QT Vascular Ltd. and its subsidiaries

Unaudited Financial Statements Announcement for the second quarter/three months ended 30/6/2016

*This announcement has been prepared by QT Vascular Ltd. (the "**Company**") and its contents have been reviewed by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. ("**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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PART I INFORMATION REQUIRED FOR QUARTERLY (1Q, 2Q & 3Q), HALF-YEAR (HY) AND FULL YEAR ANNOUNCEMENTS

1(a)(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 3 months ended		
	30/6/2016 US$'000	30/6/2015 US$'000	Change
Revenue	2,372	3,312	(28.4)%
Cost of sales	(1,279)	(2,881)	(55.6)%
Gross profit	1,093	431	>100%
Sales and marketing	(2,734)	(2,487)	9.9%
Administrative expenses	(2,081)	(2,018)	3.1%
Research and development expenses	(2,068)	(1,700)	21.6%
Other income	24,174	4	>100%
Results from operating activities	18,384	(5,770)	NM
Finance income	–	1	(100)%
Finance costs	(3,219)	(605)	>100%
Net finance costs	(3,219)	(604)	>100%
Profit/(Loss) before tax	15,165	(6,374)	NM
Tax expense	–	(1)	NM
Profit/(Loss) for the period	15,165	(6,375)	NM
Other comprehensive loss			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	620	792	(21.7)%
Total comprehensive income/(loss) for the period	15,785	(5,583)	NM
Profit/(Loss) attributable to:			
Owners of the Company	15,165	(6,375)	NM
Profit/(Loss) for the period	15,165	(6,375)	NM
Total comprehensive income/(loss) attributable to:			
Owners of the Company	15,785	(5,583)	NM
Total comprehensive income/(loss) for the period	15,785	(5,583)	NM

NM denotes not meaningful

1(a)(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Group 6 months ended		
	30/6/2016 US$'000	30/6/2015 US$'000	Change
Revenue	5,912	6,610	(10.6)%
Cost of sales	(3,546)	(4,472)	(20.7)%
Gross profit	2,366	2,138	10.7%
Sales and marketing	(5,206)	(5,707)	(8.8)%
Administrative expenses	(4,189)	(4,697)	(10.8)%
Research and development expenses	(4,189)	(4,132)	1.4%
Other income	23,955	12	>100%
Results from operating activities	12,737	(12,386)	NM
Finance income	287	412	(30.3)%
Finance costs	(4,612)	(1)	>100%
Net finance (costs)/income	(4,325)	411	NM
Profit/(Loss) before tax	8,412	(11,975)	NM
Tax expense	(1)	(2)	NM
Profit/(Loss) for the period	8,411	(11,977)	NM
Other comprehensive loss			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	(978)	(750)	30.4%
Total comprehensive income/(loss) for the period	7,433	(12,727)	NM
Profit/(Loss) attributable to:			
Owners of the Company	8,411	(11,977)	NM
Profit/(Loss) for the period	8,411	(11,977)	NM
Total comprehensive income/(loss) attributable to:			
Owners of the Company	7,433	(12,727)	NM
Total comprehensive income/(loss) for the period	7,433	(12,727)	NM

1(a)(ii) Notes to the consolidated statement of comprehensive income

	Group (Second Quarter)			Group (Year-To-Date)		
	3 months ended			6 months ended		
	30/6/2016 US$'000	30/6/2015 US$'000	% change	30/6/2016 US$'000	30/6/2015 US$'000	% change
Depreciation of property, plant and equipment	(85)	(49)	73.5%	(150)	(113)	32.7%
Amortization of intangible assets	(248)	(173)	43.4%	(500)	(345)	44.9%
Exchange (loss)/gain	(1,198)	(605)	>100%	286	408	(29.9)%
Equity-settled share based payment transactions	(112)	–	NM	(271)	(36)	>100%
Interest income	–	1	NM	1	4	(75.0)%
Interest expense	(1,922)	–	NM	(3,051)	(1)	>100%
Changes in fair value of financial instruments	(99)	–	NM	(1,561)	–	NM
Expenses recognised in relation to the legal liability provision	–	–	NM	(229)	–	NM
Reversal of legal liability provision	24,075	–	NM	24,075	–	NM

