

**GLYCONEX INCORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 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 June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six 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 June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months then ended, and its consolidated cash flows for the six 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

August 12, 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
JUNE 30, 2019, DECEMBER 31, 2018 AND JUNE 30, 2018
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
 (THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2019 AND 2018
 ARE REVIEWED, NOT AUDITED IN CONFORMITY WITH R.O.C. GAAS)

ASSETS			June 30, 2019		December 31, 2018		June 30, 2018	
		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 194,813	14	\$ 256,169	16	\$ 335,312	20
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	120	-	-	-
1136	Financial assets at amortised cost -	6(3)						
	current		55,900	4	91,200	6	88,193	5
1170	Accounts receivable, net		85	-	28	-	315	-
1200	Other receivables		129	-	103	-	303	-
1220	Current income tax assets		197	-	320	-	260	-
1410	Prepayments		3,947	-	12,522	1	34,413	2
1479	Other current assets		394	-	349	-	1,188	-
11XX	Total current assets		255,465	18	360,811	23	459,984	27
Non-current assets								
1517	Financial assets at fair value	6(4)						
	through other comprehensive							
	income - non-current		14,483	1	14,123	1	16,176	1
1600	Property, plant and equipment	6(5)	1,110,816	78	1,131,509	73	1,150,337	68
1760	Investment property, net	6(7)	35,103	2	35,810	2	36,517	2
1780	Intangible assets	6(8)(23)	10,600	1	16,289	1	40,167	2
1840	Deferred income tax assets		1,829	-	1,829	-	1,176	-
1990	Other non-current assets		979	-	1,430	-	1,723	-
15XX	Total non-current assets		1,173,810	82	1,200,990	77	1,246,096	73
1XXX	Total assets		\$ 1,429,275	100	\$ 1,561,801	100	\$ 1,706,080	100

(Continued)

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2019, DECEMBER 31, 2018 AND JUNE 30, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2019 AND 2018
ARE REVIEWED, NOT AUDITED IN CONFORMITY WITH R.O.C. GAAS)

LIABILITIES AND EQUITY		Notes	June 30, 2019		December 31, 2018		June 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2130	Contract liabilities - current	6(17)	\$ 70	-	\$ 61	-	\$ 92	-
2150	Notes payable		2,947	-	2,725	-	1,749	-
2200	Other payables	6(9)	11,490	1	15,584	1	12,548	1
2300	Other current liabilities		1,553	-	1,435	-	1,165	-
21XX	Total current liabilities		16,060	1	19,805	1	15,554	1
Non-current liabilities								
2600	Other non-current liabilities	6(10)(11)	9,402	1	9,545	1	9,235	-
25XX	Total non-current liabilities		9,402	1	9,545	1	9,235	-
2XXX	Total liabilities		25,462	2	29,350	2	24,789	1
Equity attributable to owners of parent								
Share capital		6(12)(13)						
3110	Common stock		764,245	53	765,035	49	765,980	45
Capital reserve		6(12)(14)						
3200	Capital reserve		785,440	55	1,103,837	71	1,105,185	65
Retained earnings		6(15)						
3350	Accumulated deficit		(130,855)	(9)	(317,218)	(20)	(166,691)	(10)
Other equity interest		6(16)						
3400	Other equity interest		(7,164)	-	(11,350)	(1)	(15,330)	(1)
3500	Treasury stocks	6(13)	(7,853)	(1)	(7,853)	(1)	(7,853)	-
3XXX	Total equity		1,403,813	98	1,532,451	98	1,681,291	99
Significant contingent liabilities and unrecognised contract commitments		9						
3X2X	Total liabilities and equity		\$ 1,429,275	100	\$ 1,561,801	100	\$ 1,706,080	100

