

**GLYCONEX INCORPORATION AND
SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2019 AND 2018**

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, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months 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, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months 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 10, 2019

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
MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
 (THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2019 AND 2018
 ARE REVIEWED, NOT AUDITED IN CONFORMITY WITH R.O.C. GAAS)

ASSETS			March 31, 2019		December 31, 2018		March 31, 2018	
	Notes		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 196,525	13	\$ 256,169	16	\$ 380,985	21
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	120	-	-	-
1136	Financial assets at amortised cost -	6(3)						
	current		108,617	7	91,200	6	88,247	5
1170	Accounts receivable, net		278	-	28	-	126	-
1200	Other receivables		173	-	103	-	208	-
1220	Current income tax assets		347	-	320	-	479	-
1410	Prepayments		6,909	1	12,522	1	69,844	4
1479	Other current assets		471	-	349	-	1,000	-
11XX	Total current assets		313,320	21	360,811	23	540,889	30
Non-current assets								
1517	Financial assets at fair value	6(4)						
	through other comprehensive							
	income - non-current		14,553	1	14,123	1	12,564	1
1600	Property, plant and equipment	6(5)	1,121,192	75	1,131,509	73	1,160,267	65
1760	Investment property, net	6(7)	35,457	2	35,810	2	36,871	2
1780	Intangible assets	6(8)(23)	13,445	1	16,289	1	43,012	2
1840	Deferred income tax assets		1,829	-	1,829	-	1,176	-
1990	Other non-current assets		1,169	-	1,430	-	1,886	-
15XX	Total non-current assets		1,187,645	79	1,200,990	77	1,255,776	70
1XXX	Total assets		\$ 1,500,965	100	\$ 1,561,801	100	\$ 1,796,665	100

(Continued)

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
 (THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2019 AND 2018
 ARE REVIEWED, NOT AUDITED IN CONFORMITY WITH R.O.C. GAAS)

LIABILITIES AND EQUITY		Notes	March 31, 2019		December 31, 2018		March 31, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2130	Contract liabilities - current	6(17)	\$ 70	-	\$ 61	-	\$ 92	-
2150	Notes payable		1,120	-	2,725	-	1,639	-
2200	Other payables	6(9)	10,305	1	15,584	1	9,899	1
2230	Current income tax liabilities		-	-	-	-	24	-
2300	Other current liabilities		2,403	-	1,435	-	2,009	-
21XX	Total current liabilities		13,898	1	19,805	1	13,663	1
Non-current liabilities								
2600	Other non-current liabilities	6(10)(11)	9,433	1	9,545	1	8,312	-
25XX	Total non-current liabilities		9,433	1	9,545	1	8,312	-
2XXX	Total liabilities		23,331	2	29,350	2	21,975	1
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(12)(13)	765,035	51	765,035	49	764,985	43
Capital reserve								
3200	Capital reserve	6(12)(14)	1,103,837	73	1,103,837	71	1,306,493	72
Retained earnings								
3350	Accumulated deficit	6(15)	(373,644)	(25)	(317,218)	(20)	(271,468)	(15)
Other equity interest								
3400	Other equity interest	6(16)	(9,741)	-	(11,350)	(1)	(17,467)	(1)
3500	Treasury stocks	6(13)	(7,853)	(1)	(7,853)	(1)	(7,853)	-
3XXX	Total equity		1,477,634	98	1,532,451	98	1,774,690	99
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		\$ 1,500,965	100	\$ 1,561,801	100	\$ 1,796,665	100

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE AMOUNTS)
(REVIEWED, NOT AUDITED)

