$ 132,160	\$ 132,160
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	\$ -	\$ -	\$ 262,350	\$ 262,350

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets at fair value through profit or loss</b>				
Derivative financial assets	\$ -	\$ -	\$ 137,926	\$ 137,926
<b>Financial assets at fair value through other comprehensive income</b>				
Investments in equity instruments at fair value through other comprehensive income Unlisted shares	\$ -	\$ -	\$ -	\$ -
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial liabilities	\$ -	\$ -	\$ 267,000	\$ 267,000

There were no transfers among Levels 1, 2 and 3 in the current and prior year.

- 2) Valuation techniques and inputs applied for Level 3 fair value measurement
- The fair values of warrants are determined using option pricing models where the significant unobservable input is historical volatility. An increase in the historical volatility used in isolation would result in an increase in the fair value. At December 31, 2019 and December 31, 2020, respectively, the historical volatility used were 41.87% and 84.63%.
  - The fair values of non-listed foreign equity investments were Level 3 fair value assets, and determined using the market approach by reference the Price-to-Book ratios (P/B ratios) of peer companies that traded in active market. The Company used significant unobservable inputs, including discount for lack of marketability of 10%, and discounts for lack of control of 10%. At December 31, 2019 and December 31, 2020, respectively, assuming all other inputs remain equal, if discount for lack of marketability increases by 1%, the fair value would decrease by \$1,652 and \$49; if discount for lack of control increases by 1%, the fair value would decrease by \$1,652 and \$49.
  - The fair value of derivative financial instrument with warrants and convertibility right are determined using binomial evaluation method with discount rate 15% assessing by market bond yield curve and risk-free rate premium. As of December 31, 2019 and 2020, the historical volatility used was 92.6% and 89.84% during the past 1 year.

c. Categories of financial instruments

	<b>December 31, 2018</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>
<b><u>Financial assets</u></b>			
Financial assets at fair value through profit or loss			
Derivative financial assets	\$ 60,004	\$ 68,256	\$ 137,926
Financial assets at amortized cost (1)	29,080,981	22,311,107	14,427,678
Financial assets at fair value through other comprehensive income			
Equity instruments	187,244	132,160	-
<b><u>Financial liabilities</u></b>			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	-	262,350	267,000
Financial liabilities at amortized cost (2)	21,304,150	21,963,089	24,228,678

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

d. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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



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

		<b>December 31, 2019</b>		
		<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>				
Monetary items				
SGD	S\$	2,538,168	0.7431	\$ 1,886,160
GBP	£	999,471	1.3187	\$ 1,318,000
<u>Financial liabilities</u>				
Monetary items				
SGD	S\$	15,126,578	0.7431	\$ 11,240,843
		<b>December 31, 2020</b>		
		<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>				
Monetary items				
SGD	S\$	458,878	0.7566	\$ 347,190
GBP	£	49,524	1.3651	\$ 67,606
<u>Financial liabilities</u>				
Monetary items				
SGD	S\$	15,722,226	0.7566	\$ 11,895,538
GBP	£	184,320	1.3651	\$ 251,618

Sensitivity analysis

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

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

		<b>For the year ended December 31</b>		
		<b>2018</b>	<b>2019</b>	<b>2020</b>
<u>Profit or loss*</u>				
SGD	\$	(411,471)	\$ (467,734)	\$ (557,417)
GBP		-	65,900	(9,201)

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

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrowed funds at fixed baseline interest plus floating interest rates.

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's pre-tax loss for the years ended December 31, 2018, 2019 and 2020 would have decreased/increased by \$99,144, \$151,896 and \$194,378, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company adopted a policy of only dealing with creditworthy counterparties and financial institutions, where appropriate, as a means of mitigating the risk of financial loss from defaults.

3) Liquidity risk

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

As the Company is in the research and development phase, the Company will be seeking future funding based on the requirements of its business operations. The Company is able to exercise discretion and flexibility to deploy its capital resources in the process of the research and development activities according to the schedule of fund raising. The Company intends to explore various means of fundraising to meet its funding requirements to carry out the business operations, such as the issuance of its ordinary shares sponsoring ADSs, venture debt and shareholder loans. The Company may also use other means of financing such as out licensing to generate revenue and cash. Management believes that it currently has plans and opportunities in place which will allow to fund and meet its operating expenses and capital expenditure requirements and meet its obligations for at least the next twelve months from December 31, 2020. However, the future viability of the Company depends on its ability to raise additional capital to finance its operations.

On February 25, 2021 and March 4, 2021, the Company had completed a private placement raising for gross proceeds of \$18.0 million and closed a public offering with gross proceeds \$69.0 million. Please refer to Note 28 for details.

## 26. TRANSACTIONS WITH RELATED PARTIES

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

### a. Related party name and category

Related Party Name	Related Party Category
JANK Howden Pty Ltd Key Management Personnel	Related party in substance Key Management Personnel/Other

### b. Loans from related parties

Related Party Category/Name	December 31, 2019	December 31, 2020
Related party in substance / JANK Howden Pty Ltd	\$ 502,205	\$ 500,000
Key Management Personnel / Others	50,221	50,000
	<u>\$ 552,426</u>	<u>\$ 550,000</u>

#### Interest Payable

Related Party Category/Name	December 31, 2019	December 31, 2020
Related party in substance / JANK Howden Pty Ltd	\$ 12,500	\$ 61,711
Key Management Personnel / Others	1,250	6,201
	<u>\$ 13,750</u>	<u>\$ 67,912</u>

#### Interest expense

Related Party Category/Name	For the year ended December 31		
	2018	2019	2020
Related party in substance / JANK Howden Pty Ltd	\$ -	\$ 12,337	\$ 96,272
Key Management Personnel / Others	-	1,234	9,627
	<u>\$ -</u>	<u>\$ 13,571</u>	<u>\$ 105,899</u>

The loans from the related parties are unsecured.

### c. Compensation of Key Management Personnel

Related Party Category/Name	For the year ended December 31		
	2018	2019	2020
Short-term employee benefits	\$ 2,833,520	\$ 2,918,180	\$ 2,368,143
Post-employment benefits	140,474	105,449	99,217
Share-based payments recognized	791,310	29,176	138,794
	<u>\$ 3,765,304</u>	<u>\$ 3,052,805</u>	<u>\$ 2,606,154</u>

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

## 27. SEGMENT INFORMATION

The company's major business is research and development and operates only in one single segment. The Board of directors, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

The Company has only one reportable operating segment, and therefore, the reportable segment information is the same as the financial statements. The following is an analysis of the Company's revenue from its major products and services.

	For the year ended December 31		
	2018	2019	2020
Out-licensing	\$ -	\$ 3,000,000	\$ -

For the year ended December 31, 2019, there was revenue generated from out-licensing of commercialization rights in South Korea to Biogenetics for *varlitinib* and ASLAN003 in the amount of \$3 million. See Note 17 for details.

## 28. OTHER ITEMS/SUBSEQUENT EVENTS

- a. The Company has assessed the economic impact of COVID-19 and determined that there were no significant impacts on the Company's financial statements as of the date the consolidated financial statements were authorized for issue. The Company will continue to monitor developments of the pandemic and assess the related impacts.
- b. On October 9, 2020, the Company entered into an Open Market Sale Agreement<sup>SM</sup> (the Sale Agreement), with Jefferies LLC, pursuant to which the Company may issue and sell ADSs from time to time, through at-the-market offerings under which Jefferies LLC will act as sales agent and/or principal. From October 9, 2020 through February 19, 2021, the Company sold 8,862,972 ADSs for net proceeds of \$21.5 million, of which 3,953,985 ADSs were sold from October 9, 2020 through December 31, 2020 for net proceeds of \$7.4 million and 4,908,987 ADSs were sold after December 31, 2020 for net proceeds of \$14.1 million. In February 2021, the Company sold 25,568,180 ordinary shares (the equivalent of 5,113,636 ADSs) in a private placement for net proceeds of approximately \$18.0 million pursuant to a securities purchase agreement the Company entered into with the purchasers in the private placement (the Securities Purchase Agreement). In March 2021, the Company sold 17,250,000 ADSs representing 86,250,000 ordinary shares in an underwritten public offering for net proceeds of \$64.9 million after deducting underwriting discounts and commissions and offering expenses.
- c. On March 1, 2021, the Company announced positive interim unblinded data from the three dose cohorts of its ongoing randomised, double-blind placebo controlled multiple ascending dose study of ASLAN004 for the treatment of moderate to severe atopic dermatitis (AD).
- d. On March 21, 2021, the Company executed an amendment to its joint venture agreement (JV Agreement) with Bukwang. Pursuant to an amendment to the JV Agreement, the second tranche of \$2.5 million will be payable to JAGUAHR upon the joint steering committee of JAGUAHR approving an amended research plan setting out a reasonable timeline and budget to complete the additional research required to enable a candidate drug to be nominated. Of this second tranche, \$700,000 may be utilized by JAGUAHR upon receipt, while the balance of \$1.8 million will be held unspent in JAGUAHR's bank account until the board has approved a candidate drug nominated by the joint steering committee, after which it may be released for use by JAGUAHR. Upon receipt of the second tranche of \$2.5 million from