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE AMOUNTS)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17)	\$ 157	100	\$ 371	100	\$ 490	100	\$ 453	100
5000 Operating costs	6(20)(21)	(118)	(75)	(201)	(54)	(393)	(80)	(228)	(50)
5950 Gross profit		<u>39</u>	<u>25</u>	<u>170</u>	<u>46</u>	<u>97</u>	<u>20</u>	<u>225</u>	<u>50</u>
Operating expenses	6(20)(21)								
6100 Selling expenses		(472)	(301)	(1,116)	(301)	(1,000)	(204)	(2,277)	(503)
6200 General and administrative expenses		(14,636)	(9322)	(15,443)	(4162)	(25,450)	(5194)	(26,958)	(5951)
6300 Research and development expenses	6(8)	(64,562)	(41122)	(86,820)	(23402)	(117,266)	(23932)	(148,063)	(32685)
6000 Total operating expenses		<u>(79,670)</u>	<u>(50745)</u>	<u>(103,379)</u>	<u>(27865)</u>	<u>(143,716)</u>	<u>(29330)</u>	<u>(177,298)</u>	<u>(39139)</u>
6900 Operating loss		<u>(79,631)</u>	<u>(50720)</u>	<u>(103,209)</u>	<u>(27819)</u>	<u>(143,619)</u>	<u>(29310)</u>	<u>(177,073)</u>	<u>(39089)</u>
Non-operating income and expenses									
7010 Other income	6(18)	6,327	4030	5,058	1363	12,833	2619	9,752	2153
7020 Other gains and losses	6(2)(19)	(1,092)	(696)	(713)	(192)	(36)	(7)	630	139
7000 Total non-operating income and expenses		<u>5,235</u>	<u>3334</u>	<u>4,345</u>	<u>1171</u>	<u>12,797</u>	<u>2612</u>	<u>10,382</u>	<u>2292</u>
7900 Loss before income tax		<u>(74,396)</u>	<u>(47386)</u>	<u>(98,864)</u>	<u>(26648)</u>	<u>(130,822)</u>	<u>(26698)</u>	<u>(166,691)</u>	<u>(36797)</u>
7950 Income tax expense	6(22)	(33)	(21)	-	-	(33)	(7)	-	-
8200 Net loss		<u>(\$ 74,429)</u>	<u>(47407)</u>	<u>(\$ 98,864)</u>	<u>(26648)</u>	<u>(\$ 130,855)</u>	<u>(26705)</u>	<u>(\$ 166,691)</u>	<u>(36797)</u>
Other comprehensive income (loss)									
Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
8316 Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	6(4)(16)	(\$ 70)	(45)	\$ 3,612	974	\$ 360	73	\$ 2,787	615
8300 Total other comprehensive income (loss) for the period		<u>(\$ 70)</u>	<u>(45)</u>	<u>\$ 3,612</u>	<u>974</u>	<u>\$ 360</u>	<u>73</u>	<u>\$ 2,787</u>	<u>615</u>
8500 Total comprehensive loss for the period		<u>(\$ 74,499)</u>	<u>(47452)</u>	<u>(\$ 95,252)</u>	<u>(25674)</u>	<u>(\$ 130,495)</u>	<u>(26632)</u>	<u>(\$ 163,904)</u>	<u>(36182)</u>
Loss attributable to:									
8610 Owners of the parent		<u>(\$ 74,429)</u>	<u>(47407)</u>	<u>(\$ 98,864)</u>	<u>(26648)</u>	<u>(\$ 130,855)</u>	<u>(26705)</u>	<u>(\$ 166,691)</u>	<u>(36797)</u>
Comprehensive loss attributable to:									
8710 Owners of the parent		<u>(\$ 74,499)</u>	<u>(47452)</u>	<u>(\$ 95,252)</u>	<u>(25674)</u>	<u>(\$ 130,495)</u>	<u>(26632)</u>	<u>(\$ 163,904)</u>	<u>(36182)</u>
Loss per share (in dollars)	6(24)								
9750 Basic loss per share		<u>(\$ 0.98)</u>		<u>(\$ 1.31)</u>		<u>(\$ 1.73)</u>		<u>(\$ 2.20)</u>	
9850 Diluted loss per share		<u>(\$ 0.98)</u>		<u>(\$ 1.31)</u>		<u>(\$ 1.73)</u>		<u>(\$ 2.20)</u>	

