

**GLYCONEX INCORPORATION**  
**FINANCIAL STATEMENTS AND REPORT OF**  
**INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2019 AND 2018**

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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 balance sheets of GlycoNex Incorporation (the “Company”) as at December 31, 2019 and 2018, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” 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 Financial Statements section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 Company for the year ended December 31, 2019 are as follows:

### **Existence and occurrence of bank deposits**

#### Description

Refer to Notes 4(5) and (8) 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 financial statements.

As at December 31, 2019, the balances of cash and cash equivalents and financial assets at amortised cost totalled NT\$160,036 thousand, constituting 12% of 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 property, plant and equipment and investment property**

#### Description

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

As at December 31, 2019, the balances of property, plant and equipment and investment property totalled NT\$1,125,385 thousand, constituting 85% of 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 abovementioned assets, we consider the impairment of the 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.



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5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 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 25, 2020

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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  
BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2019		December 31, 2018			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	112,336	8	\$	244,180	16
1136	Financial assets at amortised cost - current	6(3)		47,700	4		82,200	5
1170	Accounts receivable, net			-	-		28	-
1200	Other receivables			94	-		98	-
1220	Current income tax assets			245	-		320	-
1410	Prepayments			5,592	-		12,522	1
1470	Other current assets			20	-		349	-
11XX	Total current assets			165,987	12		339,697	22
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(4)		13,151	1		14,103	1
1550	Investments accounted for under equity method	6(5)		20,414	2		21,134	1
1600	Property, plant and equipment	6(6)		1,090,989	82		1,131,509	73
1760	Investment property - net	6(8)		34,396	3		35,810	2
1780	Intangible assets	6(9)(26)		5,159	-		16,289	1
1840	Deferred income tax assets	6(25)		1,339	-		1,829	-
1900	Other non-current assets			755	-		1,430	-
15XX	Total non-current assets			1,166,203	88		1,222,104	78
1XXX	Total assets		\$	1,332,190	100	\$	1,561,801	100

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GLYCONEX INCORPORATION  
BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity			December 31, 2019		December 31, 2018	
Notes			AMOUNT	%	AMOUNT	%
Current liabilities						
2130	Contract liabilities - current	6(19)	\$ 117	-	\$ 61	-
2150	Notes payable		2,203	-	2,725	-
2200	Other payables	6(11)	17,751	1	15,584	1
2300	Other current liabilities		1,444	-	1,435	-
21XX	Total current liabilities		21,515	1	19,805	1
Non-current liabilities						
2600	Other non-current liabilities	6(12)(13)	9,820	1	9,545	1
25XX	Total non-current liabilities		9,820	1	9,545	1
2XXX	Total liabilities		31,335	2	29,350	2
Equity						
Share capital		6(14)(15)				
3110	Common stock		761,610	57	765,035	49
3140	Advance receipts for share capital		14,314	1	-	-
Capital Reserve		6(14)(16)				
3200	Capital surplus		782,240	59	1,103,837	71
Retained earnings		6(17)				
3350	Accumulated deficit		( 251,564)	( 19)	( 317,218)	( 20)
Other equity interest		6(18)				
3400	Other equity interest		( 5,745)	-	( 11,350)	( 1)
3500	Treasury stocks	6(15)	-	-	( 7,853)	( 1)
3XXX	Total equity		1,300,855	98	1,532,451	98
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the reporting period		11				
3X2X	Total liabilities and equity		\$ 1,322,190	100	\$ 1,561,801	100

The accompanying notes are an integral part of these parent company only financial statements.

GLYCONEX INCORPORATION  
STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Notes	2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19)	\$ 734	100	\$ 926	100
5000 Operating costs	6(23)(24)	( 585)	( 80)	( 448)	( 49)
5950 Gross profit		149	20	478	51
Operating expenses	6(23)(24)				
6100 Selling expenses		( 2,168)	( 295)	( 4,181)	( 451)
6200 General and administrative expenses		( 48,923)	( 6665)	( 48,232)	( 5209)
6300 Research and development expenses		( 218,911)	( 29825)	( 269,642)	( 29119)
6000 Total operating expenses		( 270,002)	( 36785)	( 322,055)	( 34779)
6900 Operating loss		( 269,853)	( 36765)	( 321,577)	( 34728)
Non-operating income and expenses					
7010 Other income	6(3)(7)(20)	25,155	3427	22,222	2400
7020 Other gains and losses	6(2)(21)	( 1,983)	( 270)	( 18,979)	( 2050)
7050 Finance costs	6(22)	( 5)	-	( 5)	-
7070 Share of (loss) profit of associates and joint ventures accounted for under the equity method		( 51)	( 7)	743	80
7000 Total non-operating income and expenses		23,116	3150	3,981	430
7900 Loss before income tax		( 246,737)	( 33615)	( 317,596)	( 34298)
7950 Income tax (expense) benefit	6(25)	( 490)	( 67)	653	71
8200 Net loss		( \$ 247,227)	( 33682)	( \$ 316,943)	( 34227)
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(13)	( \$ 564)	( 77)	( \$ 275)	( 30)
8316 Unrealised gains from financial assets measured at fair value through other comprehensive income	6(4)(18)	( 952)	( 130)	734	79
8300 Total other comprehensive (loss) income for the year		( \$ 1,516)	( 207)	\$ 459	49
8500 Total comprehensive loss for the year		( \$ 248,743)	( 33889)	( \$ 316,484)	( 34178)
Loss per share (in dollars)					
9750 Basic loss per share	6(27)	( \$ 3.26)		( \$ 4.18)	
9850 Diluted loss per share		( \$ 3.26)		( \$ 4.18)	

The accompanying notes are an integral part of these parent company only financial statements.

