

**GLYCONEX INCORPORATION AND
SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2017 AND 2016**

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To GlycoNex Incorporation

Opinion

We have audited the accompanying consolidated balance sheets of GlycoNex Incorporation and its subsidiary (the “Group”) as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

The key audit matters of the Group for the year ended December 31, 2017 are as follows:

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Existence and occurrence of cash and cash equivalents

Description

Refer to Note 4(6) for the accounting policy and Note 6(1) for the details of significant accounts on cash and cash equivalents. The balance of cash and cash equivalents is \$442,921 thousand, constituting 24% of the consolidated total assets as of December 31, 2017.

Cash and cash equivalents are high risk in nature and constitute a significant part of total assets in the biotechnology industry. Management also needs to determine whether time deposits meet the definition of cash equivalents, which refers to short-term highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. Otherwise, a reclassification to other current financial asset would be required. Thus, we consider the existence and occurrence of cash and cash equivalents a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the key audit matter mentioned above:

1. We sent out audit confirmations to banks and financial institutions for specific agreements and bank accounts, in order to confirm the existence, rights and obligations of the related cash and cash equivalents.
2. We checked the term of the time deposits to determine whether it meets the definition of cash equivalents.
3. For period end bank reconciliations, we compared the account balance to the general ledger, as well as the balance of the bank account to bank statements, deposit books or bank confirmations, and we checked the accuracy and reasonableness of the bank reconciliation adjustments.

Impairment of intangible assets

Description

Refer to Note 4(15) for the accounting policy on intangible assets, Note 5 for the uncertainty of accounting estimates and assumptions in relation to the impairment of intangible assets, and Note 6(7) for the details of intangible assets. The balance of intangible assets is \$45,856 thousand as of December 31, 2017.

The licensed patents “carbohydrate antigen” and “hybridoma cells and monoclonal antibody” are the Company’s main intangible assets, and will be used by the Company to develop new antibody drugs in the foreseeable future. As a result, the Company has to identify the individual cash flows, the estimated

useful lives, and the gains and losses that will probably occur in the future for the intangible assets. Because the valuation of the intangible assets involves subjective judgement and is highly uncertain, and the balance is relatively significant on the financial statements, we consider the impairment of intangible assets a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the key audit matter mentioned above:

1. We obtained and checked all the licensing contracts of the patents to verify the existence, completeness, and rights and obligations of the intangible assets.
2. We obtained the appraisal report of the intangible assets from external experts and assessed the reasonableness of the market value of the new drugs, the market growth rates, and the valuation discount rates used in the appraisal report in order to evaluate whether the intangible assets may be impaired.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of GlycoNex Incorporation as at and for the years ended December 31, 2017 and 2016.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to



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the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

TENG, SHENG-WEI

YU, SHU-FEN

for and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2018

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS			December 31, 2017		December 31, 2016	
Notes			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 442,921	24	\$ 630,988	31
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		50,804	3	202,160	10
1150	Notes receivable, net		-	-	460	-
1170	Accounts receivable, net		200	-	31	-
1200	Other receivables		239	-	1,440	-
1220	Current income tax assets		441	-	1,508	-
1410	Prepayments		12,628	1	8,478	1
1476	Other current financial assets	6(3)	87,252	4	83,600	4
1479	Other current assets		1,233	-	456	-
11XX	Total current assets		595,718	32	929,121	46
Non-current assets						
1523	Available-for-sale financial assets	6(4)				
	- non-current		13,389	1	22,597	1
1600	Property, plant and equipment	6(5)	1,170,808	63	1,023,474	50
1760	Investment property, net	6(6)	37,224	2	-	-
1780	Intangible assets	6(7)(23)	45,856	2	57,233	3
1840	Deferred income tax assets	6(22)	1,176	-	1,301	-
1915	Prepayments for equipment	6(5)	-	-	333	-
1990	Other non-current assets		2,264	-	2,488	-
15XX	Total non-current assets		1,270,717	68	1,107,426	54
1XXX	Total assets		\$ 1,866,435	100	\$ 2,036,547	100