Bukwang the Company's ownership is expected to be diluted from a majority 55% to 35%. Until the Investigational New Drug (IND) application is filed, the Company retains the rights to buy back the assets related to AhR technology at a price equal to three times the amount invested by Bukwang. The Company expect that the IND will be filed in 2022 and that the joint venture will be fully funded by the investment from Bukwang. As of December 31, 2020, the second tranche of \$2.5 million has not yet occurred.

- e. On March 22, 2021, the obligation to make early repayment for the October/November 2019 Loan Facility upon raising net proceeds of more than ten times the aggregate loan amount in a single financing transaction during the loan term referred to above was triggered. The Company had informed the lenders under the October/November 2019 Loan Facility of the Company's intention to repay them. Four lenders under the October/November 2019 Loan Facility have elected so to offset the repayment against the relative warrant exercise price. The remaining lenders were repaid the outstanding principal plus accrued interest on March 22, 2021, which decreased the Company's liabilities by \$2.5 million, including principal plus accrued interest.

In connection with the October/November 2019 Loan Facility, the Company issued certain warrants (collectively referred to as the "Warrants"). The warrants expire on the earlier of (i) August 25, 2021 (the first anniversary of the delisting of the Company's ordinary shares on TPEx) or (ii) expiry of the term of the October/November 2019 Loan Facility. To date, warrants to purchase an aggregate of 285,110 ADSs (representing 1,425,550 ordinary shares) have been exercised, and warrants to purchase an aggregate of 272,715 ADSs (representing 1,363,575 ordinary shares) remain outstanding.

- f. On March 29, 2021, pursuant to the Company's entitlement to make early repayment under the Convertible Loan Facility, the Company repaid convertible loan liabilities in the aggregate amount \$1.1 million, including \$1.0 million principal and accrued interest.

**DESCRIPTION OF SECURITIES  
REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT**

As of December 31, 2020, **ASLAN PHARMACEUTICALS LIMITED**, or “we,” “us,” and “our”, had the following series of securities registered pursuant to Section 12(b) of the Securities Exchange Act, as amended, or Exchange Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
<b>American Depositary Shares (ADSs), each representing five ordinary shares, par value \$0.01 per ordinary share</b>	ASLN	<b>The Nasdaq Global Market</b>
<b>Ordinary shares, par value \$0.01 per share*</b>		<b>The Nasdaq Global Market *</b>

\* Not for trading, but only in connection with the registration of the American Depositary Shares.

American Depositary Shares, or ADSs, each representing five ordinary shares, par value \$0.01 per ordinary share, or the “shares” or “ordinary shares”, have been available in the U.S. through an American Depositary Receipt, or ADR, program since May 4, 2018. This program was established pursuant to the deposit agreement that we entered into with JPMorgan Chase Bank, N.A., or JPMorgan, as depositary, or Deposit Agreement. Our ADRs have been listed on the Nasdaq Global Market, or Nasdaq, since May 2018 and are traded under the symbol “ASLN”. In connection with this listing (but not for trading), the shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of ordinary shares and (ii) ADR holders. Shares underlying the ADSs are held by JPMorgan, the depositary, and holders of ADSs will not be treated as holders of the shares.

The following summary is subject to and qualified in its entirety by our Tenth Amended and Restated Memorandum and Articles of Association, or Articles, and by the Companies Act (as amended) of the Cayman Islands, or the Companies Act, and by the common law of the Cayman Islands. This is not a summary of all the significant provisions of the Articles, the Companies Act or the common law of the Cayman Islands and does not purport to be complete. Capitalized terms used but not defined herein have the meanings given to them in our annual report on Form 20-F for the fiscal year ended December 31, 2020 and in the Amended and Restated Deposit Agreement, which is an exhibit to our registration statements on Form F-6 filed with the Securities and Exchange Commission, or SEC, on April 13, 2018 and September 4, 2020.

**DESCRIPTION OF ORDINARY SHARES**

**General**

We are an exempted company incorporated in June 2014 with limited liability under the laws of the Cayman Islands and our affairs are governed by:

- our Articles;
- the Companies Act; and
- the common law of the Cayman Islands.

As of the date of our annual report, our authorized share capital is \$5,000,000 divided into 500,000,000 ordinary shares of a nominal or par value of \$0.01 per ordinary share.

On August 25, 2020, our ordinary shares ceased trading on the Taipei Exchange, or TPEX, and on September 4, 2020, our shareholders approved the cessation of our public company status in Taiwan. On September 17, 2020, we received confirmation from the Taiwan Financial Supervisory Commission, or FSC, confirming the removal of our public company status in Taiwan. As a result, we are no longer bound by the rules and regulations of the FSC or TPEX.

The following are summaries of material provisions of our Articles and the Companies Act insofar as they relate to the material terms of our share capital.

## **Ordinary Shares**

### *General*

All of our outstanding ordinary shares are fully paid and non-assessable, excluding those ordinary shares that have been issued to JPMorgan Chase Bank, N.A., as depositary, which are being held for future sales and issuances of ADSs, if any, under the Sale Agreement. Our ordinary shares are issued in registered form and certificates representing the ordinary shares have been issued to certain shareholders, including JPMorgan Chase Bank, N.A. Our shareholders who are nonresidents of the Cayman Islands may freely hold and vote their shares.

*Dividends.* The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors. Our Articles provide that the directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall be applicable for meeting contingencies or for equalizing dividends or for any other purpose to which those funds may be properly applied. Under the laws of the Cayman Islands, our company may pay a dividend out of any of profit, retained earnings or the credit standing in our company's share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business immediately following the date on which the distribution or dividend is paid.

*Voting Rights.* Holders of our ordinary shares shall be entitled to one vote per ordinary share. Voting at any shareholders' meeting is by show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands). A poll may be demanded by the chairman of such meeting or any one or more shareholders present in person or by proxy at the meeting.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name, making changes to our Articles or approving a merger. Holders of the ordinary shares may, among other things, subdivide, consolidate or increase our share capital by ordinary resolution.

*General Meetings of Shareholders.* As a Cayman Islands exempted company, we are not obliged by the Companies Act or our Articles to call shareholders' annual general meetings.

Shareholders' general meetings may be convened by a majority of our board of directors. Advance written notice of at least seven calendar days (counting from the date service is deemed to take place as provided in our Articles) is required for the convening of any general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present or by proxy, representing at least a majority of our paid up voting share capital.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Articles provide general meetings shall also be convened on the requisition in writing of any Shareholder or Shareholders entitled to attend and vote at our general meetings holding

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at least ten percent of the paid up voting share capital deposited at the Office specifying the objects of the meeting by notice given no later than 21 days from the date of deposit of the requisition duly proceed to convene a general meeting to be held.

*Transfer of Ordinary Shares.* Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors. Our board of directors may determine to decline to register any transfer of shares for any reason.

