QT Vascular Ltd. and its subsidiaries

(Company Registration No. 201305911K)

(Incorporated in Singapore)

Unaudited Financial Statements Announcement for the financial year ended 31 December 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.

The contact person for the Sponsor is Ms. Gillian Goh, Director, Head of Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone +65 6229 8088.

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 Year ended		
	31/12/2016 US$'000	31/12/2015 US$'000	Change
Revenue	10,645	12,435	(14.4)%
Cost of sales	(5,949)	(8,362)	(28.9)%
Gross profit	4,696	4,073	15.3%
Sales and marketing expenses	(10,055)	(10,440)	(3.7)%
Administrative expenses	(8,224)	(12,756)	(35.5)%
Research and development expenses	(9,274)	(7,905)	17.3%
Other income	23,969	–	100.0%
Other expenses	–	(23,893)	(100.0)%
Results from operating activities	1,112	(50,921)	NM
Finance income	1	5	(80.0)%
Finance costs	(13,092)	(2,132)	>100%
Net finance costs	(13,091)	(2,127)	>100%
Loss before tax	(11,979)	(53,048)	(77.4)%
Tax income/(expense)	1	(2)	NM
Loss for the year	(11,978)	(53,050)	(77.4)%
Other comprehensive loss			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	(48)	747	NM
Total comprehensive loss for the year	(12,026)	(52,303)	(77.0)%
Loss attributable to:			
Owners of the Company	(11,978)	(53,050)	(77.4)%
Loss for the year	(11,978)	(53,050)	(77.4)%
Total comprehensive loss attributable to:			
Owners of the Company	(12,026)	(52,303)	(77.0)%
Total comprehensive loss for the year	(12,026)	(52,303)	(77.0)%

NM denotes not meaningful

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

	Group (Year-To-Date)		
	Year ended		
	31/12/2016 US$'000	31/12/2015 US$'000	% change
Depreciation of property, plant and equipment	(434)	(259)	67.6%
Allowance of inventory obsolescence	–	(261)	(100)%
Amortization of intangible assets	(995)	(576)	72.7%
Exchange loss	(150)	(313)	(52.1)%
Equity-settled share based payment transactions	(2,106)	(983)	>100%
Interest income	1	5	(80.0)%
Interest expense	(10,296)	(751)	>100%
Changes in fair value of financial instruments	(2,646)	(1,068)	>100%
Expenses recognised in relation to the provision for judgement liability	–	(23,359)	(100)%
Reversal of provision for legal liability	23,969	–	100%

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	
	31/12/2016 US$'000	31/12/2015 US$'000	31/12/2016 US$'000	31/12/2015 US$'000
Assets:				
Property, plant and equipment	794	913	–	–
Intangible assets	12,606	12,861	40	40
Investment in subsidiaries	–	–	104,283	90,029
Other non-current assets	225	147	–	–
Non-current assets	13,625	13,921	104,323	90,069
Inventories	4,046	5,950	–	–
Trade and other receivables	1,893	3,630	1	2
Cash and cash equivalents	328	3,850	28	2,474
Current assets	6,267	13,430	29	2,476
Total assets	19,892	27,351	104,352	92,545
Equity:				
Share capital	152,685	139,202	152,685	139,202
Reserves	2,892	909	(37,516)	(37,084)
Accumulated losses	(165,775)	(153,797)	(29,008)	(41,097)
Total equity	(10,198)	(13,686)	86,161	61,021
Liabilities:				
Loans and borrowings	3	3,474	–	3,470
Trade and other payables, including derivatives	63	161	–	–
Deferred income	76	–	–	–
Non-current liabilities	142	3,635	–	3,470
Loans and borrowings	17,819	3	16,448	–
Trade and other payables, including derivatives	10,520	13,675	1,743	4,695
Deferred income	1,609	365	–	–
Provision for legal liability [(1)]	–	23,359	–	23,359
Current liabilities	29,948	37,402	18,191	28,054
Total liabilities	30,090	41,037	18,191	31,524
Total equity and liabilities	19,892	27,351	104,352	92,545

Note:

(1) As at 31 December 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	
	31/12/2016 US$'000	31/12/2015 US$'000	31/12/2016 US$'000	31/12/2015 US$'000
Amount repayable within one year or less or on demand:				
Loans and borrowings	14,995	3	2,824	–
	14,995	3	2,824	–

	Secured		Unsecured	
	31/12/2016 US$'000	31/12/2015 US$'000	31/12/2016 US$'000	31/12/2015 US$'000
Amount repayable after one year:				
Loans and borrowings	3	3,474	–	–
	3	3,474	–	–

Details of any collateral

The secured 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 Year ended 31/12/2016 US$'000	Group Year ended 31/12/2015 US$'000
Cash flows from operating activities			
Net loss		(11,978)	(53,050)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property, plant and equipment		434	259
Amortisation of intangible assets		995	576
Interest income		(1)	(5)
Interest expense		10,296	751
Exchange loss		150	313
Equity-settled share-based payment transactions		2,106	983
Change in fair value of financial instruments		2,646	1,068
		4,648	(49,105)
Changes in working capital:			
- Trade and other receivables		1,738	(149)
- Inventories		1,904	223
- Other assets		(78)	54
- Trade and other payables, including derivatives		(1,119)	2,609
- Deferred income		1,319	365
- Provision for legal liability		(23,359)	23,359
Net cash used in operating activities		(14,947)	(22,644)
Cash flows from investing activities			
Purchase of property, plant and equipment		(322)	(349)
Proceeds from disposal of plant and equipment		7	–
Additions to intangible assets		(739)	(4,191)
Net cash used in investing activities		(1,054)	(4,540)
Cash flows from financing activities			
Repayment of hire purchase creditor		(5)	(5)
Proceeds from short-term loans		4,190	–
Proceeds from issuance of convertible and exchangeable notes		8,250	10,950
Proceeds from exercise of share options		46	485
Net cash from financing activities		12,481	11,430
Net decrease in cash and cash equivalents		(3,520)	(15,754)
Effect of exchange rate changes on cash and cash equivalents		(2)	(548)
Cash and cash equivalents at beginning of year		3,850	20,152
Cash and cash equivalents at end of year	1	328	3,850

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

Note:

(1) Cash and cash equivalents are derived from:

	Group	
	31/12/2016 US$'000	**31/12/2015 US$'000**
Bank balances	286	3,807
Deposits pledged	42	43
Total cash and cash equivalents	328	3,850

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						
	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
Group							
At 1 January 2015	133,263	(1,385)	(77)	(2,857)	3,498	(100,747)	31,695
Total comprehensive loss for the year							
Loss for the year	–	–	–	–	–	(53,050)	(53,050)
Other comprehensive income							
Foreign currency translation differences	–	–	–	747	–	–	747
Total comprehensive loss for the year	–	–	–	747	–	(53,050)	(52,303)
Contributions by and distributions to owners							
Shares issued pursuant to exercise of options embedded in convertible notes	5,449	–	–	–	–	–	5,449
Share options exercised	490	–	–	–	–	–	490
Share-based payment transactions	–	–	–	–	983	–	983
Total contributions by and distributions to owners	5,939	–	–	–	983	–	6,922
At 31 December 2015	139,202	(1,385)	(77)	(2,110)	4,481	(153,797)	(13,686)

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

	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
Group							
At 1 January 2016	139,202	(1,385)	(77)	(2,110)	4,481	(153,797)	(13,686)
Total comprehensive loss for the year							
Loss for the year	–	–	–	–	–	(11,978)	(11,978)
Other comprehensive income							
Foreign currency translation differences	–	–	–	(48)	–	–	(48)
Total comprehensive loss for the year	–	–	–	(48)	–	(11,978)	(12,026)
Contributions by and distributions to owners							
Shares issued pursuant to exercise of options embedded in convertible and exchangeable notes	11,729	–	–	–	–	–	11,729
Shares issued pursuant to settlement of short-term loans	1,707	–	–	–	–	–	1,707
Share options exercised	47	–	–	–	–	–	47
Share-based payment transactions	–	–	–	–	2,031	–	2,031
Total contributions by and distributions to owners	13,483	–	–	–	2,031	–	15,514
At 31 December 2016	152,685	(1,385)	(77)	(2,158)	6,512	(165,775)	(10,198)