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GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND EQUITY		Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2150	Notes payable		\$ 2,128	-	\$ 6,296	-
2200	Other payables	6(8)	13,463	1	38,019	2
2230	Current income tax liabilities		24	-	-	-
2300	Other current liabilities		1,317	-	453	-
21XX	Total current liabilities		16,932	1	44,768	2
Non-current liabilities						
2570	Deferred income tax liabilities	6(22)	-	-	85	-
2600	Other non-current liabilities	6(9)(10)	8,255	-	5,220	-
25XX	Total non-current liabilities		8,255	-	5,305	-
2XXX	Total liabilities		25,187	1	50,073	2
Equity attributable to owners of parent						
Share capital		6(11)(12)				
3110	Common stock		764,985	41	769,935	38
Capital reserve		6(11)(13)				
3200	Capital surplus		1,306,493	70	1,414,817	70
Retained earnings		6(14)(22)				
3350	Accumulated deficit		(203,641)	(11)	(97,886)	(5)
Other equity						
3400	Other equity interest	6(15)	(18,736)	(1)	(286)	-
3500	Treasury stocks	6(12)	(7,853)	-	(100,106)	(5)
3XXX	Total equity		1,841,248	99	1,986,474	98
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the reporting period		11				
3X2X	Total liabilities and equity		\$ 1,866,435	100	\$ 2,036,547	100

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE AMOUNTS)

		For the years ended December 31			
		2017		2016	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16)	\$ 634	100	\$ 239	100
5000 Operating costs	6(20)(21)	(339)	(53)	(98)	(41)
5950 Gross profit		<u>295</u>	<u>47</u>	<u>141</u>	<u>59</u>
Operating expenses	6(20)(21)				
6100 Selling expenses		(5,560)	(877)	(2,354)	(985)
6200 General and administrative expenses		(43,876)	(6921)	(39,293)	(16441)
6300 Research and development expenses	6(7)	(111,682)	(17615)	(62,724)	(26244)
6000 Total operating expenses		(161,118)	(25413)	(104,371)	(43670)
6900 Operating loss		(160,823)	(25366)	(104,230)	(43611)
Non-operating income and expenses					
7010 Other income	6(17)	15,222	2401	8,570	3586
7020 Other gains and losses	6(2)(18)	2,181	344	1,937	810
7050 Finance costs	6(19)	(707)	(112)	(842)	(352)
7000 Total non-operating income and expenses		<u>16,696</u>	<u>2633</u>	<u>9,665</u>	<u>4044</u>
7900 Loss before income tax		(144,127)	(22733)	(94,565)	(39567)
7950 Income tax expense	6(22)	(461)	(73)	(2,834)	(1186)
8200 Net loss		(\$ 144,588)	(22806)	(\$ 97,399)	(40753)
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311 Loss on remeasurement of defined benefit plans	6(10)	(\$ 145)	(23)	(\$ 487)	(204)
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8362 Unrealised loss on valuation of available-for-sale financial assets	6(4)(15)	(4,420)	(697)	(27,731)	(11603)
8399 Income tax relating to the components of other comprehensive income	6(15)(22)	-	-	3,293	1378
8300 Total other comprehensive loss for the year		(\$ 4,565)	(720)	(\$ 24,925)	(10429)
8500 Total comprehensive loss for the year		(\$ 149,153)	(23526)	(\$ 122,324)	(51182)
Loss attributable to:					
8610 Owners of the parent		(\$ 144,588)	(22806)	(\$ 97,399)	(40753)
Comprehensive loss attributable to:					
8710 Owners of the parent		(\$ 149,153)	(23526)	(\$ 122,324)	(51182)
Loss per share (in dollars)	6(24)				
9750 Basic loss per share		(\$ 1.91)		(\$ 1.29)	
9850 Diluted loss per share		(\$ 1.91)		(\$ 1.29)	

