

**GLYCONEX INCORPORATION AND
SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 are as follows:

~1~

Existence and occurrence of bank deposits

Description

Refer to Notes 4(6) and (9) for accounting policies on cash and cash equivalents and financial assets at amortised cost and Notes 6(1) and (3) for account details in the consolidated financial statements.

As at December 31, 2018, the balances of cash and cash equivalents and financial assets at amortised cost totalled NT\$347,369 thousand, constituting 22% of consolidated total assets. As the bank deposits are high risk in nature, are material to the financial statements and the determination as to whether the bank deposits qualify as cash equivalent relies on management judgement, we consider the existence and occurrence of bank deposits 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.
4. Inspected the source documents of significant cash receipts and payments to verify whether the transactions are for business purposes.

Impairment of long-term assets

Description

Refer to Notes 4(14), (15) and (16) for the accounting policy on property, plant and equipment, investment property and intangible assets, Note 5 for the uncertainty of accounting estimates and assumptions in relation to impairment, and Notes 6(6),(7) and (8) for account details in the consolidated financial statements.

As at December 31, 2018, the balances of property, plant and equipment, investment property and intangible assets totalled NT\$1,183,608 thousand, constituting 76% of consolidated total assets. Management has estimated the abovementioned assets' recoverable amounts because the Company has

not generated profit during the research and development stage and there is indication that the assets might have been impaired. The calculation of recoverable amounts rely on subjective judgements and thus underly great uncertainty. Given the material amount of long-term assets, we consider the impairment of long-term 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 the evaluation form for impairment indication from the management to examine its reasonableness.
2. We ascertained whether the fair value of property, plant and equipment is properly referenced to sources such as recent public transactions of similar real estate as well as quotation of business facilities.
3. 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, 2018 and 2017.

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 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.

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 13, 2019

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
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS			December 31, 2018		December 31, 2017	
	Notes		AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 256,169	16	\$ 442,921	24
1110	Financial assets at fair value	6(2) and 12(4)				
	through profit or loss - current		120	-	50,804	3
1136	Financial assets at amortised cost	6(3)				
	- current		91,200	6	-	-
1170	Accounts receivable, net		28	-	200	-
1200	Other receivables		103	-	239	-
1220	Current income tax assets		320	-	441	-
1410	Prepayments		12,522	1	12,628	1
1476	Other current financial assets	12(4)	-	-	87,252	4
1479	Other current assets		349	-	1,233	-
11XX	Total current assets		<u>360,811</u>	<u>23</u>	<u>595,718</u>	<u>32</u>
Non-current assets						
1517	Financial assets at fair value	6(4)				
	through other comprehensive					
	income - non-current		14,123	1	-	-
1523	Available-for-sale financial assets	12(4)				
	- non-current		-	-	13,389	1
1600	Property, plant and equipment	6(5)	1,131,509	73	1,170,808	63
1760	Investment property, net	6(6)	35,810	2	37,224	2
1780	Intangible assets	6(7)(8)(24)	16,289	1	45,856	2
1840	Deferred income tax assets	6(23)	1,829	-	1,176	-
1990	Other non-current assets		1,430	-	2,264	-
15XX	Total non-current assets		<u>1,200,990</u>	<u>77</u>	<u>1,270,717</u>	<u>68</u>
1XXX	Total assets		<u>\$ 1,561,801</u>	<u>100</u>	<u>\$ 1,866,435</u>	<u>100</u>

(Continued)