1(b)(i) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Consolidated statements of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/6/2016 US$'000	31/12/2015 US$'000	30/6/2016 US$'000	31/12/2015 US$'000
Assets:				
Property, plant and equipment	964	913	–	–
Intangible assets	13,081	12,861	40	40
Investment in subsidiaries	–	–	97,814	90,029
Other non-current assets	187	147	–	–
Non-current assets	14,232	13,921	97,854	90,069
Inventories	5,602	5,950	–	–
Trade and other receivables	1,910	3,630	20	2
Cash and cash equivalents	3,032	3,850	1,947	2,474
Current assets	10,544	13,430	1,967	2,476
Total assets	24,776	27,351	99,821	92,545
Equity:				
Share capital	148,435	139,202	148,435	139,202
Reserves	202	909	(33,240)	(37,084)
Accumulated losses	(145,386)	(153,797)	(24,951)	(41,097)
Total equity	3,251	(13,686)	90,244	61,021
Liabilities:				
Loans and borrowings	1,018	3,474	1,019	3,470
Trade and other payables, including derivatives	161	161	–	–
Deferred income	27	–	–	–
Non-current liabilities	1,206	3,635	1,019	3,470
Loans and borrowings	8,247	3	7,345	–
Trade and other payables, including derivatives	10,532	13,675	1,213	4,695
Deferred income	1,540	365	–	–
Provision for legal liability*	–	23,359	–	23,359
Current liabilities	20,319	37,402	8,558	28,054
Total liabilities	21,525	41,037	9,577	31,524
Total equity and liabilities	24,776	27,351	99,821	92,545

* As at 30 June 2016, the provision for legal liability of US$23,359,000 was reversed following the ruling by the US Court of Appeals for the Federal Circuit ("**Appeal Court**") on 21 July 2016 which reverses the previous district court judgement on the breach of fiduciary duty that was awarded against (i) the Company, (ii) the Company's subsidiaries, TriReme Medical, LLC and Quattro Vascular Pte. Ltd. and (iii) the Company's Chief Executive Officer, Dr. Eitan Konstantino.

1(b)(ii) Aggregate amount of group's borrowings.

	Secured		Unsecured	
	30 June 2016 US$'000	31 December 2015 US$'000	30 June 2016 US$'000	31 December 2015 US$'000
Amount repayable within one year or less or on demand:				
Loans and borrowings	8,247	3	–	–
	8,247	3	–	–

	Secured		Unsecured	
	30 June 2016 US$'000	31 December 2015 US$'000	30 June 2016 US$'000	31 December 2015 US$'000
Amount repayable after one year:				
Loans and borrowings	1,018	3,474	–	–
	1,018	3,474	–	–

Details of any collateral

The loans and borrowings are secured by an office equipment acquired via hire purchase and certain patents of the Group.

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note	Group 3 months ended 30/6/2016 US$'000	Group 3 months ended 30/6/2015 US$'000
Cash flows from operating activities			
Net profit/(loss)		15,165	(6,375)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property, plant and equipment		85	49
Amortisation of intangible assets		248	173
Interest income		–	(1)
Interest expense		1,922	–
Exchange loss		1,198	605
Equity-settled share-based payment transactions		112	–
Change in fair value of financial instruments		99	–
		18,829	(5,549)
Changes in working capital:			
- Trade and other receivables		1,377	386
- Inventories		(169)	1,187
- Other assets		(95)	21
- Trade and other payables, including derivatives		(1,769)	315
- Deferred income		644	–
- Provision for legal liability		(23,598)	–
Net cash used in operating activities		(4,781)	(3,640)
Cash flows from investing activities			
Purchase of property, plant and equipment		(140)	(61)
Additions to intangible assets		(6)	(1,726)
Net cash used in investing activities		(146)	(1,787)
Cash flows from financing activities			
Repayment of hire purchase creditor		(1)	(1)
Proceeds from issuance of convertible notes		2,260	–
Proceeds from exercise of share options		13	–
Net cash from/(used in) financing activities		2,272	(1)
Net decrease in cash and cash equivalents		(2,655)	(5,428)
Effect of exchange rate changes on cash and cash equivalents		5	50
Cash and cash equivalents at beginning of period		5,682	9,705
Cash and cash equivalents at end of period	1	3,032	4,327

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Note	Group 6 months ended 30/6/2016 US$'000	30/6/2015 US$'000
Cash flows from operating activities			
Net profit/(loss)		8,411	(11,977)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property, plant and equipment		150	113
Amortisation of intangible assets		500	345
Interest income		(1)	(4)
Interest expense		3,051	1
Exchange gain		(286)	(408)
Equity-settled share-based payment transactions		271	36
Change in fair value of financial instruments		1,561	–
		13,657	(11,894)
Changes in working capital:			
- Trade and other receivables		1,720	530
- Inventories		348	(34)
- Other assets		(39)	48
- Trade and other payables, including derivatives		(1,701)	(1,142)
- Deferred income		1,201	–
- Provision for legal liability		(23,359)	–
Net cash used in operating activities		(8,173)	(12,492)
Cash flows from investing activities			
Purchase of property, plant and equipment		(204)	(208)
Additions to intangible assets		(719)	(2,755)
Net cash used in investing activities		(923)	(2,963)
Cash flows from financing activities			
Repayment of hire purchase creditor		(2)	(2)
Proceeds from issuance of convertible notes		8,250	–
Proceeds from exercise of share options		13	147
Net cash from financing activities		8,261	145
Net decrease in cash and cash equivalents		(835)	(15,310)
Effect of exchange rate changes on cash and cash equivalents		17	(515)
Cash and cash equivalents at beginning of period		3,850	20,152
Cash and cash equivalents at end of period	1	3,032	4,327

