

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

November 8, 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
SEPTEMBER 30, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2019 AND 2018
ARE REVIEWED, NOT AUDITED IN CONFORMITY WITH R.O.C. GAAS)

ASSETS			September 30, 2019		December 31, 2018		September 30, 2018	
	Notes		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 77,520	6	\$ 256,169	16	\$ 332,501	20
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	120	-	-	-
1136	Financial assets at amortised cost -	6(3)						
	current		116,795	9	91,200	6	60,562	4
1170	Accounts receivable, net		25	-	28	-	104	-
1200	Other receivables		166	-	103	-	291	-
1220	Current income tax assets		224	-	320	-	290	-
1410	Prepayments		3,668	-	12,522	1	28,754	2
1470	Other current assets		61	-	349	-	501	-
11XX	Total current assets		198,459	15	360,811	23	423,003	26
Non-current assets								
1517	Financial assets at fair value	6(4)						
	through other comprehensive							
	income - non-current		14,342	1	14,123	1	17,040	1
1600	Property, plant and equipment	6(5)	1,101,073	81	1,131,509	73	1,139,729	69
1760	Investment property, net	6(7)	34,749	2	35,810	2	36,164	2
1780	Intangible assets	6(8)(23)	7,756	1	16,289	1	37,323	2
1840	Deferred income tax assets		1,829	-	1,829	-	1,176	-
1900	Other non-current assets		795	-	1,430	-	1,626	-
15XX	Total non-current assets		1,160,544	85	1,200,990	77	1,233,058	74
1XXX	Total assets		\$ 1,359,003	100	\$ 1,561,801	100	\$ 1,656,061	100

(Continued)

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

LIABILITIES AND EQUITY		Notes	September 30, 2019		December 31, 2018		September 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2130	Contract liabilities - current	6(17)	\$ 94	-	\$ 61	-	\$ 92	-
2150	Notes payable		2,466	-	2,725	-	2,863	-
2200	Other payables	6(9)	18,427	1	15,584	1	11,335	1
2300	Other current liabilities		430	-	1,435	-	415	-
21XX	Total current liabilities		21,417	1	19,805	1	14,705	1
Non-current liabilities								
2600	Other non-current liabilities	6(10)(11)	9,209	1	9,545	1	9,335	-
25XX	Total non-current liabilities		9,209	1	9,545	1	9,335	-
2XXX	Total liabilities		30,626	2	29,350	2	24,040	1
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(12)(13)	764,245	56	765,035	49	765,035	46
Capital reserve								
3200	Capital reserve	6(12)(14)	785,440	57	1,103,837	71	1,103,837	67
Retained earnings								
3350	Accumulated deficit	6(15)	(207,094)	(15)	(317,218)	(20)	(217,688)	(13)
Other equity interest								
3400	Other equity interest	6(16)	(6,361)	-	(11,350)	(1)	(11,310)	(1)
3500	Treasury stocks	6(13)	(7,853)	-	(7,853)	(1)	(7,853)	-
3XXX	Total equity		1,328,377	98	1,532,451	98	1,632,021	99
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the reporting period								
3X2X	Total liabilities and equity		\$ 1,359,003	100	\$ 1,561,801	100	\$ 1,656,061	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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSS PER SHARE AMOUNTS)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17)	\$ -	-	\$ 247	100	\$ 490	100	\$ 700	100
5000 Operating costs	6(20)(21)	-	-	(148)	(60)	(393)	(80)	(376)	(54)
5950 Gross profit		-	-	99	40	97	20	324	46
Operating expenses	6(20)(21)								
6100 Selling expenses		(596)	-	(988)	(400)	(1,596)	(326)	(3,265)	(466)
6200 General and administrative expenses		(12,045)	-	(11,023)	(4463)	(37,495)	(7652)	(37,981)	(5426)
6300 Research and development expenses	6(8)	(68,172)	-	(43,888)	(17768)	(185,438)	(37845)	(191,951)	(27422)
6000 Total operating expenses		(80,813)	-	(55,899)	(22631)	(224,529)	(45823)	(233,197)	(33314)
6900 Operating loss		(80,813)	-	(55,800)	(22591)	(224,432)	(45803)	(232,873)	(33268)
Non-operating income and expenses									
7010 Other income	6(18)	6,234	-	6,071	2458	19,067	3891	15,823	2261
7020 Other gains and losses	6(2)(19)	(1,660)	-	(1,756)	(711)	(1,696)	(346)	(1,126)	(161)
7000 Total non-operating income and expenses		4,574	-	4,315	1747	17,371	3545	14,697	2100
7900 Loss before income tax		(76,239)	-	(51,485)	(20844)	(207,061)	(42258)	(218,176)	(31168)
7950 Income tax expense	6(22)	-	-	-	-	(33)	(6)	-	-
8200 Net loss		(\$ 76,239)	-	(\$ 51,485)	(20844)	(\$ 207,094)	(42264)	(\$ 218,176)	(31168)
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)	(\$ 141)	-	(\$ 71)	(29)	\$ 219	45	\$ 2,716	388
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		-	-	767	311	-	-	767	110
8300 Total other comprehensive income (loss) for the period		(\$ 141)	-	\$ 696	282	\$ 219	45	\$ 3,483	498
8500 Total comprehensive loss for the period		(\$ 76,380)	-	(\$ 50,789)	(20562)	(\$ 206,875)	(42219)	(\$ 214,693)	(30670)
Loss attributable to:									
8610 Owners of the parent		(\$ 76,239)	-	(\$ 51,485)	(20844)	(\$ 207,094)	(42264)	(\$ 218,176)	(31168)
Comprehensive loss attributable to:									
8710 Owners of the parent		(\$ 76,380)	-	(\$ 50,789)	(20562)	(\$ 206,875)	(42219)	(\$ 214,693)	(30670)
Loss per share (in dollars)	6(24)								
9750 Basic loss per share		(\$ 1.00)		(\$ 0.68)		(\$ 2.73)		(\$ 2.88)	
9850 Diluted loss per share		(\$ 1.00)		(\$ 0.68)		(\$ 2.73)		(\$ 2.88)	

