THE TRENDLINES GROUP LTD.
(Company Registration No. 513970947)
(Incorporated in Israel)

RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT

The Board of Directors (the "**Board**") of The Trendlines Group Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") would like to provide its responses to the queries received from the Securities Investors Association (Singapore) ("**SIAS**") in relation to the Company's Annual Report for the financial year ended 31 December 2024 ("**FY2024**") prior to the upcoming annual general meeting for FY2024 to be held on 23 April 2025 at 10.00 a.m. at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593, Level 3, Room 307.

For avoidance of doubt, the Company does not respond to the commentaries made by SIAS since they merely set out the context of the questions raised.

QUERIES FROM SIAS AND COMPANY'S RESPONSES

Q1. As highlighted in the Chair and CEO statement, the portfolio companies secured approximately US$42 million in external capital in the year. Key transactions included Vessi Medical's US$16.5 million Series A round, Vensica Medical's US$11 million for Phase 2 clinical trials, Phytolon's fund raise to advance commercialisation, and Celleste Bio's US$4.5 million for pilot production.

The group reported a net loss of US$(10.2) million in FY2024, following a US$(34.7) million loss in FY2023. These losses were primarily due to write-downs and write-offs of several portfolio companies. In FY2024, the fair value of portfolio companies declined by US$(8.2) million due to lower funding rounds and dimmer prospects. In FY2023 and FY2024, a total of 12 portfolio companies were written off due to a lack of funding amounting to US$(16.3) million and US$(2.3) million in write-offs respectively.

(i) **For the benefit of shareholders, which companies were written off, and has the board conducted post-mortem reviews to assess why the investment thesis failed? What is being done to maximise the recoverable values? What key lessons have been identified from these cases, and how will they shape future investment decisions?**

Company's Response:

We typically do not disclose which companies are written off, as the decision to write them off our books often reflects the opinion that the Company has as to the portfolio company's value to the Group at the time. It does not always mean that the portfolio company has ceased operations and disclosing which companies we have written off could harm their operations or limit the potential for recovery of invested resources. The Company continues to hold shares in the portfolio companies that have been written off our books but have not closed down. Trendlines maintains contact and follows the progress of the companies, and in the event that a written-off portfolio company succeeds to make a breakthrough, Trendlines writes the value back up.

The Management performs a deep review on the progress of all our portfolio companies on a monthly basis. The Board receives an update on the portfolio companies. In the case of failed investments, we conduct a post-mortem to learn from any mistakes that could have been made. We leverage on our accumulated institutional knowledge gained through a thorough diagnosis of past cases and market insights. The findings are then incorporated to enhance the strategic framework for decision-making process used by the Investment Committee, thereby improving the likelihood of success in subsequent investment initiatives.

For example, the decision framework is used to optimize the decision on which portfolio companies to invest additional financial and/or management resources into.

(ii) Given that the group needs to continually fund the growth of the portfolio companies, is the current business model viable if exits remain elusive?

Company's Response:

We are confident in the viability of our business model. It is important to note that the vast majority of funding for the portfolio companies is from external sources/investors. We believe that exits will occur and that our decision to focus on a smaller number of portfolio companies, with the higher chances of reaching exits, allows for greater engagement, targeted resource allocation, and improved support systems. These efforts aim to maximize the value of these companies, making them more attractive to acquirers and better positioned for successful exits.

(iii) How many portfolio companies are realistically positioned for an exit within the next 12-24 months? Does management have a good track record of nurturing and monetising portfolio companies?

Company's Response:
A number of portfolio companies could reach exit in the coming 24 months, but of course this depends on many factors which are beyond our sole control, including, but not limited to, the geo-political and global macro environment. Our management team has demonstrated its ability to nurture portfolio companies to maturity and position them for monetization. This expertise, coupled with supportive funding strategies, underscores our optimism regarding future exits.

Net asset value per share as at 31 December 2024 decreased to US$0.06 (S$0.08) from US$0.07 ($0.09) a year ago. NAV per share was US$0.15 (S$0.19) as at 31 December 2018. The IPO price was S$0.33 per share. The May 2024 rights issue and the November 2024 share subscription were carried out at S$0.06, below NAV, leading to dilution.

(iv) Will the board commit to implementing a comprehensive plan to reduce cash burn, refrain from dilutive capital raisings, and establish clear, measurable monetisation targets to enhance the company's self-sufficiency and long-term sustainability?