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Note:

(1) Cash and cash equivalents are derived from:

	Group	
	30 June 2016 US$'000	**30 June 2015 US$'000**
Bank balances	2,987	4,282
Deposits pledged	45	45
Total cash and cash equivalents	3,032	4,327

1(d)(i) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to owners of the Company						
Group	**Ordinary shares US$'000**	**Other reserve US$'000**	**Reserve for own shares US$'000**	**Translation reserve US$'000**	**Share-based payment reserve US$'000**	**Accumulated losses US$'000**	**Total equity US$'000**
At 1 April 2015	133,410	(1,385)	(77)	(4,399)	3,534	(106,349)	24,734
Total comprehensive loss for the period							
Loss for the period	–	–	–	–	–	(6,375)	(6,375)
Other comprehensive income							
Foreign currency translation differences	–	–	–	792	–	–	792
Total comprehensive loss for the period	–	–	–	792	–	(6,375)	(5,583)
Contribution by and distribution to owners							
Share-based payment transactions	–	–	–	–	(1)	–	(1)
Total contribution by and distribution to owners	–	–	–	–	(1)	–	(1)
At 30 June 2015	133,410	(1,385)	(77)	(3,607)	3,533	(112,724)	19,150
At 1 April 2016	146,541	(1,385)	(77)	(3,708)	4,640	(160,551)	(14,540)
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	15,165	15,165
Other comprehensive income							
Foreign currency translation differences	–	–	–	620	–	–	620
Total comprehensive income for the period	–	–	–	620	–	15,165	15,785
Contribution by and distribution to owners							
Shares issued pursuant to exercise of options embedded in convertible notes	1,881	–	–	–	–	–	1,881
Share options exercised	13	–	–	–	–	–	13
Share-based payment transactions	–	–	–	–	112	–	112
Total contribution by and distribution to owners	1,894	–	–	–	112	–	2,006
At 30 June 2016	148,435	(1,385)	(77)	(3,088)	4,752	(145,386)	3,251

1(d)(i) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

Company	Attributable to owners of the Company						
	Ordinary shares US$'000	Other reserve US$'000	Reserve for own shares US$'000	Translation reserve US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total Equity US$'000
At 1 April 2015	133,410	(32,390)	(77)	(7,429)	3,534	(15,144)	81,904
Total comprehensive loss for the period							
Loss for the period	–	–	–	–	–	(1,146)	(1,146)
Other comprehensive income							
Foreign currency translation differences	–	–	–	1,417	–	–	1,417
Total comprehensive loss for the period	–	–	–	1,417	–	(1,146)	271
Contributions by and distributions to owners							
Share-based payment transactions	–	–	–	–	(1)	–	(1)
Total contributions by and distributions to owners	–	–	–	–	(1)	–	(1)
At 30 June 2015	133,410	(32,390)	(77)	(6,012)	3,533	(16,290)	82,174
At 1 April 2016	146,541	(32,390)	(77)	(6,187)	4,640	(45,656)	66,871
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	20,705	20,705
Other comprehensive income							
Foreign currency translation differences	–	–	–	662	–	–	662
Total comprehensive income for the period	–	–	–	662	–	20,705	21,367
Contribution by and distribution to owners							
Shares issued pursuant to exercise of options embedded in convertible notes	1,881	–	–	–	–	–	1,881
Share options exercised	13				–		13
Share-based payment transactions	–	–	–	–	112	–	112
Total contribution by and distribution to owners	1,894	–	–	–	112	–	2,006
At 30 June 2016	148,435	(32,390)	(77)	(5,525)	4,752	(24,951)	90,244

1(d)(ii) CHANGES IN COMPANY'S SHARE CAPITAL

Details of any changes in the company's share capital arising from rights issue, bonus issue, share buybacks, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Ordinary Share Capital

The Company's issued and fully paid-up ordinary share capital increased by 27,146,765 shares from 926,158,566 as at 31 March 2016 to 953,305,331 shares as at 30 June 2016 due to the following:

	Number of ordinary shares	Issued and paid-up share capital US$'000
At 31 March 2016	926,158,566	146,541
Shares issued pursuant to vesting of share awards	1,838,800	–
Shares issued pursuant to exercise of share options	511,093	13
Shares issued pursuant to conversion of convertible notes	24,796,872	1,881
At 30 June 2016	953,305,331	148,435

Outstanding Options

The Group was formed following the restructuring exercise pursuant to which TriReme Medical, LLC ("**TriReme US**") and Quattro Vascular Pte. Ltd. ("**Quattro**") became wholly owned subsidiaries of the Group ("Restructuring Exercise").

Prior to the Restructuring Exercise, TriReme US had in 2005, adopted the 2005 Stock Plan to allow TriReme US to grant options to purchase shares in TriReme US to its employees, directors and consultants (each, as defined under the 2005 Stock Plan) and Quattro had in 2010, adopted the 2010 Equity Incentive Plan to allow Quattro to grant options to purchase shares in Quattro to its employees, directors and consultants (each, as defined under the 2010 Equity Incentive Plan). Subsequently, the Company had in 2013, adopted the QTV 2013 Share Plan to allow QTV to grant options to purchase shares in the Company to employees, directors and consultants (each, as defined under the QTV 2013 Share Plan).

Pursuant to the Restructuring Exercise, the Company had on 9 April 2014, assumed the options under the 2005 Stock Plan and 2010 Equity Incentive Plan. Following the close of placement of shares in relation to the IPO on 25 April 2014, the Company had ceased the issuance of options under the 2005 Stock Plan, 2010 Equity Incentive Plan and QTV 2013 Share Plan (collectively, the "Three Share Plans").

On 9 April 2014, the Company undertook a subdivision of 1 ordinary share into 16 ordinary shares.

The Company also had on 9 April 2014, adopted the 2014 QTV Employee Share Option Scheme.

For the three months ended 30 June 2016, 511,093 ordinary shares were issued in respect of the options under the Three Share Plans and 2014 QTV Employee Share Option Scheme following the exercise of options during the period.

A reconciliation of outstanding share options from 1 April 2016 to 30 June 2016 is as follows:

Outstanding Options	**Number of Options**
At 1 April 2016	121,632,990
Exercised during the period	(511,093)
Forfeited during the period	(2,857,680)
At 30 June 2016	118,264,217

As of 30 June 2016, there are 118,264,217 outstanding options convertible into 118,264,217 ordinary shares, representing approximately 12.4% of the existing ordinary share capital as at 30 June 2016 (30 June 2015: 102,854,786 options (representing approximately 13.4% of the then existing issued share capital of the Company comprising 766,306,009 Shares)).

For further details on the Three Share Plans and 2014 QTV Employee Share Option Scheme, please refer to the Company's Offer Document dated 16 April 2014 and Appendix to the FY2015 Annual Report dated 13 April 2016 respectively.

Share awards

At the AGM of the Company held on 30 April 2015, the Shareholders of the Company adopted the QT Vascular Restricted Share Plan 2015. On 14 August 2015, the Company granted 9,294,000 share awards to its employees and directors which will vest accordingly based on a prescribed set of milestones set by the Board of Directors of the Company.

A reconciliation of outstanding share awards from 1 April 2016 to 30 June 2016 is as follows:

Outstanding Share Awards	**Number of Shares**
At 1 April 2016	7,355,200
Issued during the period	(1,838,800)
At 30 June 2016	5,516,400

As at 30 June 2016, the 5,516,400 outstanding share awards in issue are convertible into 5,516,400 Shares (30 June 2015: Nil). 1,838,800 share awards were issued during the three months ended 30 June 2016 as a predetermined milestone was achieved. For further details on the QT Vascular Restricted Share Plan 2015, please refer to the Appendix of the Company's 2014 Annual Report.

Convertible notes

As at 30 June 2016, the Group had issued convertible notes and exchangeable notes with an aggregate carrying value of US$19.2 million outstanding which is convertible to 207,000,000

Shares (30 June 2015: Nil). During the three months ended 30 June 2016, a total of 24,796,872 Shares with an aggregate principal value of US$2.3 million were issued to certain convertible note holders as they exercised their rights to convert their notes to shares. The remaining convertible notes and exchangeable notes are convertible into 33,421,875 Shares.

Based on the foregoing, the total number of Shares that may be issued on conversion of all outstanding convertibles (including Share Awards) as at 30 June 2016 is 157,202,492 Shares, representing approximately 16.5% of the existing issued share capital of the Company comprising 953,305,331 Shares as at 30 June 2016 (30 June 2015: 102,854,786 Shares, representing approximately 13.4% of the then existing issued share capital of the Company comprising 766,306,009 Shares).