*Liquidation.* On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay the whole of the share capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

*Calls on Shares and Forfeiture of Shares.* Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

*Redemption, Repurchase and Surrender of Shares.* We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined by our board of directors. We may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors and agreed with the relevant shareholder. Under the Companies Act, the redemption or repurchase of any share may be paid out of our profits, retained earnings or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

*Variations of Rights of Shares.* If at any time our share capital is divided into different classes (and as otherwise determined by our board of directors) the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class only be materially adversely varied or abrogated with the consent in writing of the holders of not less than two-thirds of the issued shares of the relevant class, or with the sanction of a resolution passed at a separate meeting of the holders of the shares of such class by a majority of two-thirds of the votes cast at such a meeting. The board of directors may vary the rights attaching to any class without the consent or approval of shareholders provided that the rights will not, in the determination of the board of directors, be materially adversely varied or abrogated by such action.

*Issuance of Additional Shares.* Our Articles authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our Articles also authorize our board of directors to establish from time to time one or more series of preferred shares with the approval of the board of directors and with the approval of a special resolution and to determine, with respect to any series of preference shares, the terms and rights of that series, including the:

- Order, fixed amount or fixed ratio of allocation of dividends and other distributions on preferred shares;
  - Order, fixed amount or fixed ratio of allocation of the assets available for distribution on a liquidation of the Company;
-



- Order of or restriction on the voting rights (including declaring no voting rights whatsoever) of preferred shareholders;
- Other matters concerning rights and obligations incidental to preferred shares; and
- Method by which the Company is authorized or compelled to redeem the preferred shares, or a statement that redemption rights shall not apply.

Prior to the issuance of any preferred shares, the Articles shall be amended to set forth the rights and obligations of the preferred shares. Issuance of these shares may dilute the voting power of holders of ordinary shares.

*Inspection of Books and Records.* Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our corporate records (except for the memorandum and articles of association of our company, any special resolutions passed by our company and the register of mortgages and charges of our company). However, we will provide our shareholders with annual audited financial statements.

*Anti-Takeover Provisions.* Some provisions of our Articles may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- Authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares; and
- Limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Articles for a proper purpose and for what they believe in good faith to be in the best interests of our company.

*Exempted Company.* We are an exempted company incorporated with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- Does not have to file an annual return of its shareholders with the Registrar of Companies;
- Is not required to open its register of members for inspection;
- Does not have to hold an annual general meeting;
- May issue negotiable or bearer shares or shares with no par value;
- May obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- May register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- May register as a limited duration company; and
- May register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other limited circumstances in which a court may be prepared to pierce or lift the corporate veil).

### **Convertible Loan and Warrants**

In September, October and November 2019, we entered into a series of loan facilities with certain of our directors, existing stockholders or affiliates thereof, and others, for an aggregate loan amount of \$3.25 million. The two types of loan facilities are described below:

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### ***Convertible Loan Facility***

On September 30, 2019, we entered into a convertible loan facility with Bukwang Pharmaceutical Co., Ltd., for an amount of \$1.0 million (the Convertible Loan Facility). The Convertible Loan Facility had a two-year term with a 10% interest rate per annum. The Convertible Loan Facility was repaid in March 2021.

### ***October/November 2019 Loan Facility***

On October 25, 2019, we entered into a loan facility with certain existing stockholders/directors, or affiliates thereof, and on November 11, 2019 we entered into a related loan facility with the affiliate of another existing stockholder, for an aggregate amount of \$2.25 million (collectively, the October/November 2019 Loan Facility). The October/November 2019 Loan Facility had a two-year term with a 10% interest rate per annum. The October/November 2019 Loan Facility was repaid in March 2021.

In connection with the October/November 2019 Loan Facility, we issued certain warrants (collectively referred to as the "Warrants"). In October 2019, we drew down on \$1.95 million under the loan facility. In connection with this initial draw down, we issued Warrants to purchase 483,448 ADSs (representing 2,417,240 ordinary shares) to the lenders, at an exercise price of \$2.02 per ADS. In November 2019, the Company drew down on the remaining \$0.3 million under the loan facility. In connection with the second draw down, the Company issued Warrants to purchase 74,377 ADSs (representing 371,885 ordinary shares) to the lender, at an exercise price of \$2.02 per ADS. The warrants expire on the earlier of (i) August 25, 2021 (the first anniversary of the delisting of our ordinary shares on TPEx) or (ii) expiry of the term of the October/November 2019 Loan Facility. To date, warrants to purchase an aggregate of 285,110 ADSs (representing 1,425,550 ordinary shares) have been exercised, and warrants to purchase an aggregate of 272,715 ADSs (representing 1,363,575 ordinary shares) remain outstanding.

### **Preferred Shares**

Pursuant to our Articles, we may issue shares with rights which are preferential to those of ordinary shares issued by us with the approval of a majority of our board of directors present at a meeting attended by two-thirds or more of the total number of directors and with the approval of a special resolution. Our Articles must be amended by special resolution to provide for such preference shares.

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## Material Differences in Corporate Law

The Companies Act is modeled after the corporate legislation of the United Kingdom but does not follow recent United Kingdom statutory enactments, and differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in Delaware and their shareholders.

	<b>Delaware</b>	<b>Cayman Islands</b>
<b><i>Title of Organizational Documents</i></b>	Certificate of Incorporation Bylaws	Memorandum of Association and Articles of Association
<b><i>Duties of Directors</i></b>	<p>Under Delaware law, the business and affairs of a corporation are managed by or under the direction of its board of directors. In exercising their powers, directors are charged with a fiduciary duty of care to protect the interests of the corporation and a fiduciary duty of loyalty to act in the best interests of its shareholders. The duty of care requires that directors act in an informed and deliberative manner and inform themselves, prior to making a business decision, of all material information reasonably available to them. The duty of care also requires that directors exercise care in overseeing and investigating the conduct of the corporation's employees. The duty of loyalty may be summarized as the duty to act in good faith, not out of self-interest, and in a manner which the director reasonably believes to be in the best interests of the shareholders.</p>	<p>As a matter of Cayman Islands law, directors of Cayman Islands companies owe fiduciary duties to their respective companies to, amongst other things, act in good faith in their dealings with or on behalf of the company and exercise their powers and fulfill the duties of their office honestly. Five core duties are:</p> <ul style="list-style-type: none"><li>• a duty to act in good faith in what the directors bona fide consider to be the best interests of the company (and in this regard, it should be noted that the duty is owed to the company and not to associate companies, subsidiaries or holding companies);</li><li>• a duty not to personally profit from opportunities that arise from the office of director;</li><li>• a duty of trusteeship of the company's assets;</li><li>• a duty to avoid conflicts of interest; and</li><li>• a duty to exercise powers for the purpose for which such powers were conferred.</li></ul> <p>A director of a Cayman Islands company also owes the company a duty to act with skill, care and diligence. A director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience.</p>
<b><i>Limitations on Personal Liability of Directors</i></b>	<p>Subject to the limitations described below, a certificate of incorporation may provide for the elimination or limitation of the personal liability of a director to the corporation or its shareholders for monetary damages for a breach of fiduciary duty as a director.</p> <p>Such provision cannot limit liability for breach of loyalty, bad faith, intentional misconduct, unlawful payment of dividends or unlawful share purchase or redemption. In addition, the certificate of incorporation cannot limit liability for any act or omission occurring prior to the date when such provision becomes effective.</p>	<p>The Companies Act has no equivalent provision to Delaware law regarding the limitation of director's liability. However, as a matter of public policy, Cayman Islands law will not allow the limitation of a director's liability to the extent that the liability is a consequence of the director committing a crime or of the director's own fraud, dishonesty or willful default.</p>

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***Indemnification of Directors,  
Officers, Agents, and Others***

A corporation has the power to indemnify any director, officer, employee, or agent of the corporation who was, is, or is threatened to be made a party who acted in good faith and in a manner he believed to be in the best interests of the corporation, and if with respect to a criminal proceeding, had no reasonable cause to believe his conduct would be unlawful, against amounts actually and reasonably incurred.