GLYCONEX INCORPORATION  
STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Capital		Capital Reserves		Other Equity Interest				Treasury stocks	Total equity
		Common stock	Advance receipts for share capital	Capital surplus	Restricted stocks to employees	Accumulated deficit	Unrealised gains or losses on 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>2018</u>											
Balance at January 1, 2018		\$ 764,985	\$ -	\$ 1,295,936	\$ 10,557	\$ 203,641	\$ -	(\$ 4,706)	(\$ 14,030)	\$ 7,853	\$ 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 )	( 7,853 )	1,841,248
Net loss for the year		-	-	-	-	( 316,943 )	-	-	-	-	( 316,943 )
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	( 275 )	734	-	-	-	459
Total comprehensive loss		-	-	-	-	( 317,218 )	734	-	-	-	( 316,484 )
Capital surplus used to offset against accumulated deficit	6(17)	-	-	-	-	-	-	-	-	-	-
Issuance of restricted stocks to employees	6(14)	1,750	-	( 203,641 )	-	203,641	-	-	-	-	-
Vesting of restricted stocks to employees	6(14)	-	-	-	3,410	-	-	-	( 5,160 )	-	-
Retirement of restricted stocks to employees	6(14)	-	-	2,639	( 2,639 )	-	-	-	-	-	-
Compensation costs of restricted stocks to employees	6(14)	( 1,700 )	-	-	( 2,425 )	-	-	-	4,125	-	-
Compensation costs of restricted stocks to employees	6(14)	-	-	-	-	-	-	-	7,687	-	7,687
Balance at December 31, 2018		\$ 765,035	\$ -	\$ 1,094,934	\$ 8,903	\$ 317,218	\$ 3,972	\$ -	(\$ 7,378)	(\$ 7,853)	\$ 1,532,451
<u>2019</u>											
Balance at January 1, 2019		\$ 765,035	\$ -	\$ 1,094,934	\$ 8,903	\$ 317,218	\$ 3,972	\$ -	(\$ 7,378)	(\$ 7,853)	\$ 1,532,451
Net loss for the year		-	-	-	-	( 247,227 )	-	-	-	-	( 247,227 )
Other comprehensive loss for the year	6(18)	-	-	-	-	( 564 )	( 952 )	-	-	-	( 1,516 )
Total comprehensive loss		-	-	-	-	( 247,791 )	( 952 )	-	-	-	( 248,743 )
Advance receipts for share capital		-	14,314	-	-	-	-	-	-	-	14,314
Capital surplus used to offset against accumulated deficit	6(17)	-	-	-	-	-	-	-	-	-	-
Vesting of restricted stocks to employees	6(14)	-	-	( 317,218 )	-	317,218	-	-	-	-	-
Retirement of restricted stocks to employees	6(14)	-	-	2,198	( 2,198 )	-	-	-	-	-	-
Compensation costs of restricted stocks to employees	6(14)	( 1,385 )	-	-	( 2,339 )	-	-	-	3,724	-	-
Compensation costs of restricted stocks to employees	6(14)	-	-	-	-	-	-	-	2,833	-	2,833
Retirement of treasury stock	6(15)	( 2,040 )	-	( 2,040 )	-	( 3,773 )	-	-	-	7,853	-
Balance at December 31, 2019		\$ 761,610	\$ 14,314	\$ 777,874	\$ 4,366	\$ 251,564	\$ 4,924	\$ -	(\$ 821)	\$ -	\$ 1,300,855

The accompanying notes are an integral part of these parent company only financial statements.



GLYCONEX INCORPORATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		( \$ 246,737 )	( \$ 317,596 )
Adjustments			
Adjustments to reconcile profit (loss)			
Contract liabilities to revenue		( 61 )	( 92 )
Depreciation and amortisation	6(23)	54,906	56,876
Impairment loss	6(21)	-	18,190
Net gain on financial assets at fair value through profit or loss	6(21)	-	( 3 )
Share of profit or loss of associates and joint ventures accounted for under the equity method		51	( 743 )
Interest income	6(20)	( 2,527 )	( 3,743 )
Interest expense	6(22)	5	5
Compensation costs of restricted stocks to employees	6(14)	2,833	7,687
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		-	50,807
Accounts receivable, net		28	172
Other receivables		30	( 23 )
Prepayments		6,930	106
Other current assets		329	884
Changes in operating liabilities			
Contract liabilities - current		117	61
Notes payable		204	( 227 )
Other payables		1,999	2,581
Other current liabilities		8	210
Other non-current liabilities		( 118 )	( 109 )
Cash outflow generated from operations		( 182,003 )	( 184,957 )
Interest received		2,501	3,905
Income tax received		182	259
Income tax paid		( 107 )	( 138 )
Dividends received		668	296
Net cash flows used in operating activities		( 178,759 )	( 180,635 )
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in financial assets measured at amortised cost - current		34,500	1,052
Acquisition of property, plant and equipment	6(29)	( 1,496 )	( 3,220 )
Decrease in refundable deposits		-	120
Increase in other non-current assets		( 236 )	( 493 )
Net cash flows provided by (used in) investing activities		32,768	( 2,541 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in deposits received		( 167 )	1,124
Advance receipts for share capital		14,314	-
Net cash flows provided by financing activities		14,147	1,124
Net decrease in cash and cash equivalents		( 131,844 )	( 182,052 )
Cash and cash equivalents at beginning of year		244,180	426,232
Cash and cash equivalents at end of year		\$ 112,336	\$ 244,180

The accompanying notes are an integral part of these parent company only financial statements.