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

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

	Notes	Equity attributable to owners of the parent									
		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											
		\$ 764,985	\$ 1,295,936	\$ 10,557	\$ 203,641	\$ -	\$ 4,706	\$ 14,030	\$ 7,853	\$ 1,841,248	
	Balance at January 1, 2018										
	Effect on retrospective application and retrospective restatement										
	Balance after restatement on January 1, 2018										
	Net loss for the period	764,985	1,295,936	10,557	(203,641)	(4,706)	4,706	(14,030)	(7,853)	1,841,248	
6(16)	Other comprehensive income for the period	-	-	-	(218,176)	-	-	-	-	(218,176)	
	Total comprehensive loss	-	-	-	-	3,483	-	-	-	3,483	
6(15)	Capital surplus used to offset against accumulated deficit	-	(203,641)	-	(218,176)	3,483	-	-	-	(214,693)	
	Issuance of restricted stocks to employees	1,750	-	3,410	203,641	-	-	-	-	-	
6(4)	Disposal of financial assets at fair value through other comprehensive income-non-current	-	-	-	-	-	-	(5,160)	-	-	
	Vesting of restricted stocks to employees	-	-	-	488	(488)	-	-	-	-	
	Retirement of restricted stocks to employees	(1,700)	2,639	(2,639)	-	-	-	-	-	-	
	Compensation costs of restricted stocks to employees	-	-	(2,425)	-	-	-	4,125	-	-	
	Balance at September 30, 2018	765,035	1,094,934	8,903	(217,688)	(1,711)	-	(9,599)	(7,853)	1,632,021	
2019											
	Balance at January 1, 2019										
	Net loss for the period	765,035	1,094,934	8,903	(317,218)	(3,972)	-	(7,378)	(7,853)	1,532,451	
6(16)	Other comprehensive income for the period	-	-	-	(207,094)	219	-	-	-	(207,094)	
	Total comprehensive loss	-	-	-	-	219	-	-	-	219	
6(15)	Capital surplus used to offset against accumulated deficit	-	(317,218)	-	(207,094)	-	-	-	-	(206,875)	
6(12)	Vesting of restricted stocks to employees	-	2,198	(2,198)	317,218	-	-	-	-	-	
6(12)	Retirement of restricted stocks to employees	(790)	-	(1,179)	-	-	-	1,969	-	-	
6(12)	Compensation costs of restricted stocks to employees	-	-	-	-	-	-	2,801	-	-	
	Balance at September 30, 2019	764,245	779,914	5,526	(207,094)	(3,753)	-	(2,608)	(7,853)	1,328,377	

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

GLYCONEX INCORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 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		(\$ 207,061)	(\$ 218,176)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation and amortisation	6(20)	41,455	42,750
Net gain on financial assets at fair value through profit or loss	6(2)(19)	(2)	(19)
Interest income	6(18)	(2,167)	(3,042)
Compensation costs of restricted stocks to employees	6(12)	2,801	5,466
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		3	96
Other receivables		(26)	9
Prepayments		8,854	(16,126)
Other current assets		288	732
Changes in operating liabilities			
Contract liabilities-current		33	-
Notes payable		565	426
Other payables		2,878	(1,817)
Other current liabilities		(1,005)	(810)
Other non-current liabilities		(89)	(72)
Cash outflow generated from operations		(153,351)	(139,760)
Interest received		2,130	3,116
Income tax received		182	259
Income tax paid		(116)	(132)
Net cash flows used in operating activities		(151,155)	(136,517)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in financial assets measured at amortised cost - current		(25,595)	26,690
Acquisition of property, plant and equipment	6(26)	(1,497)	(1,462)
Decrease in refundable deposits		-	120
Increase in other non-current assets		(155)	(100)
Proceeds from disposal of financial asset at fair value through other comprehensive income - non-current		-	1,697
Acquisition of financial asset at fair value through other comprehensive income - non-current		-	(2,000)
Net cash flows (used in) provided by investing activities		(27,247)	24,945
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease)Increase in deposits received		(247)	1,152
Net cash flows (used in) provided by financing activities		(247)	1,152
Net decrease in cash and cash equivalents		(178,649)	(110,420)
Cash and cash equivalents at beginning of period		256,169	442,921
Cash and cash equivalents at end of period		<u>\$ 77,520</u>	<u>\$ 332,501</u>

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