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

	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
Company							
At 1 January 2015	133,263	(32,390)	(77)	(4,318)	3,498	(15,929)	84,047
Total comprehensive loss for the year							
Loss for the year	–	–	–	–	–	(25,168)	(25,168)
Other comprehensive income							
Foreign currency translation differences	–	–	–	(4,780)	–	–	(4,780)
Total comprehensive loss for the year	–	–	–	(4,780)	–	(25,168)	(29,948)
Contributions by and distributions to owners							
Shares issued pursuant to exercise of options embedded in convertible notes	5,449	–	–	–	–	–	5,449
Share options exercised	490	–	–	–	–	–	490
Share-based payment transactions	–	–	–	–	983	–	983
Total contributions by and distributions to owners	5,939	–	–	–	983	–	6,922
At 31 December 2015	139,202	(32,390)	(77)	(9,098)	4,481	(41,097)	61,021

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

	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
Company							
At 1 January 2016	139,202	(32,390)	(77)	(9,098)	4,481	(41,097)	61,021
Total comprehensive loss for the year							
Profit for the year	–	–	–	–	–	12,089	12,089
Other comprehensive income							
Foreign currency translation differences	–	–	–	(2,463)	–	–	(2,463)
Total comprehensive loss for the year	–	–	–	(2,463)	–	12,089	9,626
Contributions by and distributions to owners							
Shares issued pursuant to exercise of options embedded in convertible notes	11,729	–	–	–	–	–	11,729
Shares issued pursuant to settlement of short-term loans	1,707	–	–	–	–	–	1,707
Share options exercised	47	–	–	–	–	–	47
Share-based payment transactions	–	–	–	–	2,031	–	2,031
Total contributions by and distributions to owners	13,483	–	–	–	2,031	–	15,514
At 31 December 2016	152,685	(32,390)	(77)	(11,561)	6,512	(29,008)	86,161

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 77,495,155 shares from 960,511,195 as at 30 September 2016 to 1,038,006,350 shares as at 31 December 2016 due to the following:

	Number of ordinary shares	Issued and paid-up share capital US$'000
Balance at 30 September 2016	960,511,195	148,716
Shares issued pursuant to exercise of options embedded in convertible and exchangeable notes	29,109,375	2,262
Shares issued pursuant to vesting of share awards	18,620,434	–
Shares issued pursuant to settlement of short-term loans	29,765,346	1,707
Balance at 31 December 2016	1,038,006,350	152,685

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 31 December 2016, no ordinary shares were issued in respect of the options under the Three Share Plans and 2014 QTV Employee Share Option Scheme as there was no exercise of options during the period.

A reconciliation of outstanding share options from 30 September 2016 to 31 December 2016 is as follows:

Outstanding Options	**Number of Options**
At 30 September 2016	115,598,593
Forfeited during the period	(1,830,759)
At 31 December 2016	113,767,834

As of 31 December 2016, there are 113,767,834 outstanding options convertible into 113,767,834 ordinary shares, representing approximately 11.0% of the existing ordinary share capital as at 31 December 2016 (31 December 2015: 122,035,894 options (representing approximately 14.8% of the then existing issued share capital of the Company comprising 822,956,014 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 and 8 December 2016, the Company granted 9,294,000 and 43,772,748 share awards respectively 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 30 September 2016 to 31 December 2016 is as follows:

Outstanding Share Awards	**Number of Shares**
At 30 September 2016	3,637,600
Granted during the period	43,772,748
Issued during the period	(18,620,434)
Forfeited during the period	(60,000)
At 31 December 2016	28,729,914

As at 31 December 2016, the 28,729,914 outstanding share awards in issue are convertible into 28,729,914 Shares (31 December 2015: 9,294,000). 18,620,434 shares were issued during the three months ended 31 December 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 dated 15 April 2015.

Convertible notes

As at 31 December 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 (31 December 2015: US$10.9 million outstanding which is convertible to 118,054,692 Shares). During the three months ended 31 December 2016, a total of 29,109,375 Shares with an aggregate principal value of US$2.7 million were issued to a convertible note holder and the exchangeable note holder as they exercised their rights to convert their notes to shares. After the aforementioned conversion, there are no outstanding Shares issuable under the convertible notes.