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Notes	Equity attributable to owners of the parent						
	Share Capital	Capital Reserves		Other Equity Interest			Total equity
	Common stock	Capital surplus	Restricted stocks to employees	Accumulated deficit	Unrealised gain or loss on available-for-sale financial assets	Unearned compensation of restricted stock to employees	
	\$ 769,935	\$ 1,492,622	\$ -	(\$ 77,805)	\$ 24,152	\$ -	\$ 2,116,651
6(14) Balance at January 1, 2016							
Capital surplus used to offset accumulated deficit	-	(77,805)	-	77,805	-	-	-
6(12) Redemption of treasury shares	-	-	-	-	-	-	-
Comprehensive loss	-	-	-	-	-	-	-
Net loss for the year	-	-	-	(97,399)	-	-	(97,399)
6(10)(15) Other comprehensive loss for the year	-	-	-	(487)	(24,438)	-	(24,925)
Balance at December 31, 2016	\$ 769,935	\$ 1,414,817	\$ -	(\$ 97,886)	\$ 286	\$ -	\$ 1,986,474
For the year ended December 31, 2017							
6(14) Balance at January 1, 2017	\$ 769,935	\$ 1,414,817	\$ -	(\$ 97,886)	\$ 286	\$ -	\$ 1,986,474
Capital surplus used to offset accumulated deficit	-	(97,886)	-	97,886	-	-	-
6(11) Issuance of restricted stocks to employees	7,900	-	11,270	-	-	(19,170)	-
6(11) Retirement of restricted stocks to employees	(500)	-	713	-	-	1,213	-
6(11) Compensation costs of restricted stocks to employees	-	-	-	-	-	3,927	3,927
6(12) Retirement of treasury shares	(12,350)	(20,995)	-	(58,908)	-	-	-
Comprehensive loss	-	-	-	-	-	-	-
Net loss for the year	-	-	-	(144,588)	-	-	(144,588)
6(10)(15) Other comprehensive loss for the year	-	-	-	(145)	(4,420)	-	(4,565)
Balance at December 31, 2017	\$ 764,985	\$ 1,295,936	\$ 10,557	(\$ 203,641)	(\$ 4,706)	(\$ 14,030)	\$ 1,841,248

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31	
		2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before income tax		(\$ 144,127)	(\$ 94,565)
Adjustments to reconcile loss before tax to net cash generated from (used in) operating activities			
Income and expenses having no effect on cash flows			
Gain on disposal of investments	6(18)	(2,795)	(3,497)
Depreciation and amortisation	6(20)	53,366	36,431
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(18)	1,356	(1,110)
Interest income	6(17)	(5,055)	(5,998)
Interest expense	6(19)	707	842
Compensation costs of restricted stocks to employees	6(11)	3,927	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss-current		151,795	(54,470)
Notes receivable, net		460	(4)
Accounts receivable, net		(169)	109
Other receivables		1,181	10,059
Current income tax assets		1,067	1,322
Prepayments		(4,150)	(4,020)
Other current assets		(777)	(435)
Net changes in liabilities relating to operating activities			
Notes payable		(850)	1,543
Other payables		40	(186)
Other current liabilities		864	(291)
Other non-current liabilities		(90)	(81)
Cash generated from (used in) operations		56,750	(114,351)
Interest received		5,075	6,245
Income tax paid		(397)	(23)
Net cash generated from (used in) operating activities		61,428	(108,129)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in other current financial assets		(3,652)	190,000
Increase in available-for-sale financial assets-non-current		-	(4,800)
Proceeds from disposal of available-for-sale financial assets-non-current		5,788	33,919
Acquisition of property, plant and equipment	6(26)	(235,620)	(108,124)
Increase in prepayments for equipment	6(5)	-	(333)
Increase in intangible assets	6(26)	(18,397)	(28,612)
Increase in refundable deposits		(120)	(22)
Increase in other non-current assets		(474)	(2,029)
Net cash (used in) generated from investing activities		(252,475)	79,999
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in deposits received		2,980	249
Redemption of treasury shares	6(12)	-	(7,853)
Net cash generated from (used in) financing activities		2,980	(7,604)
Net decrease in cash and cash equivalents		(188,067)	(35,734)
Cash and cash equivalents at beginning of year		630,988	666,722
Cash and cash equivalents at end of year		\$ 442,921	\$ 630,988

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