

Unaudited Financial Statements Announcement for the first quarter/three months ended 31/3/2019

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		
	31/3/2019	31/3/2018	Change
	US\$'000	US\$'000	
Revenue	2,077	3,000	(30.8)%
Cost of sales	(2,057)	(2,194)	(6.2)%
Gross profit	20	806	(97.5)%
Sales and marketing	(104)	(1,100)	(90.5)%
Administrative expenses	(1,120)	(1,408)	(20.5)%
Research and development expenses	(2,158)	(1,678)	28.6%
Other income	3	27,746	(99.9)%
Other expenses	(1)	(102)	(99.4)%
Results from operating activities	(3,360)	24,264	NM
Finance income	2	527	(99.6)%
Finance costs	(60)	(156)	(61.5)%
Net finance costs	(58)	371	NM
(Loss)/Profit before tax	(3,418)	24,635	NM
Tax expense*	-	(2)	(100)%
(Loss)/Profit for the period	(3,418)	24,633	NM
Other comprehensive (loss)/income			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	99	(298)	NM
Total comprehensive (loss)/income for the period	(3,319)	24,335	NM
(Loss)/Profit attributable to:			
Owners of the Company	(3,418)	24,633	NM
(Loss)/Profit for the period	(3,418)	24,633	NM
Total comprehensive (loss)/income attributable to:			
Owners of the Company	(3,319)	24,335	NM
Total comprehensive (loss)/income for the period	(3,319)	24,335	NM

NM denotes not meaningful

* The tax expense of the Group is pending the assessment of corporate tax which is determined on an annual basis.

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

	Group (First Quarter)		
	3 months ended		
	31/3/2019 US\$'000	31/3/2018 US\$'000	Change
Depreciation of property, plant and equipment	(39)	(86)	(54.7)%
Amortisation of intangible assets	(63)	(245)	(74.3)%
Exchange (loss)/gain	(53)	527	NM
Equity-settled share based payment transactions	-	(103)	(100)%
Interest expense	(9)	(156)	(94.2)%

1(b)(i) STATEMENTS OF FINANCIAL POSITION

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	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
	US\$'000	US\$'000	US\$'000	US\$'000
Assets:				
Property, plant and equipment	151	176	–	–
Intangible assets	8,481	8,545	40	40
Investment in subsidiaries	–	–	125,442	121,936
Other investment	255	255	255	255
Other non-current assets	81	480	–	400
Right-of-use assets	558	–	–	–
Non-current assets	9,526	9,456	125,737	122,631
Inventories	970	1,200	–	–
Trade and other receivables	3,221	2,840	1,389	1,367
Cash and cash equivalents	8,140	10,766	7,328	10,335
Current assets	12,332	14,806	8,717	11,702
Total assets	21,858	24,262	134,454	134,333
Equity:				
Share capital	172,776	172,776	172,776	172,776
Reserves	4,093	3,994	(28,871)	(29,434)
Accumulated losses	(162,492)	(159,074)	(46,000)	(45,463)
Total equity	14,377	17,696	97,905	97,879
Liabilities:				
Trade and other payables	66	66	33,219	33,148
Lease liabilities	330	–	–	–
Non-current liabilities	396	66	33,219	33,148
Loans and borrowings	2,403	2,389	2,403	2,389
Trade and other payables	4,446	4,111	927	917
Lease liabilities	236	–	–	–
Current liabilities	7,085	6,500	3,330	3,306
Total liabilities	7,481	6,566	36,549	36,454
Total equity and liabilities	21,858	24,262	134,454	134,333

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

	Secured		Unsecured	
	31 March	31 December	31 March	31 December
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable within one year or less or on demand:				
Loans and borrowings	-	-	2,403	2,389

	Secured		Unsecured	
	31 March	31 December	31 March	31 December
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable after one year:				
Loans and borrowings	-	-	-	-

Details of any collateral

Not applicable.

