

**GLYCONEX INCORPORATION AND
SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 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 June 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-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 June 30, 2018 and 2017, and of its consolidated financial performance for the three-month and six-month periods then ended, and its consolidated cash flows for the six-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
August 10, 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 JUNE 30, 2018 AND 2017 ARE UNAUDITED BUT REVIEWED)

ASSETS		Notes	June 30, 2018		December 31, 2017		June 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 335,312	20	\$ 442,921	24	\$ 516,907	27
1110	Financial assets at fair value	6(2) and						
	through profit or loss - current	12(4)	-	-	50,804	3	50,693	3
1136	Financial assets at amortised cost	6(3)						
	- current		88,193	5	-	-	-	-
1170	Accounts receivable, net		315	-	200	-	90	-
1200	Other receivables		303	-	239	-	6,890	-
1220	Current income tax assets		260	-	441	-	365	-
1410	Prepayments		34,413	2	12,628	1	3,246	-
1476	Other current financial assets	12(4)	-	-	87,252	4	83,600	4
1479	Other current assets		1,188	-	1,233	-	1,667	-
11XX	Total current assets		<u>459,984</u>	<u>27</u>	<u>595,718</u>	<u>32</u>	<u>663,458</u>	<u>34</u>
Non-current assets								
1517	Financial assets at fair value	6(4)						
	through other comprehensive							
	income - non-current		16,176	1	-	-	-	-
1523	Available-for-sale financial assets	12(4)						
	- non-current		-	-	13,389	1	20,465	1
1600	Property, plant and equipment	6(5)	1,150,337	68	1,170,808	63	1,183,856	60
1760	Investment property, net	6(6)	36,517	2	37,224	2	37,931	2
1780	Intangible assets	6(7)(23)	40,167	2	45,856	2	51,544	3
1840	Deferred income tax assets		1,176	-	1,176	-	1,302	-
1990	Other non-current assets		1,723	-	2,264	-	2,351	-
15XX	Total non-current assets		<u>1,246,096</u>	<u>73</u>	<u>1,270,717</u>	<u>68</u>	<u>1,297,449</u>	<u>66</u>
1XXX	Total assets		<u>\$ 1,706,080</u>	<u>100</u>	<u>\$ 1,866,435</u>	<u>100</u>	<u>\$ 1,960,907</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 JUNE 30, 2018 AND 2017 ARE UNAUDITED BUT REVIEWED)

LIABILITIES AND EQUITY		Notes	June 30, 2018		December 31, 2017		June 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2130	Contract liabilities - current	6(16)	\$ 92	-	\$ -	-	\$ -	-
2150	Notes payable		1,749	-	2,128	-	7,676	1
2200	Other payables	6(8)	12,548	1	13,463	1	24,536	1
2230	Current income tax liabilities		-	-	24	-	-	-
2300	Other current liabilities		1,165	-	1,317	-	1,083	-
21XX	Total current liabilities		15,554	1	16,932	1	33,295	2
Non-current liabilities								
2570	Deferred income tax liabilities		-	-	-	-	84	-
2600	Other non-current liabilities	6(9)(10)	9,235	-	8,255	-	5,995	-
25XX	Total non-current liabilities		9,235	-	8,255	-	6,079	-
2XXX	Total liabilities		24,789	1	25,187	1	39,374	2
Equity attributable to owners of parent								
Share capital		6(11)(12)						
3110	Common stock		765,980	45	764,985	41	769,935	39
Capital reserve		6(11)(13)						
3200	Capital surplus		1,105,185	65	1,306,493	70	1,316,931	67
Retained earnings		6(14)						
3350	Accumulated deficit		(166,691)	(10)	(203,641)	(11)	(67,597)	(3)
Other equity interest		6(15)						
3400	Other equity interest		(15,330)	(1)	(18,736)	(1)	2,370	-
3500	Treasury stocks	6(12)	(7,853)	-	(7,853)	-	(100,106)	(5)
3XXX	Total equity		1,681,291	99	1,841,248	99	1,921,533	98
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		\$ 1,706,080	100	\$ 1,866,435	100	\$ 1,960,907	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)
(UNAUDITED BUT REVIEWED)