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

		Equity attributable to owners of the parent							
		Capital Reserves			Other Equity Interest				
Notes	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
<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 period	-	-	-	(166,691)	-	-	-	-	(166,691)
Other comprehensive income for the period	6(16)	-	-	-	2,787	-	-	-	2,787
Total comprehensive loss	-	-	-	(166,691)	2,787	-	-	-	(163,904)
Capital surplus used to offset against accumulated deficit	6(15)	-	(203,641)	-	203,641	-	-	-	-
Issuance of restricted stocks to employees	-	1,750	-	3,410	-	-	(5,160)	-	-
Vesting of restricted stocks to employees	-	-	2,639	(2,639)	-	-	-	-	-
Retirement of restricted stocks to employees	-	(755)	-	(1,077)	-	-	1,832	-	-
Compensation costs of restricted stocks to employees	-	-	-	-	-	-	3,947	-	3,947
Balance at June 30, 2018	\$ 765,980	\$ 1,094,934	\$ 10,251	(\$ 166,691)	(\$ 1,919)	\$ -	(\$ 13,411)	(\$ 7,853)	\$ 1,681,291
<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 period	-	-	-	(130,855)	-	-	-	-	(130,855)
Other comprehensive income for the period	6(16)	-	-	-	360	-	-	-	360
Total comprehensive loss	-	-	-	(130,855)	360	-	-	-	(130,495)
Capital surplus used to offset against accumulated deficit	6(15)	-	(317,218)	-	317,218	-	-	-	-
Vesting of restricted stocks to employees	6(12)	-	2,198	(2,198)	-	-	-	-	-
Retirement of restricted stocks to employees	6(12)	(790)	-	(1,179)	-	-	1,969	-	-
Compensation costs of restricted stocks to employees	6(12)	-	-	-	-	-	1,857	-	1,857
Balance at June 30, 2019	\$ 764,245	\$ 779,914	\$ 5,526	(\$ 130,855)	(\$ 3,612)	\$ -	(\$ 3,552)	(\$ 7,853)	\$ 1,403,813

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 130,822)	(\$ 166,691)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation and amortisation	6(20)	27,672	28,530
Net gain on financial assets at fair value through profit or loss	6(2)(19)	(2)	(19)
Interest income	6(18)	(1,567)	(2,103)
Compensation costs of restricted stocks to employees	6(12)	1,857	3,947
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		(57)	(115)
Other receivables		34	(126)
Prepayments		8,575	(19,785)
Other current assets		(45)	45
Changes in operating liabilities			
Contract liabilities - current		9	92
Notes payable		1,046	(955)
Other payables		(4,091)	(769)
Other current liabilities		117	(152)
Other non-current liabilities		(59)	(47)
Cash outflow generated from operations		(97,211)	(107,325)
Interest received		1,507	2,166
Income tax received		182	157
Income tax paid		(92)	-
Net cash flows used in operating activities		(95,614)	(105,002)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets measured at amortised cost - current		35,300	(941)
Increase in prepaid investment		-	(2,000)
Acquisition of property, plant and equipment	6(26)	(838)	(813)
Decrease in refundable deposits		-	120
Increase in other non-current assets		(120)	-
Net cash flows provided by (used in) investing activities		34,342	(3,634)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in deposits received		(84)	1,027
Net cash flows (used in) provided by financing activities		(84)	1,027
Net decrease in cash and cash equivalents		(61,356)	(107,609)
Cash and cash equivalents at beginning of period		256,169	442,921
Cash and cash equivalents at end of period		<u>\$ 194,813</u>	<u>\$ 335,312</u>

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