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	
		31/3/2019 US\$'000	31/3/2018 US\$'000
Cash flows from operating activities			
Receipts from customers		2,014	3,699
Payments to suppliers and employees		(5,011)	(16,778)
		(2,997)	(13,079)
Interests and withholding taxes paid for borrowings		–	(1,490)
Total net cash used in operating activities		(2,997)	(14,569)
Cash flows from investing activities			
Purchase of plant and equipment		(13)	(31)
Cash receipts from disposal of assets to Medtronic, Inc.		400	26,800
Total net cash from investing activities		387	26,769
Cash flows from financing activities			
Proceeds from short-term loans		–	453
Repayment of convertible notes		–	(4,293)
Repayment of loans		–	(3,483)
Proceeds from issuance of shares		–	775
Payment of lease liabilities		(65)	–
Total net cash used in financing activities		(65)	(6,548)
Net (decrease)/increase in cash and cash equivalents		(2,675)	5,652
Effect of exchange rate changes on cash and cash equivalents		49	(96)
Cash and cash equivalents at beginning of year		10,766	347
Cash and cash equivalents at end of year	1	8,140	5,903

Following the completion of the sale of Chocolate® PTA balloon catheter to Medtronic, Inc. (“Medtronic”) in January 2018, the Group made the following payments with the proceeds received which are included in cash flows from operating activities:

	Group 3 months ended	
	31/3/2019 US\$'000	31/3/2018 US\$'000
Payment for settlement of litigation with AngioScore, Inc.	–	(4,250)
Payment for legal expenses in relation to litigation with AngioScore, Inc.	–	(4,217)
Refund of advance receipts from Century Medical, Inc.	–	(1,355)
Payments to Cordis, Inc. for re-purchase of inventory	–	(348)
	–	(10,170)

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

Note:

(1) Cash and cash equivalents consists of:

	Group	
	31 March	31 March
	2019	2018
	US\$'000	US\$'000
Bank balances	8,083	4,607
Restricted cash	–	1,250
Deposits pledged	57	46
Total cash and cash equivalents	<u>8,140</u>	<u>5,903</u>

1(d)(i) 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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

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 January 2018	171,216	(1,385)	(77)	(3,440)	8,752	(188,646)	(13,580)
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	24,633	24,633
Other comprehensive income							
Foreign currency translation differences	-	-	-	(298)	-	-	(298)
Total comprehensive income for the period	-	-	-	(298)	-	24,633	24,335
Contributions by and distributions to owners							
Shares issued pursuant to capital commitment agreement with GEM Global (as defined herein)	1,105	-	-	-	-	-	1,105
Share-based payment transactions	-	-	-	-	103	-	103
Total contributions by owners	1,105	-	-	-	103	-	1,208
At 31 March 2018	172,321	(1,385)	(77)	(3,738)	8,855	(164,013)	11,963
At 1 January 2019	172,776	(1,385)	(77)	(3,739)	9,195	(159,074)	17,696
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	-	(3,418)	(3,418)
Other comprehensive loss							
Foreign currency translation differences	-	-	-	99	-	-	99
Total comprehensive loss for the period	-	-	-	99	-	(3,418)	(3,319)
At 31 March 2019	172,776	(1,385)	(77)	(3,640)	9,195	(162,492)	14,377

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

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 January 2018	171,216	(32,390)	(77)	(4,179)	8,752	(44,666)	98,656
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	-	(1,538)	(1,538)
Other comprehensive income							
Foreign currency translation differences	-	-	-	1,949	-	-	1,949
Total comprehensive income for the period	-	-	-	1,949	-	(1,538)	411
Contributions by and distributions to owners							
Shares issued pursuant to capital commitment agreement with GEM Global (as defined herein)	1,105	-	-	-	-	-	1,105
Share-based payment transactions	-	-	-	-	103	-	103
Total contributions by owners	1,105	-	-	-	103	-	1,208
At 31 March 2018	172,321	(32,390)	(77)	(2,230)	8,855	(46,204)	100,275
At 1 January 2019	172,776	(32,390)	(77)	(6,162)	9,195	(45,463)	97,879
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	-	(537)	(537)
Other comprehensive income							
Foreign currency translation differences	-	-	-	563	-	-	563
Total comprehensive income for the period	-	-	-	563	-	(537)	26
At 31 March 2019	172,776	(32,390)	(77)	(5,599)	9,195	(46,000)	97,905