Based on the foregoing, the total number of Shares that may be issued on conversion of all outstanding convertibles (including Share Awards) as at 31 December 2016 is 142,497,748 Shares, representing approximately 13.7% of the existing issued share capital of the Company comprising 1,038,006,350 Shares as at 31 December 2016 (31 December 2015: 201,947,085 Shares, representing approximately 24.5% of the then existing issued share capital of the Company comprising 822,956,014 Shares).

Treasury Shares

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

Save as disclosed above, there were no other outstanding convertibles or treasury shares held by the Company as at 31 December 2016 and 31 December 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 1,038,006,350 as at 31 December 2016 and 822,956,014 as at 31 December 2015.

The Company held no treasury shares as at 31 December 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	**Year ended 31/12/2016** **Basic and diluted (1)**	**Year ended 31/12/2015** **Basic and diluted (1)**
Loss for the year attributable to owners of the Company **(US$'000)**	(11,978)	(53,050)
Weighted average number of ordinary shares used to compute loss per share **('000)**	935,454	779,231
Loss per share **(US$)**	(0.013)	(0.068)

Notes:

(1) The basic and diluted loss per share were the same as the potential ordinary shares are anti-dilutive as the effect of the share conversions would be to decrease the loss per share.

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	
	31/12/2016 US$	31/12/2015 US$	31/12/2016 US$	31/12/2015 US$
Net (liability)/asset value per ordinary share [(1), (2)]	(0.01)	(0.02)	0.08	0.07

Notes:

(1) The net liability value per ordinary share of the Group is calculated based on net liabilities of US$10.2 million as at 31 December 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$86.2 million as at 31 December 2016 (31 December 2015: US$61.0 million).

(2) For both the Group and the Company, the net (liability)/asset value per ordinary share were calculated based on 1,038,006,350 ordinary shares in issue as at 31 December 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

Year ended 31 December 2016 compared to the Year ended 31 December 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 financial year ended 31 December 2016 ("**FY2016**") and for the financial year ended 31 December 2015 ("**FY2015**") are presented below:

	FY2016		FY2015	
	US$'000	%	US$'000	%
United States	9,245	86.9	10,826	87.1
Europe	620	5.8	426	3.4
Asia Pacific	780	7.3	1,183	9.5
	10,645	100.0	12,435	100.0

	Year ended 31 December 2016	Year ended 31 December 2015
Units sold	19,425	27,222

Our revenue decreased by approximately US$1.8 million, or 14.4%, from US$12.4 million in FY2015 to US$10.6 million in FY2016 mainly due to a decrease in sales of our Chocolate® PTA Balloon Catheter ("**Chocolate PTA**") to Cordis Corporation ("**Cordis**"). The distribution agreement with Cordis has been terminated and the distribution of the Group's Chocolate PTA in US will be transitioned over to Medtronic plc ("**Medtronic**") (as further elaborated herein) from 1 March 2017. The decrease in sales to Cordis was partially offset by the increase in our sales of Chocolate® PTCA Balloon Catheter ("**Chocolate PTCA**") and Glider PTCA by our direct sales team as they continue to improve following a 114.11% increase in average sales per sales representative of US$367,290 in FY2016 as compared to US$171,546 in FY2015.

Cost of sales decreased by US$2.5 million, or 28.9%, from US$8.4 million in FY2015 to US$5.9 million in FY2016 mainly due to the decrease in sales of Chocolate PTA to Cordis but the decrease is offset by the increase in Chocolate PTCA sales by our direct sales team.

As a result of the above, our Group recorded a gross profit of US$4.7 million or 44.1% of revenue in FY2016 as compared to a gross profit of US$4.1 million or 32.8% of revenue in FY2015.