Items	Notes	For the three-month periods ended June 30				For the six-month periods ended June 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16) and 12(5)	\$ 371	100	\$ 89	100	\$ 453	100	\$ 521	100
5000 Operating costs	6(20)(21)	(201)	(54)	(68)	(76)	(228)	(50)	(290)	(56)
5950 Gross profit		<u>170</u>	<u>46</u>	<u>21</u>	<u>24</u>	<u>225</u>	<u>50</u>	<u>231</u>	<u>44</u>
Operating expenses	6(20)(21)								
6100 Selling expenses		(1,116)	(301)	(1,606)	(1805)	(2,277)	(503)	(3,067)	(589)
6200 General and administrative expenses		(15,443)	(4162)	(12,350)	(13876)	(26,958)	(5951)	(21,811)	(4186)
6300 Research and development expenses	6(7)	(86,820)	(23402)	(28,137)	(31615)	(148,063)	(32685)	(48,543)	(9317)
6000 Total operating expenses		(103,379)	(27865)	(42,093)	(47296)	(177,298)	(39139)	(73,421)	(14092)
6900 Operating loss		(103,209)	(27819)	(42,072)	(47272)	(177,073)	(39089)	(73,190)	(14048)
Non-operating income and expenses									
7010 Other income	6(17)	5,058	1363	3,026	3400	9,752	2153	5,419	1040
7020 Other gains and losses	6(2)(18)	(713)	(192)	1,360	1529	630	139	982	189
7050 Finance costs	6(19)	-	-	(210)	(236)	-	-	(421)	(81)
7000 Total non-operating income and expenses		<u>4,345</u>	<u>1171</u>	<u>4,176</u>	<u>4693</u>	<u>10,382</u>	<u>2292</u>	<u>5,980</u>	<u>1148</u>
7900 Loss before income tax		(98,864)	(26648)	(37,896)	(42579)	(166,691)	(36797)	(67,210)	(12900)
7950 Income tax expense	6(22)	-	-	(330)	(371)	-	-	(387)	(75)
8200 Net loss		(\$ 98,864)	(26648)	(\$ 38,226)	(42950)	(\$ 166,691)	(36797)	(\$ 67,597)	(12975)
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
8316 Unrealised gains from financial assets measured at fair value through other comprehensive income	6(4)(15)	\$ 3,612	974	\$ -	-	\$ 2,787	615	\$ -	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8362 Unrealised (losses) gains on valuation of available-for-sale financial assets	6(15) and 12(4)	-	-	(946)	(1063)	-	-	2,656	510
8300 Total other comprehensive income (loss) for the period		<u>\$ 3,612</u>	<u>974</u>	<u>(\$ 946)</u>	<u>(1063)</u>	<u>\$ 2,787</u>	<u>615</u>	<u>\$ 2,656</u>	<u>510</u>
8500 Total comprehensive loss for the period		(\$ 95,252)	(25674)	(\$ 39,172)	(44013)	(\$ 163,904)	(36182)	(\$ 64,941)	(12465)
Loss attributable to:									
8610 Owners of the parent		(\$ 98,864)	(26648)	(\$ 38,226)	(42951)	(\$ 166,691)	(36797)	(\$ 67,597)	(12975)
Comprehensive loss attributable to:									
8710 Owners of the parent		(\$ 95,252)	(25674)	(\$ 39,172)	(44013)	(\$ 163,904)	(36182)	(\$ 64,941)	(12465)
Loss per share (in dollars)	6(24)								
9750 Basic loss per share		(\$ 1.31)		(\$ 0.51)		(\$ 2.20)		(\$ 0.89)	
9850 Diluted loss per share		(\$ 1.31)		(\$ 0.51)		(\$ 2.20)		(\$ 0.89)	