Company's Response:
The board remains deeply committed to optimizing operational efficiency and reducing cash burn. A comprehensive plan to reduce cash burn has been implemented and continues to be a goal of the Company. FY2024's results demonstrated a 30% reduction in total expenses. This underscores our success in executing cost rationalization measures while maintaining focus on portfolio development.

The board recognizes shareholder concerns regarding dilutive capital raises and remains committed to making such decisions responsibly. While we may need to raise additional funds during 2025 to support our operations and strategic growth initiatives, the price at which funds are raised will depend on several factors, including market conditions, investor interest, NAV and the company's financial and operational performance at the time of the raising.

(v) Will Ms Nehama Ronen, as the new chair, outline her strategic vision for driving portfolio monetisation and shareholder value creation?

Company's Response:
Ms. Ronen's strategic vision is aligned with the Company's overarching plan to focus on the strategic decision to focus on identifying and supporting the most promising companies within our portfolio. Our primary objective is to drive successful exits, enabling the company to distribute dividends to shareholders.

To achieve this, we assist our portfolio companies in their growth, securing funding and engaging with strategic partners who are potential acquirers of our portfolio companies.

We believe that exits will occur. Our strategic decision to focus on a select group of high-potential portfolio companies is expected to yield significant results. We remain dedicated to making key introductions, facilitating funding opportunities, and positioning our portfolio companies for successful acquisitions.

(vi) **Separately, given the company's accumulated losses of US$40.6 million, how does the board justify seeking approval for an exit event bonus plan? Would the independent directors consider revising the plan to align payouts with meaningful milestones, such as eliminating the accumulated deficit?**

Company's Response:
The proposed exit event bonus plan directly ties management incentives to shareholder objectives, ensuring alignment between operational execution and value creation. This plan prioritizes successful portfolio exits, which are the most meaningful milestones delivering shareholder returns. In the past, we also employed a Management by Objectives (MBO) plan, which incentivized management for achieving predefined key milestones. The current focus has shifted entirely toward portfolio exits and at this stage, any objective that does not lead to an exit is not a bonus trigger.

Q2. On 19 March 2025, the company announced on SGXNet the results of its investigations into the misappropriation of funds, first disclosed on 2 January 2025. The misappropriations occurred across several entities, including a portfolio company, with total losses amounting to US$2.1 million.

(i) **Given that the transactions were deemed fraudulent, why hasn't the company initiated legal action against the former employee to recover the misappropriated funds? Has the company assessed the likelihood of recovering the full amount, and what other avenues are being considered?**

Company's Response:

The Company has reported the incident to the Singapore police and is actively exploring legal avenues to recover the misappropriated funds. While preliminary assessments suggest a low likelihood of recovery, the board remains committed to pursuing options to mitigate losses. This will include any steps that are deemed feasible for asset recovery and if successful, the Company will update shareholders separately at a later stage.

(ii) Did the board consider it prudent to conduct a full forensic review across the group to identify any other potential irregularities or undiscovered misconduct in other entities?

Company's Response:

Following the detection of the misappropriation, the audit committee, has among other things, engaged the internal auditor to review the company and its subsidiaries' payment procedures and internal controls across the Group. The internal auditor has since made recommendations in the following key areas:

(a) authorised signatories for documents and banking;
(b) payment approval process;
(c) separation of duties;
(d) headquarter supervision; and
(e) oversight of incubator companies.

The audit committee and the board approved the recommendations of the internal auditor and implementations have commenced immediately.

The internal review covered a wide range of internal controls, and recommendations by the internal auditors were adopted by the board, including the appointment of a full time CFO, which has already been implemented. The CFO will continue the implementation of the adopted recommendations moving forward and will report quarterly on the progress to the board.

The Board requires an internal review each year of different aspects of the Company and the review cycle covers all operations.

Following the discovery of the misappropriations event, the audit committee has requested management to verify and validate all balances in other subsidiary and foreign bank accounts and was advised that this has been done.

As disclosed in the annual report, the board is responsible for overseeing risk governance, risk management, and internal controls. Senior management is tasked with designing and implementing and continuously reviewing these systems. The board had previously assessed various aspects of the company's internal controls - including financial, operational, compliance and information technology controls – as adequate and effective.