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND EQUITY			December 31, 2018		December 31, 2017	
	Notes		AMOUNT	%	AMOUNT	%
Current liabilities						
2130	Contract liabilities - current	6(17)	\$ 61	-	\$ -	-
2150	Notes payable		2,725	-	2,128	-
2200	Other payables	6(9)	15,584	1	13,463	1
2230	Current income tax liabilities		-	-	24	-
2300	Other current liabilities		1,435	-	1,317	-
21XX	Total current liabilities		19,805	1	16,932	1
Non-current liabilities						
2570	Deferred income tax liabilities	6(23)	-	-	-	-
2600	Other non-current liabilities	6(10)(11)	9,545	1	8,255	-
25XX	Total non-current liabilities		9,545	1	8,255	-
2XXX	Total liabilities		29,350	2	25,187	1
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(12)(13)	765,035	49	764,985	41
Capital reserve						
3200	Capital surplus	6(12)(14)	1,103,837	71	1,306,493	70
Retained earnings						
3350	Accumulated deficit	6(15)	(317,218)	(20)	(203,641)	(11)
Other equity interest						
3400	Other equity interest	6(16)	(11,350)	(1)	(18,736)	(1)
3500	Treasury stocks	6(13)	(7,853)	(1)	(7,853)	-
3XXX	Total equity		1,532,451	98	1,841,248	99
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the reporting period						
3X2X	Total liabilities and equity		\$ 1,561,801	100	\$ 1,866,435	100

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Items	Notes	2018		2017	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(17) and 12(5)	\$ 926	100	\$ 634	100
5000	Operating costs	6(21)(22)	(448)	(48)	(339)	(53)
5950	Gross profit		478	52	295	47
	Operating expenses	6(21)(22)				
6100	Selling expenses		(4,181)	(452)	(5,560)	(877)
6200	General and administrative expenses		(48,236)	(5209)	(43,876)	(6921)
6300	Research and development expenses	6(7)	(269,642)	(29119)	(111,682)	(17615)
6000	Total operating expenses		(322,059)	(34780)	(161,118)	(25413)
6900	Operating loss		(321,581)	(34728)	(160,823)	(25366)
	Non-operating income and expenses					
7010	Other income	6(8)	22,296	2408	15,222	2401
7020	Other gains and losses	6(2)(19)	(18,306)	(1977)	2,181	344
7050	Finance costs	6(20)	(5)	(1)	(707)	(112)
7000	Total non-operating income and expenses		3,985	430	16,696	2633
7900	Loss before income tax		(317,596)	(34298)	(144,127)	(22733)
7950	Income tax benefit (expense)	6(23)	653	71	461	73
8200	Net loss		(\$ 316,943)	(34227)	(\$ 144,588)	(22806)
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial losses on defined benefit plans	6(11)	(\$ 275)	(30)	(\$ 145)	(23)
8316	Unrealised gains from financial assets measured at fair value through other comprehensive income	6(4)(16)	734	79	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8362	Unrealised losses on valuation of available-for-sale financial assets	6(16) and 12(4)	-	-	(4,420)	(697)
8300	Total other comprehensive income (loss) for the year		\$ 459	49	(\$ 4,565)	(720)
8500	Total comprehensive loss for the year		(\$ 316,484)	(34178)	(\$ 149,153)	(23526)
	Loss attributable to:					
8610	Owners of the parent		(\$ 316,943)	(34227)	(\$ 144,588)	(22806)
	Comprehensive loss attributable to:					
8710	Owners of the parent		(\$ 316,484)	(34178)	(\$ 149,153)	(23526)
	Loss per share (in dollars)	6(25)				
9750	Basic loss per share		(\$ 4.18)		(\$ 1.91)	
9850	Diluted loss per share		(\$ 4.18)		(\$ 1.91)	