Our loss before taxation decreased by US$41.1 million or 77.4%, from US$53.1 million in FY2015 to US$12.0 million in FY2016. The analysis of the expenses contributing to the change in loss before taxation are as follows:

- Our administrative expenses decreased by US$4.6 million, or 35.5%, from US$12.8 million in FY2015 to US$8.2 million in FY2016. The decrease was mainly due to the decrease in professional service fees incurred in respect of the litigation with AngioScore, Inc. ("**AngioScore**"). For more information regarding the litigation with AngioScore, please refer to the Company's Offer Document and announcements on SGX-ST.

- Our research and development expenses increased by approximately US$1.4 million from US$7.9 million in FY2015 to US$9.3 million in FY2016 due to further development cost incurred on Chocolate Touch®, the Group's peripheral drug-coated balloon, which was expensed off in FY2016 in line with the Group's accounting policies for capitalization of development costs in relation to intangible assets.

- We were in a net finance cost position of US$13.1 million for FY2016, as compared to a net finance cost position of US$2.1 million in FY2015 mainly due to (i) an increase in interest expenses to US$10.3 million in FY2016 from US$0.8 million in FY2015 mainly due to more convertible and exchangeable notes outstanding in FY2016; (ii) fair value loss in relation to the convertible and exchangeable notes of US$2.6 million (FY2015: fair value loss of US$1.1 million) following the realization of the remaining outstanding conversion options in FY2016; and (iii) foreign exchange losses of US$0.2 million in FY2016 as compared to US$0.3 million in FY2015 pursuant to exchange rate changes between the Singapore dollar and United States dollar. 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 decrease in other expenses by US$23.9 million in FY2016 and the presence of other income amounting to US$24.0 million in FY2016 was mainly due to the reversal of the provision for legal liability in relation to the litigation with AngioScore following the reversal of the judgement on the State Law claims by the Appeal Court in its ruling on 21 July 2016.

- Amortisation of intangible assets increased by US$419,000, or 72.7% from US$576,000 in FY2015 to US$995,000 in FY2016 mainly due to the full year's amortisation of Chocolate Touch®'s capitalized costs as compared to FY2015 where Chocolate Touch® only commenced amortisation of its capitalized costs in December 2015.

- Depreciation of plant and equipment increased by US$175,000, or 67.6% from US$259,000 in FY2015 to US$434,000 in FY2016 mainly due to the recognition of depreciation for purchases of new equipment.

- Equity-settled share based payment transactions increased by US$1.1 million from US$1.0 million in FY2015 to US$2.1 million in FY2016 mainly due to the granting of share awards comprising 43.8 million shares to employees under the QT Vascular Restricted Share Plan 2015 in FY2016.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December 2016 US$'000	As at 31 December 2015 US$'000	Change %
Non-current assets	13,625	13,921	(2.1)%
Current assets	6,267	13,430	(53.3)%
Total assets	19,892	27,351	(27.3)%
Total equity	(10,198)	(13,686)	25.5%
Non-current liabilities	142	3,635	(96.1)%
Current liabilities	29,948	37,402	(19.9)%
Total liabilities	30,090	41,037	(26.7)%

The Group had negative working capital of US$23.7 million and US$24.0 million as at 31 December 2016 and 31 December 2015 respectively. The negative working capital as at 31 December 2016 is mainly due to the convertible and exchangeable notes and short-term loans amounting to US$17.8 million and current trade and other payables of US$10.5 million.

On 19 July 2016, the Company announced that it had entered into a non-binding term sheet with a third party, being Medtronic, for the potential transaction(s) for the Group's Chocolate PTA assets. Subsequently, the Company had on 26 January 2017 and 2 February 2017, announced that the aforesaid transaction is fairly advanced in progressing towards the signing of definitive agreement(s) and negotiations on other aspects of commercial relationship are on-going. 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 ("**Strategic Options**"). Meanwhile, the Company currently has access to short-term financing for its working capital.

On 19 January 2017, the Company announced that it had entered into a bond repayment and share issuance deed (the "**Deed**") with bondholders (save for one bondholder) in respect of the settlement of the first tranche of the 24 July 2015 US$13.14 million 8.0% convertible notes. Pursuant the bond repayment and share issuance deed, the Company had issued 118,882,706 shares to the bondholders to settle US$5.1 million of the outstanding convertible notes, which would otherwise be settled by cash.