***Interested Directors***

Under Delaware law, a transaction in which a director who has an interest is not void or voidable solely because such interested director is present at or participates in the meeting that authorizes the transaction if: (i) the material facts as to such interested director's relationship or interests are disclosed or are known to the board of directors and the board in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors are less than a quorum, (ii) such material facts are disclosed or are known to the shareholders entitled to vote on such transaction and the transaction is specifically approved in good faith by vote of the shareholders, or (iii) the transaction is fair as to the corporation as of the time it is authorized, approved or ratified. Under Delaware law, a director could be held liable for any transaction in which such director derived an improper personal benefit.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of directors and officers, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against the consequences of committing a crime, or against the indemnified person's own fraud or dishonesty.

Our Articles contain a provision that allows the director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with us shall declare the nature of his interest at a meeting of the directors. A general notice given to the directors by any director to the effect that he is to be regarded as interested in any contract or other arrangement which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

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<b><i>Voting Requirements</i></b>	<p>The certificate of incorporation may include a provision requiring supermajority approval by the directors or shareholders for any corporate action.</p> <p>In addition, under Delaware law, certain business combinations involving interested shareholders require approval by a supermajority of the non-interested shareholders.</p>	<p>For the protection of shareholders, certain matters must be approved by special resolution of the shareholders as a matter of Cayman Islands law, including alteration of the memorandum or articles of association, appointment of inspectors to examine company affairs, reduction of share capital (subject, in relevant circumstances, to court approval), change of name, authorization of a plan of merger or transfer by way of continuation to another jurisdiction or consolidation or voluntary winding up of the company.</p> <p>The Companies Act requires that a special resolution be passed by a super majority of at least two-thirds or such higher percentage as set forth in the articles of association, of shareholders being entitled to vote and do vote in person or by proxy at a general meeting, or by unanimous written consent of shareholders entitled to vote at a general meeting. Our Articles provide that a resolution in writing signed by all the shareholders for the time being</p> <p>entitled to receive notice of and to attend and vote at our general meetings (or being corporations by their duly authorized representatives) shall be as valid and effective as if the same had been passed at a general meeting duly convened and held.</p>
<b><i>Voting for Directors</i></b>	<p>Under Delaware law, unless otherwise specified in the certificate of incorporation or bylaws of the corporation, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.</p>	<p>The Companies Act defines “special resolutions” only. A company’s articles of association can therefore tailor the definition of “ordinary resolutions” as a whole, or with respect to specific provisions.</p> <p>Our Articles contain a provision that we may by ordinary resolution appoint any person to be a director. Further, The directors shall have power at any time and from time to time to appoint any person to be a director, either as a result of a casual vacancy or as an additional director, subject to the maximum number (if any) imposed by Ordinary Resolution.</p>
<b><i>Cumulative Voting</i></b>	<p>No cumulative voting for the election of directors unless so provided in the certificate of incorporation.</p>	<p>No cumulative voting for the election of directors unless so provided in the articles of association. Our Articles do not expressly provide for cumulative voting on the election of directors.</p>
<b><i>Directors’ Powers Regarding Bylaws</i></b>	<p>The certificate of incorporation may grant the directors the power to adopt, amend or repeal bylaws.</p>	<p>The memorandum and articles of association may only be amended by a special resolution of the shareholders.</p>
<b><i>Nomination and Removal of Directors and Filling Vacancies on Board</i></b>	<p>Shareholders may generally nominate directors if they comply with advance notice provisions and other procedural requirements in company bylaws. Holders of a majority of the shares may remove a director with or without cause, except in certain cases involving a classified board or if the company uses cumulative voting. Unless otherwise provided for in the certificate of incorporation, directorship vacancies are filled by a majority of the directors elected or then in office.</p>	<p>Nomination and removal of directors and filling of board vacancies are governed by the terms of the articles of association.</p>

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## ***Mergers and Similar Arrangements***

Under Delaware law, with certain exceptions, a merger, consolidation, exchange or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the outstanding shares entitled to vote thereon. Under Delaware **law**, a shareholder of a corporation participating in certain major corporate transactions may, under certain circumstances, be entitled to appraisal rights pursuant to which such shareholder may receive cash

in the amount of the fair value of the shares held by such shareholder (as

determined by a court) in lieu of the consideration such shareholder would otherwise receive in the transaction. Delaware law also provides that a parent corporation, by resolution of its board of directors, may merge with any subsidiary, of which it owns at least

90% of each class of capital stock without a vote by shareholders of such subsidiary. Upon any such merger, dissenting shareholders of the subsidiary would have appraisal rights.

The Companies Act provides for the merger or consolidation of two or more companies into a single entity. The legislation makes a distinction between a “consolidation” and a “merger.” In a consolidation, a new entity is formed from the combination of each participating company, and the separate consolidating parties, as a consequence, cease to exist and are each stricken by the Registrar of Companies. In a merger, one company remains as the surviving entity, having in effect absorbed the other merging party that then ceases to exist.

Two or more Cayman Islands companies may merge or consolidate. Cayman Islands companies may also merge or consolidate with foreign companies provided that the laws of the foreign jurisdiction permit such merger or consolidation.

Under the Companies Act, a plan of merger or consolidation shall be authorized by each constituent company by way of (i) a special resolution of the members of each such constituent company; and (ii) such other authorization, if any, as may be specified in such constituent company’s articles of association.

Shareholder approval is not required where a parent company registered in the Cayman Islands seeks to merge with one or more of its subsidiaries registered in the Cayman Islands and a copy of the plan of merger is given to every member of each subsidiary company to be merged unless that member agrees otherwise.

Secured creditors must consent to the merger although application can be made to the Grand Court of the Cayman Islands for such requirement to be waived if such secured creditor does not grant its consent to the merger. Where a foreign company wishes to merge with a Cayman company, consent or approval to the transfer of any security interest granted by the foreign company to the resulting Cayman entity in the transaction is required, unless otherwise released or waived by the secured party. If the merger plan is approved, it is then filed with the Cayman Islands Registrar of Companies along with a declaration by a director of each company. The Registrar of Companies will then issue a certificate of merger which shall be prima facie evidence of compliance with all requirements of the Companies Act in respect of the merger or consolidation.

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The surviving or consolidated entity remains or becomes active while the other company or companies are automatically dissolved. Unless the shares of such shareholder are publicly listed or quoted, dissenting shareholders in a merger or consolidation of this type are entitled to payment of the fair value of their shares if such shareholder provides a written

objection before the vote on such merger or consolidation. With respect to shares that are listed or quoted, a shareholder shall have similar rights only if it is required by the terms of the merger or consolidation to accept for such shares property other than (i) shares (or depositary receipts in respect thereof) in the surviving or consolidated company; (ii) listed or quoted shares (or depositary receipts in respect thereof) of another company; (iii) cash in lieu of any fractions of shares or depositary receipts described at (i) and (ii); or (iv) any combination of shares, depositary receipts or cash described in (i)—(iii).

Cayman companies may also be restructured or amalgamated under supervision of the Grand Court of the Cayman Islands by way of a court-sanctioned “scheme of arrangement.” A scheme of arrangement is one of several transactional mechanisms available in the Cayman Islands for achieving a restructuring. Others include share capital exchange, merger (as described above), asset acquisition or control, through contractual arrangements, of an operating business. A scheme of arrangement must not be beyond the powers of the company, as stated in the constitutional documents of the company and also requires the approval of a majority, in number, of each class of shareholders and creditors with whom the arrangement is to be made and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at the meeting summoned for that purpose. The convening of the meetings and subsequently the terms of the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder would have the right to express to the Court its view that the transaction ought not be approved, the Court can be expected to approve the scheme of arrangement if it is satisfied that:

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- the classes which are required to approve the scheme of arrangement have been properly constituted, so that the members of such classes are properly represented;
- the meetings held by the company in relation to the approval of the scheme of arrangement by such classes have been convened and held in accordance with any directions given by the Court;
- the scheme of arrangement has been properly explained to the shareholders or creditors so that they have been able to exercise an informed vote in respect of the scheme; the scheme of arrangement is one which an intelligent and honest man, who is a member of the relevant class and properly acting might approve.

When a takeover offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection may be made to the Grand Court of the Cayman Islands but is unlikely to succeed unless there is evidence of fraud, bad faith or collusion. If the arrangement and reconstruction are thus approved, any dissenting shareholders would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of United States corporations, providing rights to receive payment in cash for the judicially determined value of the shares. Our Articles provide that we may merge or consolidate with one or more other companies in accordance with the Companies Act with the approval of a Special Resolution.