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					
Notes		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	Treasury stocks	Total equity
<u>For the six-month period ended June 30, 2017</u>										
		\$ 769,935	\$ 1,414,817	\$ -	(\$ 97,886)	\$ -	(\$ 286)	\$ -	(\$ 100,106)	\$ 1,986,474
		-	-	-	(67,597)	-	-	-	-	(67,597)
	6(15) and 12(4)	-	-	-	-	-	2,656	-	-	2,656
		-	-	-	(67,597)	-	2,656	-	-	(64,941)
	6(14)	-	(97,886)	-	97,886	-	-	-	-	-
		\$ 769,935	\$ 1,316,931	\$ -	(\$ 67,597)	\$ -	\$ 2,370	\$ -	(\$ 100,106)	\$ 1,921,533
<u>For the six-month period ended June 30, 2018</u>										
		\$ 764,985	\$ 1,295,936	\$ 10,557	(\$ 203,641)	\$ -	(\$ 4,706)	(\$ 14,030)	(\$ 7,853)	\$ 1,841,248
		-	-	-	-	(4,706)	4,706	-	-	-
		764,985	1,295,936	10,557	(203,641)	(4,706)	-	(14,030)	(7,853)	1,841,248
		-	-	-	(166,691)	-	-	-	-	(166,691)
	6(4)(15)	-	-	-	-	2,787	-	-	-	2,787
		-	-	-	(166,691)	2,787	-	-	-	(163,904)
	6(14)	-	(203,641)	-	203,641	-	-	-	-	-
	6(11)	1,750	-	3,410	-	-	-	(5,160)	-	-
	6(11)	-	2,639	(2,639)	-	-	-	-	-	-
	6(11)	(755)	-	(1,077)	-	-	-	1,832	-	-
	6(11)	-	-	-	-	-	-	3,947	-	3,947
		\$ 765,980	\$ 1,094,934	\$ 10,251	(\$ 166,691)	(\$ 1,919)	\$ -	(\$ 13,411)	(\$ 7,853)	\$ 1,681,291

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 six-month periods ended June 30	
	Notes	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 166,691)	(\$ 67,210)
Adjustments to reconcile loss before tax to net cash (used in) generated from operating activities			
Income and expense have no effect on cash flows			
Gain on disposal of investments	6(18)	-	(2,795)
Depreciation and amortisation	6(20)	28,530	24,502
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(18)	(19)	1,466
Interest income	6(17)	(2,103)	(2,676)
Interest expense	6(19)	-	421
Compensation costs of restricted stocks to employees	6(11)	3,947	-
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		50,823	151,795
Notes receivable, net		-	460
Accounts receivable, net		(115)	(59)
Other receivables		(126)	(5,497)
Prepayments		(19,785)	5,232
Other current assets		45	(1,211)
Net changes in liabilities relating to operating activities			
Contract liabilities - current		92	-
Notes payable		(955)	(921)
Other payables		(769)	(3,469)
Other current liabilities		(152)	630
Other non-current liabilities		(47)	(45)
Cash (used in) generated from operations		(107,325)	100,623
Interest received		2,166	2,723
Income tax received		157	756
Net cash (used in) generated from operating activities		(105,002)	104,102
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets measured at amortised cost			
- current		(941)	-
Increase in prepaid investment		(2,000)	-
Proceeds from disposal of available-for-sale financial assets - non-current		-	5,788
Acquisition of property, plant and equipment	6(26)	(813)	(221,176)
Increase in intangible assets	6(26)	-	(3,225)
Decrease in refundable deposits		120	-
Increase in other non-current assets		-	(390)
Net cash used in investing activities		(3,634)	(219,003)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in deposits received		1,027	820
Net cash generated from financing activities		1,027	820
Net decrease in cash and cash equivalents		(107,609)	(114,081)
Cash and cash equivalents at beginning of period		442,921	630,988
Cash and cash equivalents at end of period		\$ 335,312	\$ 516,907

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