

**GLYCONEX INCORPORATION AND
SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 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.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To GlycoNex Incorporation

Introduction

We have reviewed the accompanying consolidated balance sheets of GlycoNex Incorporation and its subsidiary (the “Group”) as at March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

May 11, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and 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)
 (THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2018 AND 2017 ARE UNAUDITED BUT REVIEWED)

ASSETS		Notes	March 31, 2018		December 31, 2017		March 31, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 380,985	21	\$ 442,921	24	\$ 585,873	29
1110	Financial assets at fair value	6(2) and						
	through profit or loss - current	12(4)	-	-	50,804	3	202,320	10
1136	Financial assets at amortised cost	6(3)						
	- current		88,247	5	-	-	-	-
1170	Accounts receivable, net		126	-	200	-	234	-
1200	Other receivables		208	-	239	-	496	-
1220	Current income tax assets		479	-	441	-	1,542	-
1410	Prepayments		69,844	4	12,628	1	8,859	1
1476	Other current financial assets	12(4)	-	-	87,252	4	83,600	4
1479	Other current assets		1,000	-	1,233	-	420	-
11XX	Total current assets		<u>540,889</u>	<u>30</u>	<u>595,718</u>	<u>32</u>	<u>883,344</u>	<u>44</u>
Non-current assets								
1517	Financial assets at fair value	6(4)						
	through other comprehensive							
	income - non-current		12,564	1	-	-	-	-
1523	Available-for-sale financial assets	12(4)						
	- non-current		-	-	13,389	1	22,351	1
1600	Property, plant and equipment	6(5)	1,160,267	65	1,170,808	63	1,001,589	50
1760	Investment property, net	6(6)	36,871	2	37,224	2	38,284	2
1780	Intangible assets	6(7)(23)	43,012	2	45,856	2	54,389	3
1840	Deferred income tax assets		1,176	-	1,176	-	1,302	-
1990	Other non-current assets		1,886	-	2,264	-	2,304	-
15XX	Total non-current assets		<u>1,255,776</u>	<u>70</u>	<u>1,270,717</u>	<u>68</u>	<u>1,120,219</u>	<u>56</u>
1XXX	Total assets		<u>\$ 1,796,665</u>	<u>100</u>	<u>\$ 1,866,435</u>	<u>100</u>	<u>\$ 2,003,563</u>	<u>100</u>

(Continued)

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2018 AND 2017 ARE UNAUDITED BUT REVIEWED)

LIABILITIES AND EQUITY		Notes	March 31, 2018		December 31, 2017		March 31, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2130	Contract liabilities - current	6(16)	\$ 92	-	\$ -	-	\$ -	-
2150	Notes payable		1,639	-	2,128	-	3,969	-
2200	Other payables	6(8)	9,899	1	13,463	1	32,494	2
2230	Current income tax liabilities		24	-	24	-	26	-
2300	Other current liabilities		2,009	-	1,317	-	268	-
21XX	Total current liabilities		<u>13,663</u>	<u>1</u>	<u>16,932</u>	<u>1</u>	<u>36,757</u>	<u>2</u>
Non-current liabilities								
2570	Deferred income tax liabilities		-	-	-	-	84	-
2600	Other non-current liabilities	6(9)(10)	8,312	-	8,255	-	6,017	-
25XX	Total non-current liabilities		<u>8,312</u>	<u>-</u>	<u>8,255</u>	<u>-</u>	<u>6,101</u>	<u>-</u>
2XXX	Total liabilities		<u>21,975</u>	<u>1</u>	<u>25,187</u>	<u>1</u>	<u>42,858</u>	<u>2</u>
Equity attributable to owners of parent								
Share capital		6(11)(12)						
3110	Common stock		764,985	43	764,985	41	769,935	38
Capital reserve		6(11)(13)						
3200	Capital surplus		1,306,493	72	1,306,493	70	1,414,817	71
Retained earnings		6(14)						
3350	Accumulated deficit		(271,468)	(15)	(203,641)	(11)	(127,257)	(6)
Other equity		6(15)						
3400	Other equity interest		(17,467)	(1)	(18,736)	(1)	3,316	-
3500	Treasury stocks	6(12)	(7,853)	-	(7,853)	-	(100,106)	(5)
3XXX	Total equity		<u>1,774,690</u>	<u>99</u>	<u>1,841,248</u>	<u>99</u>	<u>1,960,705</u>	<u>98</u>
Significant contingent liabilities and unrecognised contract commitments		9						
3X2X	Total liabilities and equity		<u>\$ 1,796,665</u>	<u>100</u>	<u>\$ 1,866,435</u>	<u>100</u>	<u>\$ 2,003,563</u>	<u>100</u>

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)
(UNAUDITED BUT REVIEWED)