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 buy-backs, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 as at 31 March 2019 are as follows:

	Number of ordinary shares	Issued and paid-up share capital US\$'000
Balance at 31 December 2018 and 31 March 2019	2,092,632,446	172,776

Treasury Shares and Subsidiary Holdings

The Company did not have any treasury shares and there were no subsidiary holdings as at 31 March 2019 and 31 March 2018.

Outstanding Convertibles

Save as disclosed below, there were no outstanding convertibles held by the Company as at 31 March 2019 and 31 March 2018.

	As at 31 March 2019	As at 31 March 2018
(A) Options¹		
Number of unexercised Options	95,950,003	103,392,347
Maximum number of shares that may be issued on exercise of all unexercised Options ("Maximum Issuable Option Shares")	95,950,003	103,392,347
Maximum Issuable Option Shares as a % of Company's issued share capital as at the end of the respective financial periods	4.6%	5.1%

	As at 31 March 2019	As at 31 March 2018
(B) Share Awards²		
Number of Share Awards granted but not yet vested ("Unvested Share Awards")	7,692,767	15,380,576
Total number of shares which are the subject of Unvested Share Awards ("Maximum Issuable Awards Shares")	7,692,767	15,380,576
Maximum Issuable Awards Shares as a % of Company's issued share capital as at the end of the respective financial periods	0.37%	0.76%
(C) Warrants³		
Number of unexercised Warrants	35,000,000	35,000,000
Maximum number of shares that may be issued on exercise of all unexercised Warrants ("Maximum Issuable Warrants Shares")	35,000,000	35,000,000
Maximum Issuable Warrants Shares as a % of Company's issued share capital as at the end of the respective financial periods	1.67%	1.74%
Maximum number of Shares that may be issued on conversion of all Outstanding Convertibles ("Maximum Issuable Shares")	138,642,770	153,772,923
Maximum Issuable Shares as a % of Company's issued share capital as at the end of the respective financial periods	6.6%	7.6%

Notes:

1. Options issued under the following share plans:
 - i. 2005 Stock Plan of TriReme Medical, LLC, a wholly owned subsidiary of the Group (**"2005 Stock Plan"**).
 - ii. 2010 Equity Incentive Plan of Quattro Vascular Pte. Ltd., a wholly owned subsidiary of the Group (**"2010 Equity Incentive Plan"**).
 - iii. 2013 QTV Share Plan.
 - iv. 2014 QTV Employee Share Option Scheme.

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"**) after the close of placement of shares in relation to its IPO on 25 April 2014.

2. Share awards granted under the QT Vascular Restricted Share Plan 2015.

3. Unlisted warrants issued to GEM Global Yield Fund LLC SCS (“**GEM Global**”) on 4 May 2017 (“**Warrants**”). Each Warrant carry the right to subscribe for 1 new Share at an exercise price of S\$0.10 for each new Share.

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 2,092,632,446 as at 31 March 2019 and as at 31 December 2018.

The Company held no treasury shares as at 31 March 2019 and 31 December 2018.

1(d)(iv) TREASURY SHARES

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

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

1(d)(v) SUBSIDIARY HOLDINGS

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

Not applicable. There were no subsidiary holdings 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.**

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current financial period as those in the most recently audited consolidated financial statements for the year ended 31 December 2018 as well as all applicable Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) that become effective for financial year beginning on or after 1 January 2019. The adoption of these standards did not result in substantial changes to the Group’s accounting policies, and there is no material impact to the Group’s consolidated financial statements, except as disclosed in paragraph 5 below.

