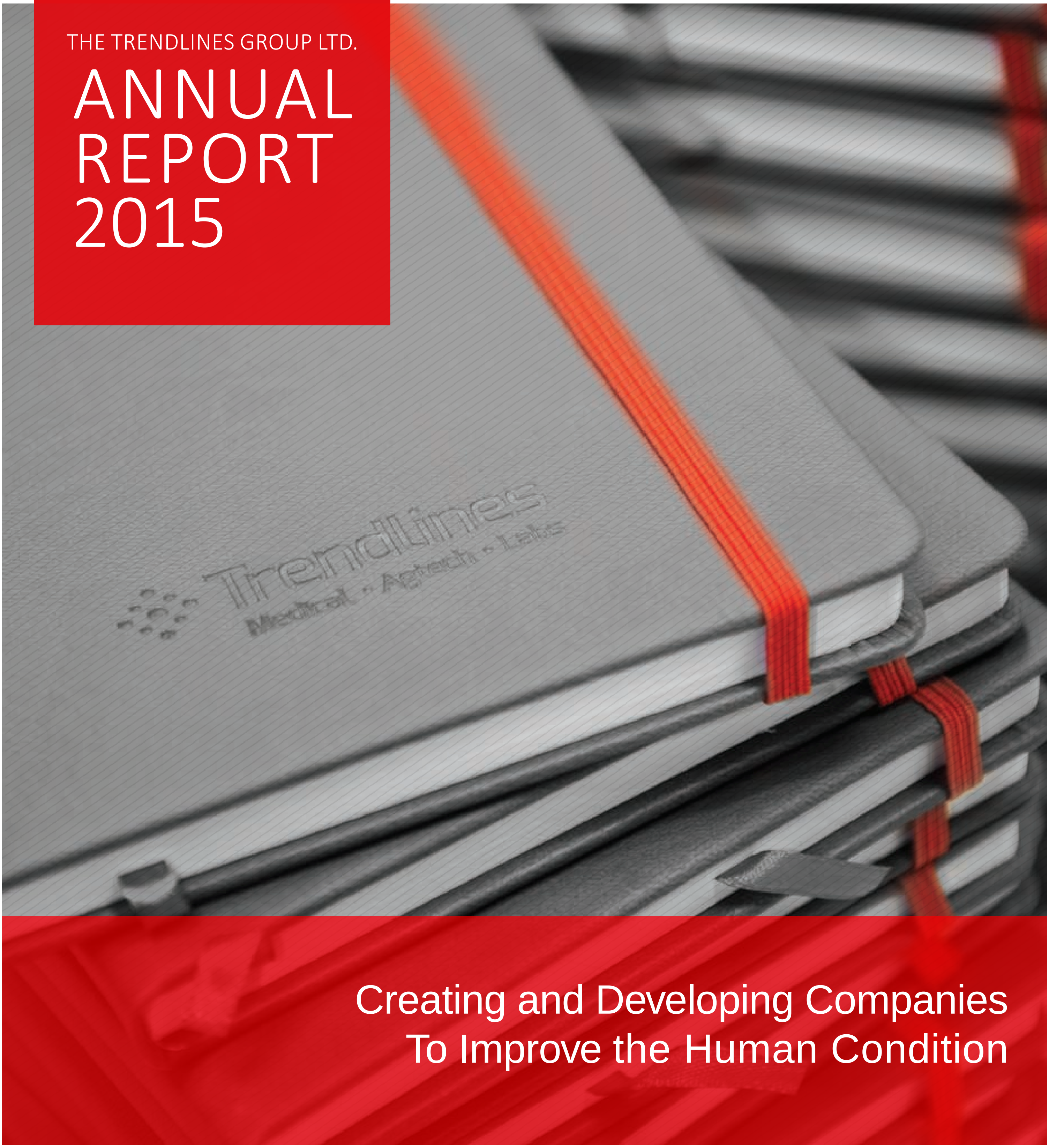
THE TRENDLINES GROUP LTD.

ANNUAL REPORT 2015



Creating and Developing Companies
To Improve the Human Condition

Trendlines
Medical • Agtech • Labs

Contents

The Trendlines Group Ltd. (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 26 November 2015. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