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<b><i>Shareholder Suits</i></b>	Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In such actions, the court generally has discretion to permit the winning party to recover attorneys' fees incurred in connection with such action.	The rights of shareholders under Cayman Islands law are not as extensive as those under Delaware law. Class actions are generally not available to shareholders under Cayman Islands laws; historically, there have not been any reported instances of such class actions having been successfully brought before the Cayman Islands courts. In principle, we will normally be the proper plaintiff and a derivative action may be brought by a minority shareholder in only limited circumstances. In this regard, the Cayman Islands courts would ordinarily be expected to follow English case law precedent, which would permit a shareholder to commence an action in the company's name to remedy a wrong done to the company where the act complained of cannot be ratified by the shareholders and where control of the company by the wrongdoer results in the company not pursuing a remedy itself. The case law shows that derivative actions have been permitted in respect of acts that are beyond the company's corporate power, illegal, where the individual rights of the plaintiff shareholder have been infringed or are about to be infringed and acts that are alleged to constitute a "fraud on the minority." The winning party in such an action generally would be able to recover a portion of attorney's fees incurred in connection with such action.
<b><i>Inspection of Corporate Records</i></b>	Under Delaware law, shareholders of a Delaware corporation have the right during normal business hours to inspect for any proper purpose, and to obtain copies of list(s) of shareholders and other books and records of the corporation and its subsidiaries, if any, to the extent the books and records of such subsidiaries are available to the corporation.	Shareholders of a Cayman Islands exempted company have no general right under Cayman Islands law to inspect or obtain copies of a list of shareholders or other corporate records (other than the register of mortgages or charges) of the company. However, these rights may be provided in the company's articles of association.
<b><i>Shareholder Proposals</i></b>	Unless provided in the corporation's certificate of incorporation or bylaws, Delaware law does not include a provision restricting the manner in which shareholders may bring business before a meeting.	The Companies Act does not provide shareholders any right to bring business before a meeting or requisition a general meeting. However, these rights may be provided in the company's articles of association. Our Articles do provide for these rights.
<b><i>Approval of Corporate Matters by Written Consent</i></b>	Delaware law permits shareholders to take action by written consent signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting of shareholders.	The Companies Act allows a special resolution to be passed in writing if signed by all the voting shareholders (if authorized by the articles of association). Our Articles authorize such written consents.
<b><i>Calling of Special Shareholders Meetings</i></b>	Delaware law permits the board of directors or any person who is authorized under a corporation's certificate of incorporation or bylaws to call a special meeting of shareholders.	The Companies Act does not have provisions governing the proceedings of shareholders meetings which are usually provided in the articles of association. Our Articles allow for shareholders' meetings to be convened on the requisition in writing of any shareholder or shareholders holding at least ten percent of the paid up voting share capital. Our Articles also provide that, in the event that our board of directors does not or cannot convene a general meeting upon the duly delivered requisition of any shareholder or shareholders (as described above), the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene the general meeting shall be reimbursed to them by us.

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## DESCRIPTION OF AMERICAN DEPOSITARY SHARES

### American Depositary Receipts

JPMorgan Chase Bank, N.A., or JPMorgan, as depositary bank, registers and delivers our American Depositary Shares, or ADSs. Each ADS will represent an ownership interest in a designated number of our ordinary shares which we will deposit with the depositary or the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as an American Depositary Receipt, or ADR, holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which have not distributed directly to you. Unless certificated ADRs are specifically requested by you, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's office is located at 383 Madison Avenue, Floor 11, New York, NY, 10179.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, we will not treat you as a shareholder of ours and you will not have any direct shareholder rights. Because the depositary or its nominee will be the shareholder of record for the ordinary shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all holders from time to time of ADRs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the ordinary shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law. However, our obligations to the holders of ordinary shares will continue to be governed by the Cayman Islands, which may be different from the laws of the United States. Under the deposit agreement, as an ADR holder, you agree that any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement, the ADSs, the ADRs or the transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and you irrevocably waive any objection which you may have to the laying of venue of any such proceeding and irrevocably submit to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to our Annual Report on Form 20-F for the fiscal year ended December 31, 2020.

### Share Dividends and Other Distributions

***How will I receive dividends and other distributions on the ordinary shares underlying my ADSs?*** We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will distribute to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities, after converting any cash received into U.S. dollars (if it determines such conversion may be made on a reasonable basis) and, in all cases, making any necessary deductions provided for in the deposit agreement. The depositary may utilize a division, branch or affiliate of JPMorgan to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement. Such division, branch and/or affiliate may charge the depositary a fee in connection with such sales, which fee is considered an expense of the depositary. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

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Except as stated below, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- *Cash.* The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's and/or its agents' fees and expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. *If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.*
- *Shares.* In the case of a dividend or free distribution in ordinary shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such ordinary shares. Only whole ADSs will be issued. Any ordinary shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.
- *Rights to receive additional ordinary shares.* In the case of a distribution of rights to subscribe for additional ordinary shares or other rights, if we timely provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not timely furnish such evidence, the depositary may:
  - (i) Sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or
  - (ii) If it is not practicable to sell such rights by reason of the non-transferability of the rights, limited markets therefor, their short duration or otherwise, do nothing, in which case ADR holders will receive nothing and the rights may lapse.

*Other Distributions.* In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines in its discretion that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable, including the distribution of foreign currency, securities or property, or it may retain such items, without liability for interest thereon or investment thereof, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

*The depositary is not responsible if it fails to determine that any distribution or action is lawful or reasonably practicable.*

*There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period. All purchases and sales of securities will be handled by the depositary in accordance with its then current policies, which are currently set forth in the "Depositary Receipt Sale and*

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Purchase of Security” section of <https://www.adr.com/Investors/FindOutAboutDRs>, the location and contents of which are not incorporated into this exhibit and which the depositary shall be solely responsible for.

## **Deposit, Withdrawal and Cancellation**

**How does the depositary issue ADSs?** Subject to any restrictions on deposit provided for under the laws of the Cayman Islands and the deposit agreement, the depositary will issue ADSs against the deposit of: (i) ordinary shares in registered form, validly issued and outstanding; (ii) rights to receive ordinary shares from us or any registrar, transfer agent, clearing agent or other entity recording share ownership or transactions, subject in each case to payment of the fees and expenses owing to the depositary in connection with such issuance.

Ordinary shares deposited in the future with the custodian must be accompanied by certain documents, including Share certificates, and a certified share extract, reflecting the registration of the shares in the name of JPMorgan, as depositary for the benefit of holders of ADRs or in such other name as the depositary shall direct, a delivery order directing the depositary to issue ADSs to, or upon the written order of, the person designated in such order, instruments assigning to the custodian, the depositary or the nominee of either of them any distribution on the ordinary shares so deposited or indemnity therefor, and proxies entitling the custodian to vote the deposited ordinary shares.

The custodian will hold all deposited ordinary shares for the account and to the order of the depositary for the benefit of holders of ADRs. ADR holders thus have no direct ownership interest in the ordinary shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited ordinary shares. The deposited ordinary shares and any such additional items are referred to as “deposited securities.”

Upon each deposit of ordinary shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary’s direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder’s name. An ADR holder can request that the ADSs not be held through the depositary’s direct registration system and that a certificated ADR be issued.

**How do ADR holders cancel an ADS and obtain deposited securities?** In accordance with the deposit agreement and subject to the requirements of the laws of the Cayman Islands, an ADR holder may request the depositary to withdraw from the depositary receipt facility created by the deposit agreement the ordinary shares represented by such holder’s ADRs and transfer such ordinary shares to such holder or, upon the written order of any person designated in such ADR holder’s written order, upon surrender of (a) a certificated ADR in a form satisfactory to the depositary or (b) proper instructions and documentation in the case of an ADR issued through the depositary’s direct registration system, as the case may be, then an ADR holder hereof is entitled to delivery at, or to the extent in dematerialized form from, the custodian’s office of the deposited securities at the time represented by the ADSs evidenced by this ADR. At the request, risk and expense of the holder hereof, the depositary may deliver such deposited securities at such other place as may have been requested by the holder.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of ordinary shares in connection with voting at a shareholders’ meeting, or the payment of dividends;
  - the payment of fees, taxes and similar charges; or
  - compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.
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## Record Dates

The depositary may, after consultation with us if practicable, fix record dates (which, to the extent applicable, shall be as near as practicable to any corresponding record dates set by us) for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of deposited securities,
- to give instructions for the exercise of voting rights,
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the deposit agreement, or
- to receive any notice or to act or be obligated in respect of other matters,

all subject to the provisions of the deposit agreement.