Treasury Shares

The Company held no treasury shares as at 30 June 2016 and as at 30 June 2015.

Save as disclosed above, there were no other outstanding convertibles or treasury shares held by the Company as at 30 June 2016 and as at 30 June 2015.

1(d)(iii) NUMBER OF ISSUED SHARES

To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares was 953,305,331 as at 30 June 2016 and 822,956,014 as at 31 December 2015.

The Company held no treasury shares as at 30 June 2016 and 31 December 2015.

1(d)(iv) TREASURY SHARES

A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. There were no sales, transfers, disposals, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in Paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as compared to those used in the most recently audited annual financial statements for the financial year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for and the effect of, the change.

The Group has applied the same accounting policies and methods of computation in the preparation of financial statements for the current financial period compared with the most recently audited financial statements for the financial year ended 31 December 2015, except for the adoption of the Financial Reporting Standards ("**FRSs**") and Interpretation of FRS ("**INT FRS**") that are mandatory for financial years beginning on or after 1 January 2016. The adoption of these new FRS and INT FRS has no material impact to the results of the Group and of the Company for the current period reported on.

6. EARNINGS PER SHARE

Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Group	**3 months ended 30/6/2016**	**3 months ended 30/6/2015**
Profit/(Loss) for the period attributable to owners of the Company **(US$'000)** used to compute:		
- Basic earnings/(loss) per share	15,165	(6,375)
- Diluted earnings/(loss) per share	14,239 [(1)]	(6,375)
Weighted average number of ordinary shares **('000)** used to compute:		
- Basic earnings/(loss) per share	943,169	766,307
- Diluted earnings/(loss) per share	1,008,389 [(2)]	766,307 [(3)]
Earnings/(Loss) per share **(US$)**		
(a) Based on the weighted average number of ordinary shares	0.016	(0.01) [(3)]
(b) On a fully diluted basis	0.014	(0.01) [(3)]

Notes:

(1) Includes adjustments for the interest expense and fair value loss in relation to the convertible and exchangeable notes of US$926,000.

(2) As at 30 June 2016, there were 35,466,116 share options which are available for conversion to ordinary shares and 29,753,879 shares issuable from the conversion of the convertible and exchangeable notes are deemed to be dilutive and are included in the weighted average number of ordinary shares for the purpose of computing diluted earnings per share.

(3) As at 30 June 2015, there were 102,854,786 share options which are anti-dilutive as the effect of the share conversion would be to decrease the loss per share and are not included in the weighted average number of ordinary shares for the purpose of computing diluted

loss per share. As such, the basic and diluted loss per share were the same for the three months ended 30 June 2015.

7. NET ASSET VALUE FOR ISSUER AND GROUP

Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30/6/2016 US$	31/12/2015 US$	30/6/2016 US$	31/12/2015 US$
Net asset/(liability) value per ordinary share [(1), (2)]	0.003	(0.02)	0.09	0.07

Notes:

(1) The net asset value per ordinary share of the Group is calculated based on net assets of US$3.3 million as at 30 June 2016 (31 December 2015: net liabilities of US$13.7 million). The net asset value per ordinary share of the Company is calculated based on net assets of US$90.3 million as at 30 June 2016 (31 December 2015: US$61.0 million).

(2) For both the Group and the Company, the net asset/(liability) value per ordinary share were calculated based on 953,305,331 ordinary shares in issue as at 30 June 2016 and 822,956,014 as at 31 December 2015.

8. REVIEW OF PERFORMANCE OF THE GROUP

A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months ended 30 June 2016 compared to the three months ended 30 June 2015

The breakdown of our revenue derived from the sale of our products to the various geographical regions and by the number of units sold for the three months ended 30 June 2016 ("**2Q2016**") and for the three months ended 30 June 2015 ("**2Q2015**") are presented below:

	Three Months Ended 2Q2016		**Three Months Ended 2Q2015**	
	US$'000	**%**	**US$'000**	**%**
United States	2,026	85.4	2,894	87.4
Europe	201	8.5	93	2.8
Asia	145	6.1	325	9.8
	2,372	100	3,312	100

	Three Months Ended 2Q2016	**Three Months Ended 2Q2015**
Units sold	4,028	7,513

Our revenue decreased by US$0.9 million, or 28.4%, from US$3.3 million in 2Q2015 to US$2.4 million in 2Q2016. The number of United States ("US") hospitals using Chocolate® PTA Balloon Catheter ("**Chocolate PTA**") has increased between 2Q2016 and 2Q2015, and the direct sales team recorded a 138.8% increase in average sales per sales representative of US$86,109 in 2Q2016 as compared to US$36,058 for our Chocolate PTA, Glider™ PTCA Balloon Catheter ("**Glider PTCA**") and Chocolate® PTCA Balloon Catheter ("**Chocolate PTCA**") products in 2Q2015. Notwithstanding this, there was an overall decrease in sales mainly due to lower purchases of our Chocolate PTA product by Cordis, Inc. following channel inventory levels reduction of Chocolate PTA.