Items		Notes	For the three-month periods ended March 31			
			2018		2017	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16) and 12(5)	\$ 82	100	\$ 432	100
5000	Operating costs	6(20)(21)	(27)	(33)	(222)	(51)
5950	Gross profit		<u>55</u>	<u>67</u>	<u>210</u>	<u>49</u>
	Operating expenses	6(20)(21)				
6100	Selling expenses		(1,161)	(1416)	(1,461)	(338)
6200	General and administrative expenses		(11,515)	(14043)	(9,461)	(2190)
6300	Research and development expenses	6(7)	(61,243)	(74686)	(20,406)	(4724)
6000	Total operating expenses		(73,919)	(90145)	(31,328)	(7252)
6900	Operating loss		(73,864)	(90078)	(31,118)	(7203)
	Non-operating income and expenses					
7010	Other income	6(17)	4,694	5724	2,393	554
7020	Other gains and losses	6(2)(18)	1,343	1638	(378)	(88)
7050	Finance costs	6(19)	-	-	(211)	(49)
7000	Total non-operating income and expenses		<u>6,037</u>	<u>7362</u>	<u>1,804</u>	<u>417</u>
7900	Loss before income tax		(67,827)	(82716)	(29,314)	(6786)
7950	Income tax expense	6(22)	-	-	(57)	(13)
8200	Net loss		(\$ 67,827)	(82716)	(\$ 29,371)	(6799)
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8316	Unrealised losses from financial assets measured at fair value through other comprehensive income	6(4)(15)	(\$ 825)	(1006)	\$ -	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8362	Unrealised gains on valuation of available-for-sale financial assets	6(15) and 12(4)	-	-	3,602	834
8300	Total other comprehensive (loss) income for the period		(\$ 825)	(1006)	\$ 3,602	834
8500	Total comprehensive loss for the period		(\$ 68,652)	(83722)	(\$ 25,769)	(5965)
	Loss attributable to:					
8610	Owners of the parent		(\$ 67,827)	(82716)	(\$ 29,371)	(6799)
	Comprehensive loss attributable to:					
8710	Owners of the parent		(\$ 68,652)	(83722)	(\$ 25,769)	(5965)
	Loss per share (in dollars)	6(24)				
9750	Basic loss per share		(\$ 0.90)		(\$ 0.39)	
9850	Diluted loss per share		(\$ 0.90)		(\$ 0.39)	

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)
(UNAUDITED BUT REVIEWED)

		Equity attributable to owners of the parent								
		Share Capital	Capital Reserves			Other Equity Interest				
						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	Treasury stocks	Total equity
Notes		Common stock	Capital surplus	Restricted stocks to employees	Accumulated deficit					
<u>For the three-month period ended March 31, 2017</u>										
		\$ 769,935	\$ 1,414,817	\$ -	(\$ 97,886)	\$ -	(\$ 286)	\$ -	(\$ 100,106)	\$ 1,986,474

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)
(UNAUDITED BUT REVIEWED)

		For the three-month periods ended March 31	
	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 67,827)	(\$ 29,314)
Adjustments to reconcile loss before tax to net cash used in operating activities			
Income and expenses having no effect on cash flows			
Gain on disposal of investments	6(18)	-	(804)
Depreciation and amortisation	6(20)	14,284	11,229
Net gain on financial assets at fair value through profit or loss	6(2)(18)		
Interest income		(19)	(160)
Interest expense	6(17)	(1,088)	(1,414)
Compensation costs of restricted stocks to employees	6(19)	-	211
Changes in assets/liabilities relating to operating activities	6(11)	2,094	-
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss			
- current		50,823	-
Notes receivable, net		-	460
Accounts receivable, net		74	(203)
Other receivables		-	976
Prepayments		(57,216)	(381)
Other current assets		233	36
Net changes in liabilities relating to operating activities			
Notes payable		(707)	(1,076)
Other payables		(3,284)	(4,504)
Current income tax liabilities		-	(26)
Other current liabilities		784	(185)
Other non-current liabilities		(23)	(23)
Cash used in operations		(61,872)	(25,178)
Interest received		1,119	1,437
Income tax paid		(38)	(34)
Net cash used in operating activities		(60,791)	(23,775)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at amortised cost - current		(995)	-
Proceeds from disposal of available-for-sale financial assets - non-current		-	4,592
Acquisition of property, plant and equipment	6(26)	(350)	(23,458)
Increase in intangible assets	6(26)	-	(3,225)
Decrease in refundable deposits		120	-
Increase in other non-current assets		-	(69)
Net cash used in investing activities		(1,225)	(22,160)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in deposits received		80	820
Net cash generated from financing activities		80	820
Net decrease in cash and cash equivalents		(61,936)	(45,115)
Cash and cash equivalents at beginning of period		442,921	630,988
Cash and cash equivalents at end of period		\$ 380,985	\$ 585,873

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