## Voting Rights

**How do I vote?** If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receipt from us of notice of any meeting at which the holders of shares are entitled to vote, or of our solicitation of consents or proxies from holders of shares, the depositary shall fix the ADS record date in accordance with the provisions of the deposit agreement. The depositary shall, if we request in writing in a timely manner at least 30 days prior to the date of such vote or meeting and at our expense and provided no legal prohibitions exist, distribute to the registered ADR holders a notice stating final information particular to the voting materials received by the depositary and describing how you may instruct, or, subject to the next paragraph, will be deemed to instruct, the depositary to exercise the voting rights for the shares which underlie your ADSs, including instructions for giving a discretionary proxy to a person designated by us. Each ADR holder shall be solely responsible for the forwarding of voting notices to the beneficial owners of ADSs registered in such holder's name. In accordance with our memorandum and articles of association, a shareholder may not exercise its own vote or by proxy on behalf of another shareholder of the company in respect of any contract or proposed contract or arrangement if such shareholder may be interested therein. Accordingly, no ADR holder shall instruct the depositary to vote on its behalf on any matter to be considered at the relevant meeting in respect of which such holder is interested.

To the extent we have provided the depositary with at least 35 days' notice of a proposed meeting, the notice will be received by all ADR holders and beneficial owners no less than 10 days prior to the date of the meeting and/or the cut-off date for the solicitation of consents, and the depositary does not receive instructions on a particular agenda item from a ADR holder (including, without limitation, any entity or entities acting on behalf of the nominee for The Depository Trust Company) in a timely manner, such holder shall be deemed, and in the deposit agreement the depositary is instructed to deem such holder, to have instructed the depositary to give a discretionary proxy for such agenda item(s) to a person designated by us to vote the shares represented by their ADSs for which actual instructions were not so given by all such ADR holders on such agenda item(s), provided that no such instruction shall be deemed given and no discretionary proxy shall be given unless (1) we inform the depositary in writing that (a) we wish such proxy to be given with respect to such agenda item(s), (b) there is no substantial opposition existing with respect to such agenda item(s) and (c) such agenda item(s), if approved, would not materially or adversely affect the rights of holders of shares and (2) we have provided the depositary with an opinion of our counsel, in form and substance satisfactory to the depositary, confirming that (a) the granting of such discretionary proxy does not subject the depositary to any reporting obligations in the Cayman Islands, (b) the granting of such proxy will not result in a violation of Cayman Island laws, rules, regulations or permits, (c) the voting arrangement and deemed instruction as contemplated herein will be given effect under Cayman Islands laws, rules and regulations, and (d) the granting of such discretionary proxy will not under any circumstances result in the ADSs being treated as assets of the depositary under Cayman Island laws, rules or regulations.

Holders are strongly encouraged to forward their voting instructions to the depositary as soon as possible. For instructions to be valid, the ADR department of the depositary that is responsible for proxies and voting must receive them in the manner and on or before the time specified, notwithstanding that such instructions may have been physically received by the depositary prior to such time. The depositary will not itself exercise any voting

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discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of deposited securities, distribute to the registered holders of ADRs a notice that provides such holders with, or otherwise publicizes to such holders, instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

We have advised the depositary that under the Cayman Islands law and our memorandum and articles of association, voting at any meeting of our shareholders is by show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded. In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with the memorandum and articles of association, the depositary will refrain from voting and the voting instructions received by the depositary from holders shall lapse. The depositary will not demand a poll or join in demanding a poll, whether or not requested to do so by holders of ADSs.

## **Reports and Other Communications**

***Will ADR holders be able to view our reports?*** The depositary will make available for inspection by ADR holders at the offices of the depositary and the custodian, or upon request made to the depositary (which request may be refused by the depositary at its discretion), the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our ordinary shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADR holders.

## **Fees and Expenses**

***What fees and expenses will I be responsible for paying?*** The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of ordinary shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, \$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distributions prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs and/or to whom ADSs are issued (including, without limitation, issuances pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of up to \$0.05 per ADS upon which any cash distribution made pursuant to the deposit agreement;
  - an aggregate fee of \$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates)
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set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);

- a fee for the reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of ADR holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the ordinary shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against ADR holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such ADR holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the \$0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were ordinary shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those ADR holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- SWIFT, cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares, ADRs or deposited securities;
- transfer or registration fees for the registration or transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;
- fees of any division, branch or affiliate of JPMorgan utilized to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement.

*Foreign Exchange Related Matters.* To facilitate the administration of various depositary receipt transactions, including disbursement of dividends or other cash distributions and other corporate actions, the depositary may engage the foreign exchange desk within JPMorgan and/or its affiliates in order to enter into spot foreign exchange transactions to convert foreign currency into U.S. dollars (FX Transactions). For certain currencies, FX Transactions are entered into with JPMorgan or an affiliate, as the case may be, acting in a principal capacity. For other currencies, FX Transactions are routed directly to and managed by an unaffiliated local custodian (or other third party local liquidity provider), and neither the JPMorgan nor any of its affiliates is a party to such FX Transactions.

The foreign exchange rate applied to an FX Transaction will be either (a) a published benchmark rate, or (b) a rate determined by a third party local liquidity provider, in each case plus or minus a spread, as applicable. The depositary will disclose which foreign exchange rate and spread, if any, apply to such currency on the "Disclosure" page (or successor page) of [www.adr.com](http://www.adr.com). Such applicable foreign exchange rate and spread may (and neither the depositary, JPMorgan nor any of their affiliates is under any obligation to ensure that such rate does not) differ from rates and spreads at which comparable transactions are entered into with other customers or the range of foreign exchange rates and spreads at which JPMorgan or any of its affiliates enters into foreign exchange transactions in the relevant currency pair on the date of the FX Transaction. Additionally, the timing of execution of an FX Transaction varies according to local market dynamics, which may include regulatory requirements, market hours and liquidity in the foreign exchange market or other factors. Furthermore, JPMorgan and its affiliates may manage the associated risks of their position in the market in a manner they deem appropriate without regard to the impact of such activities on us, the depositary, holders or beneficial owners. The spread applied does not reflect any gains or losses that may be earned or incurred by JPMorgan and its affiliates as a result of risk management or other hedging related activity.

Notwithstanding the foregoing, to the extent we provide U.S. dollars to the depositary, neither JPMorgan nor any of its affiliates will execute an FX Transaction as set forth herein. In such case, the depositary will distribute the U.S. dollars received from us.

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We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary. The right of the depositary to receive payment of fees, charges and expenses as provided above shall survive the termination of the deposit agreement.

The depositary anticipates reimbursing us for certain expenses incurred by us that are related to the establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time. The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

#### **Payment of Taxes**

If any taxes or other governmental charges (including any penalties and/or interest) shall become payable by or on behalf of the custodian or the depositary with respect to any ADR, any deposited securities represented by the ADSs evidenced thereby or any distribution thereon, such tax or other governmental charge shall be paid by the ADR holders to the depositary and by holding or having held an ADR or any ADSs evidenced thereby, the holder and all beneficial owners thereof and all prior holders and beneficial owners holders thereof, jointly and severally, agree to indemnify, defend and save harmless each of the depositary and its agents in respect of such tax or other governmental charge. Each Holder of this ADR and beneficial owner of the ADSs evidenced thereby, and each prior holder and beneficial owner and thereof (collectively, the Tax Indemnitors), by holding or having held an ADR or an interest in ADSs, acknowledges and agrees that the depositary shall have the right to seek payment of amounts owing with respect to this ADR from any one or more Tax Indemnitor(s) as determined by the depositary in its sole discretion, without any obligation to seek payment from any other Tax Indemnitor(s). If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. If any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of ADRs or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) in such amounts and in such manner as the depositary deems necessary and practicable to pay such taxes and shall distribute any remaining net proceeds or the balance of any such property after deduction of such taxes to the ADR holders entitled thereto.