Cost of sales decreased by approximately US$1.6 million, or 55.6%, from US$2.9 million in 2Q2015 to US$1.3 million in 2Q2016 mainly due to lower sales to Cordis in 2Q2016.

Our Group recorded a gross profit of US$1.1 million or 46.1% of revenue in 2Q2016 as compared to a gross profit of US$0.4 million or 13.0% of revenue in 2Q2015. The increase in gross profit margin is mainly due to the increased contribution from the sales of our products by our direct sales team which generates better margins.

We recorded a profit before taxation of US$15.2 million in 2Q2016 as compared to a loss before taxation of US$6.4 million 2Q2015. The analysis of the profit before taxation are as follows:

- Our sales and marketing expenses increased by US$0.2 million, or 9.9% from US$2.5 million in 2Q2015 to US$2.7 million in 2Q2016 mainly due to higher direct sales personnel costs in 2Q2016 as a result of the increase in their sales performance as highlighted above.

- Our administrative expenses remained relatively stable with a slight increase by approximately US$0.1 million, or 3.1%, from US$2.0 million in 2Q2015 to US$2.1 million in 2Q2016.

- Our research and development expenses increased by approximately US$0.4 million from US$1.7 million in 2Q2015 to US$2.1 million in 2Q2016 due to further development cost incurred on Chocolate Touch®, the Group's peripheral drug-coated balloon, which was expensed off. The increase is due to lower capitalization of development expenses in 2Q2016 to intangible assets.

- The presence of other income amounting to US$24.1 million in 2Q2016 was mainly due to the reversal of the provision for legal liability in relation to the litigation with AngioScore, Inc. following the reversal of the judgement on the State Law claims by the Appeal Court in its ruling on 21 July 2016.

- We were in a net finance cost position of US$3.2 million for 2Q2016, as compared to a net finance cost position of US$0.6 million in 2Q2015 which was mainly due to the interest expenses incurred of US$1.9 million (2Q2015: Nil) in relation to the convertible and exchangeable notes as further elaborated herein and fair value loss in relation to the convertible and exchangeable notes of US$0.1 million in 2Q2016 (2Q2015: Nil). The fair value loss on the convertible and exchangeable notes and financial instruments was non-cash in nature, and were recorded at fair value through profit or loss as required in accordance with FRS. The increase in net finance costs in 2Q2016 was also contributed by the foreign exchange loss of US$1.2 million as compared to foreign exchange loss of US$0.6 million in 2Q2015 pursuant to exchange rate changes between the Singapore dollar and United States dollar.

- Amortisation of intangible assets increased by US$75,000, or 43.4% from US$173,000 in 2Q2015 to US$248,000 in 2Q2016 mainly due to the amortisation of Chocolate Touch®, Chocolate PTA and Chocolate PTCA capitalised costs as compared to 2Q2015 where only Chocolate PTA and Chocolate PTCA were amortised.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 June 2016 US$'000	As at 31 December 2015 US$'000	Change %
Non-current assets	14,232	13,921	2.2%
Current assets	10,544	13,430	(21.5)%
Total assets	24,776	27,351	
Total equity	3,251	(13,686)	NM
Non-current liabilities	1,206	3,635	(66.8)%
Current liabilities	20,319	37,402	(45.7)%
Total liabilities	21,525	41,037	

The Group had negative working capital of US$9.8 million and US$24.0 million as at 30 June 2016 and 31 December 2015 respectively. The negative working capital as at 30 June 2016 is mainly due to the convertible and exchangeable notes of US$8.2 million and the financial instruments in relation to the convertible and exchangeable notes of US$1.5 million.

On 19 July 2016, the Company announced that it had entered into a non-binding term sheet with a third party for the potential transaction(s) for the Group's Chocolate PTA assets. The international investment bank appointed by the Company as its strategic advisor, Nomura Securities International, Inc., continues to provide financial and market-related advice and assistance related to strategic options for the Group.