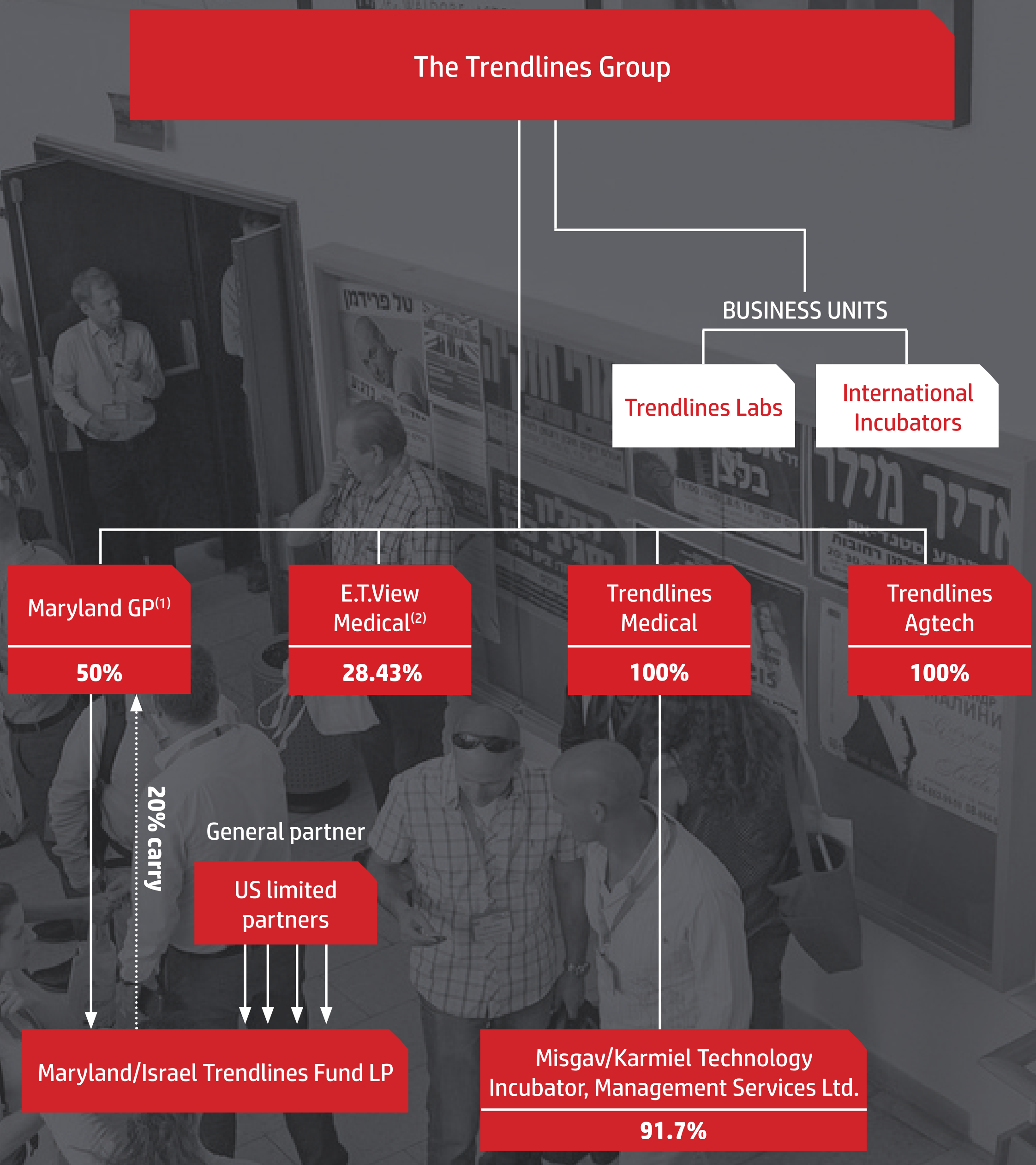
This annual report has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist.

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

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.

Group Structure

Our corporate structure as at 2 March 2016



(1) Maryland/Israel Trendlines Fund GP LLC ("Maryland GP") is a Maryland limited liability company which is the general partner of Maryland/Israel Trendlines Fund L.P. ("M/ITF"), a Maryland limited partnership which is a Shareholder of our Company and has invested in certain of our portfolio companies. The remaining 50% shareholding in Maryland GP is held by Maryland/Israel Development Corporation, an Unrelated Third Party.

In its capacity as the general partner of M/ITF, Maryland GP is entitled to receive 20% of distributions (cash or property) made by M/ITF as carried interest ("20% Carry"), after all the limited partners in M/ITF have received in aggregate distributions equal to their capital contributions to M/ITF.

(2) E.T.View Medical Ltd. ("E.T.View Medical") is a publicly traded company on the Tel-Aviv Stock Exchange ("TASE") and the remaining shareholders are its management, employees and public shareholders. Our Company and two (2) of our Subsidiaries, Trendlines Medical and Misgav/Karmiel, hold approximately 15.27%, 13.11% and 0.05% of E.T.View Medical, respectively, such that the aggregate equity interest held by our Group is approximately 28.43%.

Corporate Profile

The Trendlines Group Ltd. ("Trendlines" or the "Group" or the "Company") invests in and develops technology-based companies in the medical and agricultural fields. We create and develop companies in accordance with our mission to improve the human condition, discovering, investing in, incubating, and providing extensive support to our life sciences portfolio companies.

From the time of our initial investment, we are intensely involved in our portfolio companies, supporting technology development, business development and building, research and development ("R&D"), market and commercialisation strategy, funding strategy, finance and marketing communications.

We create and develop medical and agricultural technology companies with a view towards successful exits in the marketplace. Exits may take the form of merger and acquisition transactions, listing on public stock exchanges and other dispositions of our holdings.