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.**

SFRS(I)16 Leases

SFRS(I)16 Leases requires lessees to recognise most leases on balance sheets. SFRS(I) 16 requires recognition of a liability for lease payments (i.e. lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset) at the commencement date of the lease. Lessees are required to separately recognise the interest expense on the lease liability and depreciation expense on the right-of-use asset during the lease term.

Prior to adoption of SFRS(I) 16, the Group recognises lease payments as rental expenses for its leases previously classified as operating leases.

On the required effective date of SFRS(I)16, the Group and the Company adopted SFRS(I) 16 retrospectively. Accordingly, the Group recognised right-of-use asset and lease liability of US\$0.6 million and US\$0.6 million, respectively, on its statement of financial position as at 1 January 2019 upon the adoption of SFRS(I) 16.

6. **(LOSSES)/EARNINGS PER SHARE**

(Losses)/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 31/3/2019 Basic and diluted ⁽¹⁾	3 months ended 31/3/2018 Basic and diluted ⁽²⁾
(Loss)/Profit for the year attributable to owners of the Company (US\$'000)	(3,418)	24,633
Weighted average number of ordinary shares ('000) used to compute:		
- Basic (loss)/earnings per share	2,092,632	1,956,772
- Diluted (loss)/earnings per share	2,092,632	1,962,609
(Loss)/Earnings per share (US\$)		
- Based on the weighted average number of ordinary shares	(0.002)	0.013
- On a fully diluted basis	(0.002)	0.013

Notes:

- (1) As at 31 March 2019, 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.

- (2) As at 31 March 2018, there were 12,200,000 share options which are available for conversion to ordinary shares 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.

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	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
	US\$	US\$	US\$	US\$
Net asset value per ordinary share ^{(1), (2)}	0.007	0.008	0.047	0.047

Notes:

- (1) The net asset value per ordinary share of the Group is calculated based on net asset of US\$14.4 million as at 31 March 2019 (31 December 2018: net assets of US\$17.7 million). The net asset value per ordinary share of the Company is calculated based on net assets of US\$97.9 million as at 31 March 2019 (31 December 2018: US\$97.9 million).
- (2) For both the Group and the Company, the net asset value per ordinary share were calculated based on 2,092,632,446 ordinary shares in issue as at 31 March 2019 and 31 December 2018.

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 31 March 2019 compared to the three months ended 31 March 2018

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 31 March 2019 (“1Q2019”) and for the three months ended 31 March 2018 (“1Q2018”) are presented below:

	1Q2019		1Q2018	
	US\$'000	%	US\$'000	%
United States	1,997	96.1	2,920	97.3
Europe	80	3.9	77	2.6
Asia Pacific	-	-	3	0.1
	2,077	100.0	3,000	100.0

Our revenue decreased by US\$0.9 million, or 30.8%, from US\$3.0 million in 1Q2018 to US\$2.1 million in 1Q2019, mainly due to the (i) decrease in revenue generated from per unit sales of our non-drug coated peripheral product, Chocolate® PTA and non-drug coated coronary product, Chocolate XD™ following the completion of the respective asset sales in January 2018 to Medtronic and in June 2018 to Teleflex, Inc. (“Teleflex”) (collectively, “Sales”) and (ii) no direct sales of non-drug coated peripheral products and coronary products in 1Q2019 following the completion of the Sales. Such revenue generated from Medtronic and Teleflex in 1Q2019 is in relation to the product manufacturing and supply agreement, which forms part of the Sales. In 1Q2018, the revenue from sale of Chocolate® PTA to Medtronic was pursuant to a distribution agreement and revenue from sale of Chocolate XD™ was by our direct sales team.

Cost of sales decreased by US\$0.1 million, or 6.2%, from US\$2.2 million in 1Q2018 to US\$2.1 million in 1Q2019 was mainly due to the decrease in amortisation expenses of intangible assets.