(iii) **Can the audit committee explain why basic control weaknesses—such as payment approvals and separation of duties—persisted despite its prior assessment that internal controls were adequate? Specifically, did the former employee submit payment requests that he then approved, indicating a fundamental failure of control framework?**

<u>*Company's Response:*</u>
The audit committee recognizes that, despite previous assessments indicating that internal controls were adequate, certain fundamental control measures relating to payment approvals and separation of duties at the subsidiary level were fraudulently overridden by the former employee after the previous internal control assessments were carried out. The committee also acknowledges that in this case, the former employee engaged in fraudulent activities that went well beyond simple control weaknesses. The individual stole a second manager's identity, and coupled with other fraudulent actions, was able to bypass controls and ultimately steal funds. Moving forward, the audit committee will follow up and require updates on the timely implementation, by management, of the internal auditor recommendations. This includes the implementation of stricter oversight measures, ensuring company management and subsidiary boards and managements are enhancing segregation of duties, and reinforcing compliance with internal policies to prevent such occurrences.

(iv) **Is the audit committee satisfied with how it has discharged its fiduciary duties, and does it view itself as being effective?**

<u>*Company's Response:*</u>
The audit committee takes its fiduciary responsibilities seriously and continually assesses its effectiveness. While the recent control failures occurring at the subsidiary level highlighted areas for improvement, the committee remains committed to strengthening governance, enhancing oversight, and ensuring that internal controls are both effective and rigorously enforced.

Moreover, the audit committee, immediately after the discovery of the misappropriation acts, initiated investigations into the occurrences and in relation to the controls, and collaborated closely with the board *of directors to conduct a thorough review of its oversight framework. The board fully supports the committee's efforts to implement the recommendations arising from this review, which include inter-alia, enhancing oversight systems, upgrading compliance processes, and reinforcing the segregation of duties and receiving periodical reports from management.*

Both the audit committee and the board remain focused on proactive governance. Collectively, they work to ensure that internal controls are not only effective but also sufficiently robust to address future challenges. This reflects a shared commitment across the board and the audit committee to uphold the Company's fiduciary standards and continuously improve governance practices.

(v) How is the board holding management accountable for these control failures?

Company's Response:
The board is holding management accountable by conducting a comprehensive review of the control failures, instructing management to commence immediate implementation of corrective actions as per the internal auditor's recommendations, as well as reinforcing compliance with internal policies. Management is required to report on the progress of remedial actions, and additional oversight mechanisms are being introduced to ensure accountability at all levels.

At the same time, the board recognizes that the company operates with a relatively lean management structure. Any changes that destabilize this core team could have a disproportionate impact on the company's progress and the execution of its strategic goals.

Q3. The audit committee and the board have recommended to extend the tenure of Ms. Elka Nir as an external director for an additional three years, citing her "expertise and special contribution to the company over the years."

Before 24 February 2025, Ms. Elka Nir served as chair of the audit committee, chair of the nominating committee, a member of the remuneration committee and lead independent director.

Ms Elka Nir was appointed to the board on 15 October 2015.

(i) What has been the total shareholder return since the company's IPO in November 2015?

Company's Response:
To date, we have not distributed dividends to our shareholders, but it

remains a central goal; We plan to do so following successful exits. With our current focus on facilitating successful exits, we plan to deliver meaningful returns to our shareholders in the future.

(ii) Can the board help shareholders better understand the director's specific expertise and unique contribution to the board and its committees? What are the specific reasons to extend the term of office for Ms Elka Nir? Please quantify Ms Elka Nir's contribution where possible, especially in the area of value creation.

Company's Response:
Ms. Elka Nir brings unique combination of technological understanding coupled with management experience, extensive experience serving as a board member and deep corporate governance knowledge, specifically in the start-up and innovative technologies realm. Her leadership has been instrumental in guiding Trendlines' strategic direction, optimizing the board's functionality, and supporting key committees of the Company since its IPO.

(iii) Would the proposed re-appointment of Ms Elka Nir delay the board renewal process? What are the board's concrete progressive renewal plans?

Company's Response:
The Company has made a number of changes to the Board over the last two years and leadership will continue to evaluate the renewal process on an ongoing basis. We believe that renewal processes needs to be balanced with experience and knowledge retention to optimize our Board.

Ms. Elka Nir serves as one of Trendlines' external directors, as required under Israeli public company regulations, which mandate that the board include at least two external directors. Her re-appointment is also essential to ensure compliance with these legal requirements.

As an external director, Ms. Elka Nir brings valuable governance expertise, and deep experience in technology and innovation, which contribute significantly to the board's function and overall effectiveness. Her continued presence supports board renewal by ensuring continuity, knowledge retention and the proper functioning of governance structures, particularly during this period for the Company.

BY ORDER OF THE BOARD
Haim Brosh, Executive Director and Chief Executive Officer
17 April 2025

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*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). They have not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Mr. Shervyn Essex, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.