			Three months ended March 31			
			2019		2018	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17)		\$ 333	100	\$ 82	100
5000 Operating costs	6(20)(21)		(275)	(82)	(27)	(33)
5950 Gross profit			<u>58</u>	<u>18</u>	<u>55</u>	<u>67</u>
Operating expenses	6(20)(21)					
6100 Selling expenses			(528)	(158)	(1,161)	(1416)
6200 General and administrative expenses			(10,814)	(3238)	(11,515)	(14043)
6300 Research and development expenses	6(8)		(52,704)	(15780)	(61,243)	(74686)
6000 Total operating expenses			(64,046)	(19176)	(73,919)	(90145)
6900 Operating loss			(63,988)	(19158)	(73,864)	(90078)
Non-operating income and expenses						
7010 Other income	6(18)		6,506	1948	4,694	5724
7020 Other gains and losses	6(2)(19)		<u>1,056</u>	<u>316</u>	<u>1,343</u>	<u>1638</u>
7000 Total non-operating income and expenses			<u>7,562</u>	<u>2264</u>	<u>6,037</u>	<u>7362</u>
7900 Loss before income tax			(56,426)	(16894)	(67,827)	(82716)
7950 Income tax expense	6(22)		-	-	-	-
8200 Net loss			(\$ 56,426)	(16894)	(\$ 67,827)	(82716)
Other comprehensive income (loss)						
Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8316 Unrealised gain (loss) on financial assets measured at fair value through other comprehensive income	6(4)(16)		\$ 430	129	(\$ 825)	(1006)
8300 Total other comprehensive income (loss) for the period			<u>\$ 430</u>	<u>129</u>	<u>(\$ 825)</u>	<u>(1006)</u>
8500 Total comprehensive loss for the period			(\$ 55,996)	(16765)	(\$ 68,652)	(83722)
Loss attributable to:						
8610 Owners of the parent			(\$ 56,426)	(16894)	(\$ 67,827)	(82716)
Comprehensive loss attributable to:						
8710 Owners of the parent			(\$ 55,996)	(16765)	(\$ 68,652)	(83722)
Loss per share (in dollars)	6(24)					
9750 Basic loss per share			(\$ 0.75)		(\$ 0.90)	
9850 Diluted loss per share			(\$ 0.75)		(\$ 0.90)	

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Equity attributable to owners of the parent									
	Notes	Capital Reserves			Other Equity Interest					
		Common stock	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	Treasury stocks	Total equity
2018										
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 period		-	-	-	(67,827)	-	-	-	-	(67,827)
Other comprehensive loss for the period	6(16)	-	-	-	-	(825)	-	-	-	(825)
Total comprehensive loss		-	-	-	(67,827)	(825)	-	-	-	(68,652)
Vesting of restricted stocks to employees	6(12)	-	2,639	(2,639)	-	-	-	-	-	-
Compensation costs of restricted stocks to employees	6(12)	-	-	-	-	-	-	2,094	-	2,094
Balance at March 31, 2018		\$ 764,985	\$ 1,298,575	\$ 7,918	(\$ 271,468)	(\$ 5,531)	\$ -	(\$ 11,936)	(\$ 7,853)	\$ 1,774,690
2019										
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 period		-	-	-	(56,426)	-	-	-	-	(56,426)
Other comprehensive income for the period	6(16)	-	-	-	-	430	-	-	-	430
Total comprehensive loss		-	-	-	(56,426)	430	-	-	-	(55,996)
Compensation costs of restricted stocks to employees	6(12)	-	-	-	-	-	-	1,179	-	1,179
Balance at March 31, 2019		\$ 765,035	\$ 1,094,934	\$ 8,903	(\$ 373,644)	(\$ 3,542)	\$ -	(\$ 6,199)	(\$ 7,853)	\$ 1,477,634

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 56,426)	(\$ 67,827)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation and amortisation	6(20)	13,873	14,284
Net gain on financial assets at fair value through profit or loss	6(2)(19)	(2)	(19)
Interest income	6(18)	(874)	(1,088)
Compensation costs of restricted stocks to employees	6(12)	1,179	2,094
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		122	50,823
Accounts receivable, net		(250)	74
Other receivables		39	-
Prepayments		5,613	(57,216)
Other current assets		(122)	233
Changes in operating liabilities			
Contract liabilities - current		9	-
Notes payable		(781)	(707)
Other payables		(5,340)	(3,284)
Other current liabilities		969	784
Other non-current liabilities		(28)	(23)
Cash outflow generated from operations		(42,019)	(61,872)
Interest received		765	1,119
Income tax paid		(27)	(38)
Net cash flows used in operating activities		(41,281)	(60,791)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets measured at amortised cost - current		(17,417)	(995)
Acquisition of property, plant and equipment	6(26)	(740)	(350)
Decrease in refundable deposits		-	120
Increase in other non-current assets		(122)	-
Net cash flows used in investing activities		(18,279)	(1,225)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in deposits received		(84)	80
Net cash flows (used in) provided by financing activities		(84)	80
Net decrease in cash and cash equivalents		(59,644)	(61,936)
Cash and cash equivalents at beginning of period		256,169	442,921
Cash and cash equivalents at end of period		\$ 196,525	\$ 380,985

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