As a result of the above, our Group recorded a gross profit of US\$20,000 or 1.0% of revenue in 1Q2019 as compared to a gross profit of US\$0.8 million or 26.9% of revenue in 1Q2018.

In 1Q2019, the Group’s loss before taxation was US\$3.4 million as compared to a profit before tax of US\$24.6 million in 1Q2018. The analysis of the loss before taxation are as follows:

- Our sales and marketing expenses decreased by US\$1.0 million in 1Q2019 mainly due to the cessation of the sales and marketing team since July 2018 following the completion of the Teleflex asset sale transaction in June 2018.
- Our administrative expenses decreased to US\$1.1 million in 1Q2019 mainly due to lower headcount and reduction in overall spending due to progressive cost cutting measures implemented since FY2017.
- Our research and development expenses increased to US\$2.2 million due to the increase in clinical sites and number of patients enrolled for the clinical trials of the Group’s drug-coated peripheral Chocolate® (i.e. Chocolate Touch®).

- The other income of US\$27.7 million recorded in 1Q2018 was mainly due to the recorded one-off gain arising from the completion of the sale of Chocolate® PTA to Medtronic in January 2018. There were no such income recorded in 1Q2019.
- We were in a net finance cost position of US\$0.1 million in 1Q2019, as compared to a net finance income position of US\$0.4 million in 1Q2018 mainly due to a decrease in interest expenses to US\$9,000 in 1Q2019 (1Q2018: US\$0.2 million) mainly due to the settlement of a majority of the convertible and exchangeable notes as well as short term loans. The net finance cost position in 1Q2019 was also due to the foreign exchange loss of US\$0.1 million (1Q2018: US\$0.5 million foreign exchange gain) pursuant to exchange rate changes between the Singapore dollar and United States dollar.
- Amortisation of intangible assets decreased by US\$182,000, or 74.3% from US\$245,000 in 1Q2018 to US\$63,000 in 1Q2019 following a review of the useful life of the Group's intangible assets in FY2018.
- Depreciation of plant and equipment decreased by US\$47,000, or 54.7% from US\$86,000 in 1Q2018 to US\$39,000 in 1Q2019 as more of the Group's assets were fully depreciated in the prior year.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March 2019 US\$'000	As at 31 December 2018 US\$'000	Change
Non-current assets	9,526	9,456	0.7%
Current assets	12,332	14,806	(16.7)%
Total assets	<u>21,858</u>	<u>24,262</u>	(9.9)%
Total equity	14,377	17,696	(18.8)%
Non-current liabilities	396	66	>100%
Current liabilities	7,085	6,500	9.0%
Total liabilities	<u>7,481</u>	<u>6,566</u>	13.9%

Our non-current assets increased by US\$70,000 mainly due to the recognition of the right-of-use assets in relation to the Group's office rental leases of US\$558,000 following the adoption of the new accounting standard on leases highlighted in paragraph 5. The increase in non-current assets is partially offset by the (i) decrease in plant and equipment of US\$25,000 due to depreciation expenses recognised and intangible assets of US\$64,000 due to recognition of amortisation expenses, and (ii) reclassification from other non-current assets to trade and other receivables of US\$400,000 as the asset sale milestone payment due from Medtronic will be receivable within 12 months as at 31 March 2019.

Our current assets decreased by US\$2.5 million mainly due to the decrease in (i) cash and cash equivalents of US\$2.6 million due to utilisation of cash for working capital purposes and (ii) lower inventory balances of US\$0.2 million due to utilisation of inventories for production. The decrease in current assets is partially offset by the above-mentioned

reclassification of asset sale milestone payment receivable from Medtronic of US\$0.4 million.

Our non-current liabilities increased by US\$330,000 due to the recognition of lease liabilities in relation to the Group's office rental leases following the adoption of the new accounting standard on leases highlighted in paragraph 5.