In addition to the above, the following steps has been taken by the Group to address the negative working capital and cash flow requirements as follows:

- negotiations with a third party in relation to provision of financing for the Group's working capital;
- entering into an exclusive worldwide distribution agreement with Medtronic, Inc. on 2 February 2017 for the sale of the Group's Chocolate PTA product; and
- ongoing discussions with the existing bondholders and short-term loan creditors in relation to the settlement of the existing convertible and exchangeable notes, and short-term loans respectively.

Our current assets decreased by US$7.1 million from US$13.4 million as at 31 December 2015 to US$6.3 million as at 31 December 2016 mainly due to the decrease in cash and cash equivalents of US$3.5 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$1.9 million following the utilisation of existing raw materials on hand for production purposes, and trade and other receivables of US$1.7 million in line with lower sales.

Our non-current liabilities decreased by US$3.5 million from US$3.6 million as at 31 December 2015 to US$0.1 million as at 31 December 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$3.5 million to current liabilities pursuant to its maturity being 12 months or less as at 31 December 2016.

Our current liabilities decreased by US$7.5 million from US$37.4 million as at 31 December 2015 to US$29.9 million as at 31 December 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 and exchangeable notes and 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$15.0 million and short-term loans undertaken in FY2016 (as further elaborated below) of US$2.8 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 FY2016

The Group recorded cash outflows from operating activities of US$14.9 million for FY2016 which was a result of an operating profit before working capital changes of US$4.6 million

and a net cash outflow as a result of changes in working capital of US$19.6 million. The decrease in working capital was mainly due to the reversal of the US$23.4 million arising from the AngioScore judgement liability provision recorded in the Group's books in FY2016 and decrease in trade and other payables, including derivatives of US$1.1 million. The decrease in working capital is partially offset by the decreases in trade and other receivables and inventories of US$1.7 million and US$1.9 million respectively during the year. The increase in deferred income of US$1.3 million also offset the decrease in working capital.

Cash used in investing activities for FY2016 was approximately US$1.1 million which was mainly due to purchases of plant and equipment of approximately US$0.3 million and intangible assets pertaining to capitalization of expenses on developed technology of approximately US$0.7 million.

In FY2016, net cash inflow from financing activities was US$12.5 million which was mainly due to receipt of funds of US$4.2 million from short-term loans from certain employees and directors of the Group and third parties for working capital purposes as well as US$8.3 million from the issuance of convertible and exchangeable notes.

Cash Flow Analysis FY2015

The Group recorded cash outflows from operating activities of US$22.6 million for FY2015 which was a result of an operating loss before working capital changes of US$49.1 million and net cash inflow from changes in working capital of US$26.5 million. The increase in working capital was mainly due to decreases of US$23.4 million arising from the AngioScore judgement liability provision recorded in the Group's books during the financial year, US$0.4 million from deferred income as well as US$0.2 million from inventories. The increase in working capital is partially offset by the increase in trade and other receivables of US$0.1 million.

Cash used in investing activities for FY2015 was US$4.5 million which was mainly due to additions to fixed assets and intangible assets of approximately US$0.3 million and US$4.2 million respectively.

For FY2015, net cash inflow from financing activities was US$11.4 million which was mainly due to proceeds received from the issuance of convertible notes of US$10.9 million and the exercise of share options of US$0.5 million.

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.

Mergers and acquisitions ("**M&A**") activity in the medical technology sector ramped up in 2016 with major deals announced by Abbott, Medtronic, St. Jude, Stryker, NuVasive, Teleflex, and Zimmer. The key drivers behind this active M&A landscape include pressure on large

players in mature markets to increase their top line growth and increased vendor consolidation in US hospitals which forces companies to broaden their product offerings. It is expected that 2017 will also be active as companies look to add innovative devices to their mature product businesses.