Notwithstanding the above, we will pay all stamp duties and other similar duties or taxes payable in the Cayman Islands, Singapore, the Republic of China, the United States of America and any other jurisdiction, on or in connection with the constitution and issue of the ADSs and the execution or other event concerning the deposit agreement. If any legal proceedings are taken to enforce our obligations under the deposit agreement or the ADSs and for the purpose of such proceedings any of them are required to be taken into or enforced in any jurisdiction and stamp duties or other similar duties or taxes become payable in connection with such proceedings in such jurisdiction, the ADR holders will pay (or reimburse the person making a valid payment of) all such stamp duties and other similar duties and taxes, including any penalties and interest, unless otherwise ordered by a court of competent jurisdiction in such proceedings. The depositary may sell any deposited securities and cancel ADSs with

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respect thereof in order to pay any such stamp duties or other similar duties or taxes owed under the deposit agreement by ADR holders without the depositary being required to request payment thereof from the ADR holders.

Each holder and beneficial owner agrees to indemnify us, the depositary, its custodian and any of our or their respective officers, directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained, and such obligations of the holders and beneficial owners shall survive the transfer of ADSs, any surrender of ADSs and withdrawal of deposited securities and any termination of the deposit agreement.

### **Reclassifications, Recapitalizations and Mergers**

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions of ordinary shares or other property not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to, and shall if reasonably requested by us:

- (1) amend the form of ADR;
- (2) distribute additional or amended ADRs;
- (3) distribute cash, securities or other property it has received in connection with such actions;
- (4) sell by public or private sale any securities or property received; or
- (5) none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

### **Amendment and Termination**

#### **How may the deposit agreement be amended?**

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders or beneficial owners must be given at least 30 days' notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, SWIFT, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or that otherwise prejudices any substantial existing right of ADR holders or beneficial owners. Such notice need not describe in detail the specific amendments effectuated thereby, but must identify to ADR holders a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Any amendments or supplements which (i) are reasonably necessary (as agreed by us and the depositary) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act of 1933 or (b) the ADSs or shares to be traded solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by ADR holders, shall be deemed not to prejudice any substantial rights of ADR holders or beneficial owners. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

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## How may the deposit agreement be terminated?

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 60 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 60th day after our notice of removal was first provided to the depositary. Notwithstanding anything to the contrary in the deposit agreement without notice to us, the depositary may terminate the deposit agreement without notice to us, but subject to giving 30 days' notice to the ADR holders, if: (i) we become bankrupt or insolvent, (ii) we effect (or will effect) a redemption of all or substantially all of the deposited securities, or a cash or share distribution representing a return of all or substantially all of the value of the deposited securities, or (iii) there occurs a merger, consolidation, sale of assets or other transaction as a result of which securities or other property are delivered in exchange for or in lieu of deposited securities.

After termination, the depositary shall use its reasonable efforts to ensure that the ADSs cease to be DTC eligible so that neither DTC nor any of its nominees shall thereafter be a holder. At such time as the ADSs cease to be DTC eligible and/or neither DTC nor any of its nominees is a holder, the depositary shall (a) instruct its custodian to deliver all deposited securities to us along with a general stock power that refers to the names set forth on the ADR Register and (b) provide us with a copy of the ADR Register. Upon receipt of such deposited securities and the ADR Register, we shall use our best efforts to issue to each holder a share certificate representing the shares represented by the ADSs reflected on the ADR Register in such holder's name and to deliver such share certificate to the holder at the address set forth on the ADR Register. After providing such instruction to the custodian and delivering a copy of the ADR Register to us, the depositary and its agents shall have no further obligations.

## Limitations on Obligations and Liability to ADR holders

***Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs*** Prior to the issue, registration, registration of transfer, split-up, combination, or withdrawal of any ADRs, or the delivery of any distribution in respect thereof, and from time to time in the case of the production of proofs as described below, we or the depositary or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of ordinary shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and
- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADRs, the acceptance of deposits of ordinary shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdraw shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of ordinary shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

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The deposit agreement expressly limits the obligations and liability of the depository, ourselves and our respective directors, officers, employees, agents and affiliates, provided, however, that no disclaimer of liability under the Securities Act of 1933 is intended by any of the limitations of liabilities provisions of the deposit agreement. In the deposit agreement it provides that neither we nor the depository nor any such other party will be liable to holders or beneficial owners if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, Singapore, the Republic of China or any other country or jurisdiction, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism, nationalization, expropriation, currency restrictions, work stoppage, strike, civil unrest, revolutions, rebellions, explosions, computer failure or circumstance beyond our, the depository's or any such other party's direct and immediate control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depository or such other party (including, without limitation, voting);
- by reason of any non-performance or delay, caused in the performance of any act or things which by the terms of the deposit agreement it is provided shall or may be done or performed or it exercises or fails to exercise discretion under the deposit agreement or the ADRs including, without limitation, any failure to determine that any distribution or action may be lawful or reasonably practicable;
- it performs its obligations under the deposit agreement and ADRs without gross negligence or willful misconduct and the depository shall not be a fiduciary or have any fiduciary duty to holders or beneficial owners; or
- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting ordinary shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information, or in the case of the depository only, from us.

We and the depository and its agents may rely and shall be protected in acting upon any written notice, request, direction, instruction or document believed by it to be genuine and to have been signed, presented or given by the proper party or parties.

Neither we, the depository nor our respective agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs which in its opinion may involve it in expense or liability, if indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depository and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depository shall not be liable for the acts or omissions made by, or the insolvency of, any securities depository, clearing agency or settlement system. Furthermore, the depository shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of JPMorgan. Notwithstanding anything to the contrary contained in the deposit agreement or any ADRs, the depository shall not be responsible for, and shall incur no liability in connection with or arising from, any act or omission to act on the part of the custodian except to the extent that any holder has incurred liability directly as a result of the custodian having (i) committed fraud or willful misconduct in the provision of custodial services to the depository or (ii) failed to use reasonable care in the provision of custodial services to the depository as determined in accordance with the standards prevailing in the jurisdiction in which the custodian is located. The depository shall not have any liability for the price received in connection with any sale of securities, the timing thereof or any delay in action or omission to act nor shall it be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained in connection with any such sale or proposed sale.

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The depositary has no obligation to inform ADR holders or other holders of an interest in any ADSs about the requirements of the laws, rules or regulations of any country or jurisdiction or of any governmental or regulatory authority or any securities exchange or market or automated quotation system, or any changes therein or thereto.

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder or beneficial owner of ADRs to obtain the benefits of credits or refunds of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax or tax consequences that may be incurred by registered holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. The depositary may rely upon instructions from us or our counsel in respect of any approval or license required for any currency conversion, transfer or distribution. The depositary shall not incur any liability for the content of any information submitted to it by us or on our behalf for distribution to ADR holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the deposited securities, for the validity or worth of the deposited securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the deposit agreement or for the failure or timeliness of any notice from us. The depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the depositary or in connection with any matter arising wholly after the removal or resignation of the depositary.

Neither we, the depositary nor any of our respective directors, officers, employees, agents or affiliates, nor our company's supervisors, shall be liable to registered holders or beneficial owners for any indirect, special, punitive or consequential damages (including, without limitation, legal fees and expenses) or lost profits, in each case of any form incurred by any person or entity (including, without limitation, holders and beneficial owners), whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each holder and beneficial owner and/or holder of interests in ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or us directly or indirectly arising out of or relating to the ordinary shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory).

The depositary and its agents may own and deal in any class of securities of our company and our affiliates and in ADRs.

#### **Disclosure of Interest in ADSs**

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of, or interests in, deposited securities, other ordinary shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof.