Our current liabilities increased by US\$0.6 million mainly due to the (i) increase in trade payables and accrued expenses of US\$0.3 million and (ii) recognition of lease liabilities in relation to the Group's office rental leases of US\$0.2 million following the adoption of the new accounting standard on leases highlighted in paragraph 5.

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash Flow Analysis 1Q2019

The Group recorded cash outflows from operating activities of US\$3.0 million in 1Q2019 due mainly to payments made to our suppliers of US\$3.5 million and for operating costs of US\$1.5 million. The cash outflows from operating activities is partially offset by the receipts from Medtronic and Teleflex for the sale of products amounting to US\$2.0 million.

Net cash inflow from investing activities for 1Q2019 of US\$0.4 million is mainly due to the partial release of the escrowed balance by Medtronic from the asset sale transaction of US\$0.4 million.

Net cash outflow from financing activities for 1Q2019 was US\$65,000 which is in relation to the lease payments made during the quarter to third party lessors.

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.

The Company also made progress on several of our critical development programs. We have progressed well with our enrolment goals for our United States pivotal study of the Drug Coated Chocolate Touch® Balloon (the "**Study**"). We expect this will be further boosted by the addition of atherectomy to the Study which will also be beneficial to the Study and will have important implications on the use of the device after approval from the United States Food and Drug Administration ("**FDA**"). This is the 4th such device to receive such approval by the FDA, and represents highly differentiated technology versus all other approved conventional drug-coated balloons ("**DCB**"). In keeping with our commitment to proving the clinical value of our technology, we are currently in the early

stages of submitting an application to FDA for the commencement of the pivotal clinical trial for Chocolate Heart™.

At the end of 2018, Katsanos et al¹ published a review and meta-analysis of paclitaxel-coated balloons and stents, suggesting an increased risk of mortality due to paclitaxel exposure. In response, FDA issued a January 2019 letter² stating that “the FDA believes that the benefits continue to outweigh the risks for approved paclitaxel-coated balloons”. Experts from professional societies concluded that there is no mechanistic explanation for the findings and that patient-level data is required. Patient-level data analysis showed no impact on mortality rates due to paclitaxel exposure. These findings by leading key opinion leaders are reflected in a recent publication by Schneider et al³. As previously announced, on 25 March 2019, FDA issued a letter to healthcare providers about the potential for increased long-term mortality after use of paclitaxel-coated balloons and paclitaxel-eluting stents to treat peripheral arterial disease in the femoropopliteal artery.

While FDA letter provides recommendations regarding the use of commercially distributed paclitaxel-coated products it does not reference ongoing clinical trials. The Company has contacted FDA, obtained general feedback regarding how the updated safety communication applies to ongoing clinical trials and is working to update the clinical study protocol and other documents to reflect FDA recommendations.

Both the coronary and peripheral vascular markets continue to offer significant opportunity for new devices that will treat complex disease better than existing therapies. These are the segments which offer the greatest value potential for Chocolate Touch® and Chocolate Heart™ technologies. Specifically, recent market research report suggests that the DCB market will continue to grow at an annual rate of 18.2% in the next seven years overtaking other traditional therapies⁴. This report suggests that Medtronic is the global market share leader in the peripheral DCB market followed by BDX-Lutonix who has 25% to 30% market share. The Group clinical study is a randomized, head-to-head study comparing Chocolate Touch® to Lutonix.

The Company had on 25 June 2018 completed the sale of the Group’s non-coated coronary products for S\$26.3 million to Teleflex under the asset purchase and option agreement (“APOA”) dated 28 May 2018. Under the APOA, Teleflex has an option to acquire Chocolate Heart™ for S\$65.6 million which is exercisable upon the receipt of a premarket approval from the FDA. The Company is currently in the early stages of submitting an application to the FDA for the commencement of the pivotal clinical trial for Chocolate Heart™. The Company will update shareholders via SGXNET as and when there are any material developments on the aforementioned.