The area of peripheral arterial disease remains very much under-treated. While stents are used to treat some of these patients, there is a growing preference for therapies such as drug-coated balloons and atherectomy that do not involve placing a permanent implant. The rapid adoption of drug-coated balloons continues. Sales of drug-coated balloons are estimated to have surpassed US$300 million in 2016 in the US market[1] and the global market will surpass $1 billion in sales by 2020. The revenue for CR Bard's Lutonix drug coated balloon was US$120 million in 2016 growing to an expected US$150 million in 2017[2]. CR Bard and Medtronic, the market leader, are not only seeing a rapid increase in sales for use of drug coated balloons in the currently approved "above-the-knee" segment, but they are also pursuing new indications for drug coated balloons which include "below-the-knee" use and arteriovenous fistula. This bodes well for continued sales growth for these devices well into the future. Spectranetics just announced strong data for their drug coated balloon, Stellarex, which is expected to be the third product approved in the US market. Securities analysts now attribute a significant portion of Spectranetics market value (approximately US$1 billion) to the promise of Stellarex[3].

The Group is well positioned to benefit from the increased adoption of drug coated balloons. The Group's drug coated peripheral balloon, Chocolate Touch®, recently received full FDA clearance to begin the pivotal trial. Upon approval, this would make Chocolate Touch® only the fourth such device to be approved in the US. The final results of Chocolate Touch®'s first-in-human trials were recently announced and demonstrate data that are similar to the best-in-class devices. On a related note, the Company recently announced an agreement with Medtronic for the worldwide distribution of the non-drug coated Chocolate® PTA. This device will be positioned to complement Medtronic's existing drug-coated balloon and atherectomy businesses. This deal along with the recent launch of the Group's latest generation coronary device in the US, Chocolate XD®, bode well for supporting robust sales growth in 2017. The Company has been in talks with various parties in relation to the Strategic Options, including on-going negotiations with Medtronic in relation to the potential transaction(s) or the Group's Chocolate PTA assets, and other aspects of their commercial relationship and will update shareholders as and when there are any material developments.

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

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[1] *Jason Mills & Cecilia Furlong, Canaccord Genuity Inc. Analyst report on Biomedical Devices and Services industry, 23 January 2017*

[2] *Mike Matson, Needham & Company, LLC. Analyst report on C.R. Bard, 27 January 2017*

[3] *Jason Mills & Cecilia Furlong, Canaccord Genuity Inc. Spectranetics flash update report, 24 January 2017*

(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 were no interested person 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 person transactions.

14. USE OF 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 31 December 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 31 December 2016, the Convertible Notes Proceeds have been fully 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	3,100	–
Total	4,150	4,150	–

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

	US$'000
Payment of salaries and wages	662
Payment to suppliers	813
Payment of professional fees	1,625
Total	3,100

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**").

As at 31 December 2016, the Exchangeable Notes Proceeds have been fully utilised as follows:

	Amount allocated US$'000	Amount utilised US$'000	Balance US$'000
Research and development	450	450	–
General working capital purposes [(3)]	1,360	1,360	–
Total	1,810	1,810	–

(3) The general working capital of US$1.36 million were used mainly for payment of salaries and wages.

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

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable. The Group only has one reportable operating segment, which is development and sales of medical devices and hence, there was no presentation of the Group's segmented revenue and results in the Group's most recent annual financial statements.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments

Please refer to Paragraph 8 for analysis of revenue for FY2016, as contributed by the medical devices segment.
The medical devices segment recorded a loss before income tax of US$12.0 million in FY2016 as compared to US$53.1 million in FY2015 due to the reasons highlighted in Paragraph 8.

17. A breakdown of sales

	Group		
	Year ended		
	31 December 2016	31 December 2015	Increase/(Decrease)
	US$'000	US$'000	%
(a) Sales reported for the first half year	5,912	6,610	(10.6)%
(b) Operating profit/(loss) after tax before deducting minority interests reported for first half year	8,411	(11,977)	NM
(c) Sales reported for the second half year	4,733	5,825	(18.7)%
(d) Operating loss after tax before deducting minority interests reported for second half year	(20,389)	(41,073)	(50.4)%

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable. No dividend has been declared or recommended for the financial years ended 31 December 2016 and 31 December 2015.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(10) of the Listing Manual Section B: Rules of Catalist of the SGX-ST, none of the employees occupying managerial positions in QT Vascular Ltd. (the "Company") or any of its principal subsidiaries are relatives of the Directors or Chief Executive Officer or Substantial Shareholders of the Company.

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
28 February 2017