Each ADR holder agrees to comply with requests from us pursuant to the laws, rules and regulations of the Cayman Islands, Singapore and the Republic of China, as well as the rules and regulations of any stock exchange on which the ordinary shares may hereinafter be registered, traded or listed to provide information, inter alia, as to the capacity in which such ADR holder owns ADRs (and ordinary shares as the case may be) and regarding the identity of any other person interested in such ADRs and the nature of such interest.

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## **Books of Depositary**

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders of ADRs may inspect such register at the depositary's office at all reasonable times, but for the purpose of communicating with other ADR holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed at any time or from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADRs.

## **Appointment**

In the deposit agreement, each registered holder of ADRs and each beneficial owner, upon acceptance of any ADSs or ADRs (or any interest in any of them) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs,
- appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR or ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof, and
- acknowledge and agree that (i) nothing in the deposit agreement or any ADR shall give rise to a partnership or joint venture among the parties thereto nor establish a fiduciary or similar relationship among such parties, (ii) the depositary, its divisions, branches and affiliates, and their respective agents, may from time to time be in the possession of non-public information about us, holders, beneficial owners and/or their respective affiliates, (iii) the depositary and its divisions, branches and affiliates may at any time have multiple banking relationships with us, holders, beneficial owners and/or the affiliates of any of them, (iv) the depositary and its divisions, branches and affiliates may, from time to time, be engaged in transactions in which parties adverse to us or the holders or beneficial owners may have interests, (v) nothing contained in the deposit agreement or any ADR(s) shall (A) preclude the depositary or any of its divisions, branches or affiliates from engaging in such transactions or establishing or maintaining such relationships, or (B) obligate the depositary or any of its divisions, branches or affiliates to disclose such transactions or relationships or to account for any profit made or payment received in such transactions or relationships, (vi) the depositary shall not be deemed to have knowledge of any information held by any branch, division or affiliate of the depositary and (vii) notice to a holder shall be deemed, for all purposes of the deposit agreement, to constitute notice to any and all beneficial owners of the ADSs evidenced by such holder's ADRs.

## **Governing Law, Submission to Jurisdiction and Arbitration**

The deposit agreement, the ADSs and the ADRs are governed by and construed in accordance with the laws of the State of New York without giving effect to the application of the conflict of law principles thereof. In the deposit agreement, we have submitted to the jurisdiction of the state and federal courts of the State of New York and appointed an agent for service of process on our behalf. Notwithstanding the foregoing, subject to the terms described below, including the federal securities law carve-out set forth at the end of this sentence, (i) the depositary may refer any such suit, action or proceedings to arbitration in accordance with the provisions of the deposit agreement, and, upon such referral, any such suit, action or proceeding instituted by us shall be finally decided in such arbitration rather than in such court, (ii) the depositary may, in its sole discretion, elect to institute any dispute, suit, action, controversy, claim or proceeding directly or indirectly based on, arising out of or relating to the deposit agreement or the ADRs or the transactions contemplated thereby, including without limitation any question regarding its or their existence, validity, interpretation, performance or termination, against any other party or parties to the deposit agreement (including, without limitation, against ADR holders and beneficial owners), by having the matter referred to and finally resolved by an arbitration conducted under the terms described below, and (iii) the depositary may in its sole discretion require that any dispute, suit, action, controversy, claim, or proceeding of the

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type described in clause (ii) above, brought against the depositary by any party or parties to the deposit agreement (including, without limitation, by ADR holders and beneficial owners), shall be referred to and finally settled by an arbitration conducted under the terms described below; *provided however*, that to the extent there are specific federal securities law violation aspects to any disputes against us and/or the depositary brought by any ADR holder or beneficial owner, the federal securities law violation aspects of such disputes brought by an ADR holder and/or beneficial owner against us and/or the depositary may, at the option of such holder, remain in state or federal court in New York, New York and all other aspects, claims, disputes, legal suits, actions and/or proceedings brought by such holder against us and/or the depositary, including those brought along with, or in addition to, federal securities law violation claims, would be referred to arbitration in accordance with the provisions of the deposit agreement. Any such arbitration shall be conducted either in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association or in Hong Kong following the arbitration rules of the United Nations Commission on International Trade Law with the Hong Kong International Arbitration Centre serving as the appointing authority, and the language of any such arbitration shall be English.

Notwithstanding the foregoing, any suit, action or proceeding based on the deposit agreement, the ADSs or the ADRs or the transactions contemplated thereby may be instituted by the depositary in any competent court in the Cayman Islands, the Republic of China, Singapore and/or the United States.

By holding an ADS or an interest therein, registered holders of ADRs and beneficial owners each irrevocably agree that subject to the depositary's rights, (i) any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement, the ADSs or the ADRs or the transactions contemplated herein, therein or hereby may only be instituted in a state or federal court in New York, New York, and each irrevocably waives any objection which it may have to the laying of venue of any such proceeding, and irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

## Subsidiaries of ASLAN Pharmaceuticals Limited

Name of Subsidiary	Jurisdiction of Incorporation or Organization
ASLAN Pharmaceuticals Pte. Ltd.*	Singapore
ASLAN Pharmaceuticals Taiwan Limited (亞獅康股份有限公司)**	Taiwan
ASLAN Pharmaceuticals Australia Pty Ltd**	Australia
ASLAN Pharmaceuticals Hong Kong Limited (亞獅康藥業香港有限公司)**	Hong Kong
ASLAN Pharmaceuticals (Shanghai) Co. Ltd. (亞獅康医药技术(上海)有限公司)***	People's Republic of China
ASLAN Pharmaceuticals (USA) Inc.**	United States
JAGUAHR Therapeutics Pte. Ltd.****	Singapore

\* Wholly owned by ASLAN Pharmaceuticals Limited

\*\* Wholly owned by ASLAN Pharmaceuticals Pte. Ltd.

\*\*\* Wholly owned by ASLAN Pharmaceuticals Hong Kong Limited

\*\*\*\* Majority owned by ASLAN Pharmaceuticals Pte. Ltd.

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Carl Firth, certify that:

- 1) I have reviewed this annual report on Form 20-F of ASLAN Pharmaceuticals Limited (the "Company");
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- 4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
- 5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 23, 2021

By: \_\_\_\_\_ /s/ Carl Firth, Ph.D.

**Carl Firth, Ph.D.  
Chief Executive Officer  
(Principal Executive Officer)**



**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kiran Asarpota, certify that:

- 1) I have reviewed this annual report on Form 20-F of ASLAN Pharmaceuticals Limited (the “Company”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- 4) The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
- 5) The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 23, 2021

By: \_\_\_\_\_ /s/ Kiran Asarpota

**Kiran Asarpota  
Chief Operating Officer  
(Principal Financial Officer and Principal Accounting  
Officer)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), Carl Firth, Ph.D., Chief Executive Officer of ASLAN Pharmaceuticals Limited (the "Company"), hereby certifies that, to the best of his knowledge:

- 1) The Company's Annual Report on Form 20-F for the year ended December 31, 2020, to which this Certification is attached as Exhibit 13.1 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 23, 2021

By: \_\_\_\_\_ /s/ Carl Firth, Ph.D.  
**Carl Firth, Ph.D.**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), Kiran Asarpota, Vice President of Finance of ASLAN Pharmaceuticals Limited (the "Company"), hereby certifies that, to the best of his knowledge:

- 1) The Company's Annual Report on Form 20-F for the year ended December 31, 2020, to which this Certification is attached as Exhibit 13.1 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 23, 2021

By: \_\_\_\_\_ /s/ Kiran Asarpota  
**Kiran Asarpota**  
**Chief Operating Officer**  
**(Principal Financial Officer and Principal Accounting Officer)**



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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-252118 on Form S-8 of our report dated April 22, 2021, relating to the consolidated financial statements of ASLAN Pharmaceuticals Limited appearing in this Annual Report on Form 20-F for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP  
Singapore

April 23, 2021



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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-252118 on Form S-8 of our report dated April 16, 2020, relating to the consolidated financial statements of ASLAN Pharmaceuticals Limited appearing in this Annual Report on Form 20-F for the year ended December 31, 2020.

/s/ Deloitte & Touche  
Taipei, Taiwan  
Republic of China

April 23, 2021