The Company plans to, *inter alia*, create a pipeline of new product initiatives to be developed and sold. The Company continues to actively explore various strategic options

¹ Katsanos K, Spiliopoulos S, Kitrou P, Krokidis M, Karnabatidis D. Risk of Death Following Application of Paclitaxel-Coated Balloons and Stents in the Femoropopliteal Artery of the Leg: A Systematic Review and Meta-Analysis of Randomized Controlled Trials. JAMA. 2018; 7(24):

² <https://www.fda.gov/MedicalDevices/Safety/LetterstoHealthCareProviders/ucm629589.htm>, accessed 25 January 2019.

³ Peter A. Schneider, MD, John R. Laird, MD, Gheorghe Doros, PhD, Qi Gao, MS, Gary Ansel, MD, Marianne Brodmann, MD, Antonio Micari, MD, PhD, Mehdi H. Shishehbor, DO, MPH, PhD, Gunnar Tepe, MD, Thomas Zeller, MD, PhD. Mortality Not Correlated with Paclitaxel Exposure: An Independent Patient-level Meta-Analysis. Journal of the American College of Cardiology

⁴ Transparency Market Research, Drug Coated Balloons Market, October 2018

including, investments, mergers, acquisitions, disposals, joint ventures and fund-raising activities to optimise and/or unlock value for shareholders.

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 AND THE REASON(S) FOR THE DECISION

No dividends have been declared or recommended for the current reporting period as the Company wishes to retain the available funds for its working capital.

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. QUARTERLY UPDATES TO GEM GLOBAL CAPITAL COMMITMENT AGREEMENT

(A) USE OF GEM GLOBAL PROCEEDS

On 21 March 2017, the Company announced that it had entered into a capital commitment agreement with GEM Global (“**Capital Commitment Agreement**”) to subscribe up to S\$10 million in value or 178 million of new ordinary shares. On 1 December 2017, the Company received a listing and quotation notice from SGX-ST for an additional 178,000,000 new ordinary shares which revises the number of shares issuable under the Capital Commitment Agreement to 356,000,000 new ordinary shares.

As at the date of this announcement, GEM Global has subscribed a total of S\$4,683,993 in value of new ordinary shares (“**Drawdown Shares**”). After deducting the commitment fee of S\$225,000 incurred by the Company in connection with the Capital Commitment Agreement, the net proceeds received was S\$4,458,993 (“**Net Proceeds**”).

As at the date of this announcement, the Net Proceeds have been utilised as follows:

	Allocation of total amount S\$'000	Allocation of Net Proceeds received S\$'000	Amount utilised S\$'000	Balance S\$'000
General working capital purposes ⁽¹⁾	9,725	4,459	(4,459)	5,266
Total	9,725 ^{(A),(B)}	4,459	(4,459)	5,266

(A) Includes a reduction of S\$225,000 in expenses from the expected capital commitment of S\$10 million.

(B) Pursuant to the re-allocation of S\$6.0 million or 61.7% of the net proceeds from the Capital Commitment Agreement initially intended for “Settlement of Borrowings” to “General working capital purposes” as announced on 22 November 2017.

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

	S\$'000
Payment of salaries and wages	1,951
Payment to suppliers	2,508
Total	4,459

The above utilisation is in accordance with the intended use of the Net Proceeds, as stated in the Company’s announcement dated 22 November 2017.

(B) ISSUANCE OF DRAWDOWN SHARES

Since the last quarterly update and up to the date of this announcement, the Company did not issue any Shares to GEM Global pursuant to the Capital Commitment Agreement. The Company had on 25 July 2018 announced *inter alia* that it does not intend to utilise the remaining capital commitment available under the Capital Commitment Agreement.

(C) ISSUANCE OF WARRANT SHARES

As at 31 March 2019, GEM Global has not exercised any Warrants, and accordingly the Company has not issued any Warrant Shares. The exercise price of each Warrant is fixed at S\$0.10 per Share.

14. 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 31 March 2019 to be false or misleading in any material aspect.

15. 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
14 May 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST 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 Ms. Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).