Our non-current assets increased by US$0.3 million from US$13.9 million as at 31 December 2015 to US$14.2 million as at 30 June 2016 mainly due to the increase in intangible assets of approximately US$0.2 million due to the capitalization of research and development expenses and increase in property, plant and equipment by approximately US$0.1 million.

Our current assets decreased by US$2.9 million from US$13.4 million as at 31 December 2015 to US$10.5 million as at 30 June 2016 mainly due to the decrease in cash and cash equivalents of US$0.8 million due to utilisation of funds for research and development expenses and general working capital requirements such as payments to our suppliers and staff costs. The overall decrease in current assets was also due to the decrease in inventory balances of approximately US$0.4 million following the utilisation of existing raw materials on hand for production purposes, and trade and other receivables of US$1.7 million due to collection of amounts owing by customers.

Our non-current liabilities decreased by US$2.4 million from US$3.6 million as at 31 December 2015 to US$1.2 million as at 30 June 2016 mainly due to the reclassification of the loan and borrowings arising from the convertible notes issued in August 2015 and December 2015 of US$2.4 million to current liabilities pursuant to its maturity being 12 months or less as at 30 June 2016.

Our current liabilities decreased by US$17.1 million from US$37.4 million as at 31 December 2015 to US$20.3 million as at 30 June 2016 mainly due to the reversal of the provision for legal liability of US$23.4 million following the ruling by the Appeal Court to reverse the district court's judgement on the State Law claims and decrease in trade and other payables (including derivatives) of US$3.1 million mainly due to the settlement of derivatives in relation to the convertible notes and settlement of balances due to suppliers. The decrease in current liabilities was offset by the increase in loans and borrowings arising from the convertible and exchangeable notes issued in August and December 2015 (reclassified from non-current liabilities), March 2016 and May 2016 of US$8.2 million, and deferred income by US$1.2 million arising from funds we received in advance from our customers.

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash Flow Analysis 2Q2016

The Group recorded cash outflows from operating activities of US$4.8 million for 2Q2016 which was a result of an operating profit before working capital changes of US$18.8 million and an increase in working capital changes of US$23.6 million. The increase in working capital changes was mainly due to the decrease in provision for legal liability and trade and other payables, including derivatives of US$23.6 million and US$1.8 million respectively. The increase in inventories and other assets of US$0.2 million and US$0.1 million respectively also contributed to the increase in working capital changes. The overall increase in working capital was partially offset by the decrease in trade and other receivables of US$1.4 million and increase in deferred income of approximately US$0.7 million.

Cash used in investing activities for 2Q2016 was US$0.1 million which was mainly due to additions to property, plant and equipment of approximately US$0.1 million.

In 2Q2016, net cash inflow from financing activities was US$2.3 million which was mainly due to proceeds received from the issue of convertible notes of approximately US$2.3 million.

Cash Flow Analysis 2Q2015

The Group recorded cash outflows from operating activities of US$3.6 million for 2Q2015 which was a result of an operating loss before working capital changes of US$5.5 million and a decrease in working capital changes of US$1.9 million. The decrease in working capital changes was mainly due to the decrease in inventories of US$1.2 million and, trade and other receivables of US$0.4 million as well as an increase in trade and other payables, including derivatives of US$0.3 million.

Cash used in investing activities for 2Q2015 was US$1.8 million which was mainly due to additions to property, plant and equipment of approximately US$0.1 million and intangible assets pertaining to developed technology of approximately US$1.7 million.

In 2Q2015, there were no significant net cash inflow or outflow items from financing activities.

9. FORECAST AND PROSPECT STATEMENT

Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement had been issued for the current financial reporting period.

10. SIGNIFICANT TRENDS AND COMPETITIVE CONDITIONS OF THE INDUSTRY

A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

In the world's largest medical device market, the United States ("US"), the adoption of drug-coated balloons ("DCBs") continues to increase at a strong pace. With two products approved in the US (i.e. Medtronic's In.Pact Admiral and CR Bard's Lutonix) and strong clinical data (which now covers up to two years in some studies), management expects this growth in the use of DCBs to continue for some time. In 2016, it is estimated that the use of DCBs may surpass 20% of procedures in the femoral-popliteal arteries. The impact on other technologies such as stents, atherectomy, conventional balloons, and specialty balloons is still unclear, but these categories may be expected to experience some weakening of their previous sales growth. The Group's current challenge is the approval of Chocolate® PTA in Japan which is only expected in the second half of the financial year ending 31 December 2016 ("**2H2016**"). Despite these near-term headwinds, the Group expects growth to be driven by continued adoption of its Chocolate® PTCA device in the US and Chocolate Touch® (drug-coated Chocolate® PTA) in Europe as well as the launch of Chocolate® PTA in Japan and Chocolate XD™ in US in 2H2016. The Group also recently released clinical results for both Chocolate Touch™ and Chocolate Heart™ (drug-coated Chocolate® PTCA) which is expected to bode well for long-term growth prospects and continued strong interest for the products. The Group had also made the IDE submission in 2Q2016 to the US Food and Drug Administration for Chocolate Touch® which is a significant step for the Group in our path towards being one of the few suppliers in US' rapidly growing market for DCBs.