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to owners of the parent							
		Capital Reserves			Other Equity Interest				Total equity
		Common stock	Capital surplus	Restricted stocks to employees	Accumulated deficit	Unrealised gains or losses from financial assets measured at fair value through other comprehensive income	Unrealised gains or losses on available-for-sale financial assets	Unearned compensation of restricted stock to employees	
<u>2017</u>									
Balance at January 1, 2017		\$ 769,935	\$ 1,414,817	\$ -	(\$ 97,886)	\$ -	(\$ 286)	\$ -	\$ 1,986,474
Net loss for the year		-	-	-	(144,588)	-	-	-	(144,588)
Other comprehensive loss for the year	6(16)	-	-	-	(145)	-	(4,420)	-	(4,565)
Total comprehensive loss		-	-	-	(144,733)	-	(4,420)	-	(149,153)
Capital surplus used to offset accumulated deficit	6(15)	-	(97,886)	-	97,886	-	-	-	-
Issuance of restricted stocks to employees	6(12)	7,900	-	11,270	-	-	-	(19,170)	-
Retirement of restricted stocks to employees	6(12)	(500)	-	(713)	-	-	-	1,213	-
Compensation costs of restricted stocks to employees	6(12)	-	-	-	-	-	-	3,927	3,927
Retirement of treasury shares		(12,350)	(20,995)	-	(58,908)	-	-	-	-
Balance at December 31, 2017		\$ 764,985	\$ 1,295,936	\$ 10,557	(\$ 203,641)	\$ -	(\$ 4,706)	(\$ 14,030)	\$ 1,841,248
<u>2018</u>									
Balance at January 1, 2018		\$ 764,985	\$ 1,295,936	\$ 10,557	(\$ 203,641)	\$ -	(\$ 4,706)	(\$ 14,030)	\$ 1,841,248
Effect on retrospective application and retrospective restatement		-	-	-	-	(4,706)	4,706	-	-
Balance after restatement on January 1, 2018		764,985	1,295,936	10,557	(203,641)	(4,706)	-	(14,030)	1,841,248
Net loss for the year		-	-	-	(316,943)	-	-	-	(316,943)
Other comprehensive income (loss) for the year	6(16)	-	-	-	(275)	734	-	-	459
Total comprehensive loss		-	-	-	(317,218)	734	-	-	(316,484)
Capital surplus used to offset accumulated deficit	6(15)	-	(203,641)	-	203,641	-	-	-	-
Issuance of restricted stocks to employees	6(12)	1,750	-	3,410	-	-	-	(5,160)	-
Vesting of restricted stocks to employees	6(12)	-	2,639	(2,639)	-	-	-	-	-
Retirement of restricted stocks to employees	6(12)	(1,700)	-	(2,425)	-	-	-	4,125	-
Compensation costs of restricted stocks to employees	6(12)	-	-	-	-	-	-	7,687	7,687
Balance at December 31, 2018		\$ 765,035	\$ 1,094,934	\$ 8,903	(\$ 317,218)	(\$ 3,972)	\$ -	(\$ 7,378)	\$ 1,532,451

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 317,596)	(\$ 144,127)
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on disposal of investments	6(19)	-	(2,795)
Depreciation and amortisation	6(21)	56,876	53,366
Impairment loss	6(8)	18,190	-
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(19)	(731)	1,356
Interest income	6(18)	(3,877)	(5,055)
Interest expense	6(20)	5	707
Compensation costs of restricted stocks to employees	6(12)	7,687	3,927
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		51,415	151,795
Notes receivable, net		-	460
Accounts receivable, net		172	(169)
Other receivables		(23)	1,181
Current income tax assets		-	1,067
Prepayments		106	(4,150)
Other current assets		884	(777)
Changes in operating liabilities			
Notes payable		(227)	(850)
Other payables		2,581	40
Other current liabilities		179	864
Other non-current liabilities		(109)	(90)
Cash (outflow) inflow generated from operations		(184,468)	56,750
Interest received		4,036	5,075
Income tax received		259	(397)
Income tax paid		(162)	-
Net cash flows (used in) provided by operating activities		(180,335)	61,428
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets measured at amortised cost - current		(3,948)	-
Proceeds from disposal of available-for-sale financial assets - non-current		-	5,788
Acquisition of property, plant and equipment	6(27)	(3,220)	(235,620)
Increase in intangible assets	6(27)	-	(18,397)
Decrease (increase) in refundable deposits		120	(120)
Increase in other non-current assets		(493)	(474)
Increase in other current financial assets		-	(3,652)
Net cash flows used in investing activities		(7,541)	(252,475)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in deposits received		1,124	2,980
Net cash flows provided by financing activities		1,124	2,980
Net decrease in cash and cash equivalents		(186,752)	(188,067)
Cash and cash equivalents at beginning of year		442,921	630,988
Cash and cash equivalents at end of year		\$ 256,169	\$ 442,921

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