11. IF A DECISION REGARDING DIVIDEND HAS BEEN MADE:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividends have been declared or recommended for the current reporting period.

(b) (i) Amount per share (cents)

Not applicable.

(ii) Previous corresponding period (cents)

Not applicable

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) Books closure date

Not applicable.

12. IF NO DIVIDEND HAS BEEN DECLARED/RECOMMENDED, A STATEMENT TO THAT EFFECT

No dividends have been declared or recommended for the current reporting period.

13. INTERESTED PERSONS TRANSACTIONS

If the Group has obtained a general mandate from shareholders for the IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There was no interested persons transactions which are S$100,000 or more entered into during the current financial period reported on. The Group does not have a general mandate for recurrent interested persons transactions.

14. USE OF CONVERTIBLE AND EXCHANGEABLE NOTES PROCEEDS

2015 Convertible Notes

The Company announced a proposed issue of convertible notes of up to US$13.14 million (the "Notes") on 24 July 2015. On 6 August 2015, 18 December 2015 and 30 March 2016, the Company announced the completion of the subscription of the first, second and third tranches of the Notes respectively, amounting to an aggregate of US$13.14 million. After deducting expenses of approximately US$0.10 million incurred by the Company in connection with the issuance of the Notes, the net proceeds is approximately US$13.04 million ("2015 CN Proceeds").

As at 30 June 2016, the 2015 CN Proceeds have been fully utilised as follows:

	Amount allocated US$'000	Amount utilised US$'000	Balance US$'000
Research and development	7,850	7,850	–
General working capital purposes [(1)]	5,190	5,190	–
Total	13,040	13,040	–

(1) A breakdown on the 2015 CN Proceeds utilised for general working capital purposes is as follows:

	US$'000
Payment of salaries and wages	2,248
Payment to suppliers	1,720
Payment of professional fees	1,222
Total	5,190

The above utilisation are in accordance with the intended use of the 2015 CN Proceeds, as stated in the Company's announcement dated 24 July 2015.

2016 Convertible Notes

On 27 January 2016, the Company announced a proposed issue of convertible notes of up to US$4.20 million (the "Convertible Notes"). On 9 March 2016, the Company announced the completion of the subscription of the Convertible Notes. After deducting expenses of approximately US$0.05 million incurred by the Company in connection with the issuance of the Convertible Notes, the net proceeds is approximately US$4.15 million ("Convertible Notes Proceeds").

As at 30 June 2016, the Convertible Notes Proceeds have been utilised as follows:

	Amount allocated US$'000	Amount utilised US$'000	Balance US$'000
Research and development	1,050	–	1,050
General working capital purposes [(2)]	3,100	2,928	172
Total	4,150	2,928	1,222

(2) A breakdown on the Convertible Notes Proceeds utilised for general working capital purposes is as follows:

	US$'000
Payment of salaries and wages	490
Payment to suppliers	813
Payment of professional fees	1,625
Total	2,928

The above utilisation are in accordance with the intended use of the Convertible Notes Proceeds, as stated in the Company's announcement dated 27 January 2016.

2016 Exchangeable Notes

On 27 January 2016, the Company announced a proposed issue of exchangeable notes of up to US$1.86 million (the "Exchangeable Notes"). On 28 April 2016, the Company obtained shareholders' approval for the issuance of the Exchangeable Notes. On 12 May 2016, the Company announced the completion of the subscription of the Exchangeable Notes. After deducting expenses of approximately US$0.05 million incurred by the Company in connection with the issuance of the Convertible Notes, the net proceeds is approximately US$1.81 million ("Exchangeable Notes Proceeds").

None of the net proceeds of US$1.81 million received from the issuance of the Exchangeable Notes have been utilised as at 30 June 2016.

15. NEGATIVE CONFIRMATION PURSUANT TO RULE 705(5) OF LISTING MANUAL

The Board of Directors of the Company ("Board") confirms that to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results for the 3 months ended 30 June 2016 to be false or misleading in any material aspect.

16. CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS UNDER RULE 720(1)

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual.

BY ORDER OF THE BOARD
Eitan Konstantino
Chief Executive Officer
4 August 2016