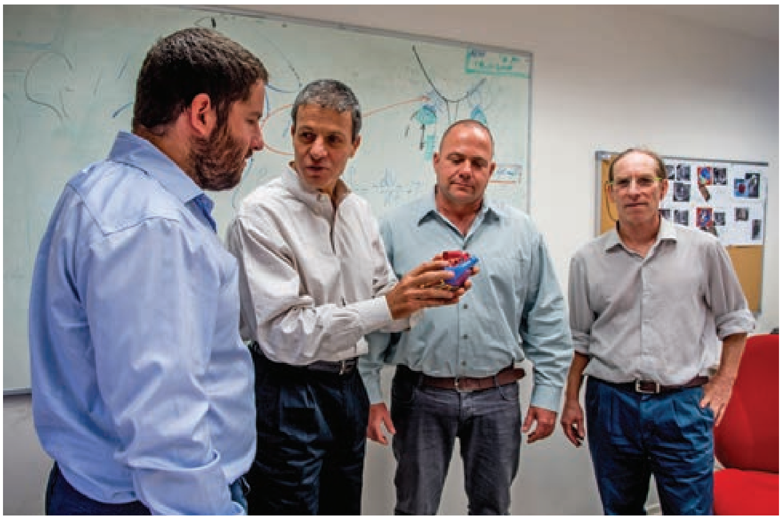
We operate principally through our two operating subsidiaries, namely, Trendlines Medical – Misgav Ltd. ("Trendlines Medical") and Trendlines Agtech – Mofet Ltd. ("Trendlines Agtech"), and through our own internal innovation centre, Trendlines Labs.

Trendlines Medical is a technology incubator that was established in 1995, and which we acquired control of in 2007. Trendlines Medical focuses on the discovery and development of novel and disruptive medical devices and technologies.

Trendlines Agtech is a technology incubator that was established in 1992, and which we acquired control of in 2007. In 2011, we focused Trendlines Agtech on the discovery and development of new agricultural and food technologies to address a wide range of agricultural needs, in particular, increasing food yields and reducing costs, with an emphasis on sustainability.

We established Trendlines Labs as a business unit of our Group in 2011 to invent and develop technologies — either as principal or in collaboration with global and local companies and partners — to address unmet market needs. The technologies may be sold or licensed to others, or transferred to our incubators for further development and commercialisation.

We are exploring cooperation opportunities through joint ventures, partnerships, or the formation of strategic alliances, with parties that are interested in establishing incubators together with us in various countries, including Germany, Singapore and China. We intend to set up an incubator in Singapore in 2016. As of the date of this annual report, we have not entered into any legally binding agreements.



Our Strengths

We believe these five strengths have allowed us to become a leading investor and innovator of early-stage medical and agricultural technologies.

1. Extensive Network of Relationships

We have cultivated an extensive global network of entrepreneurs, inventors, technology transfer organisations, lawyers and patent specialists, accountants and investment bankers, venture capitalists and commercial enterprises in the medical and agricultural technologies markets. Through these relationships, we generate quality deal flow that helps us make informed investment decisions and establishes potential pathways to exits.

2. Physical Facilities and Intensive Support Provided to Portfolio Companies

In addition to human capital, we provide our portfolio companies, either on our own or through third-party providers, R&D support, business development support, administrative support, including physical facilities and legal and financial services. We believe this intense support allows our portfolio companies to focus on developing their product or technology and market, thereby reducing risk and increasing the chances of success.

3. Strong Management Team and Track Record

We have assembled a team that understands global markets and possesses the ability to bridge cultures to build businesses. Our management team has decades of experience in creating, investing in and developing companies to exit. Our Chairmen and Chief Executive Officers ("CEOs"), Mr. Stephen (Steve) Louis Rhodes and Mr. David Todd (Todd) Dollinger, were both born and educated in the United States and have lived in Israel for decades. Each has over 25 years of experience in investing and business development, as well as in introducing technologies to international markets, including in North America and China. Our Executive Officers and key staff are highly skilled and hold advanced degrees in medicine, dentistry, plant genetics, electrical engineering, biomedical engineering and business administration. This strong team surrounds our portfolio companies.

4. Effective Use of Funds

We initially fund our portfolio companies with what might be considered small amounts of capital. We do this so as to be highly efficient in our use of capital. Our ability to successfully limit the amount of capital we put to work is predicated, in part, upon the fact that our portfolio companies, for at least their first two to three years of incubation, are located in our facilities and are extensively supported by our staff.

5. Strong Reputation and Brand

Our track record of successful company building and exits, events we organise and sponsor, and media attention we garner, all combine to form a strong, positive reputation for early-stage investing and business incubation. Trendlines Medical has twice been named the best incubator in Israel by the Office of the Chief Scientist of the Ministry of Economy ("OCS"), and five portfolio companies were awarded Best Start-Up of the Year by the OCS.

Chairmen's Statement

" We are the first Israeli company to trade on the Catalist and only the second Israeli company listed on the SGX. "

Dear Shareholders,

On behalf of the Board of Directors ("Board") and Management, we are pleased to present this annual report of The Trendlines Group Ltd. for the financial year ended 31 December 2015 ("FY2015"), our first annual report as a publicly traded company.

FY2015 was an exciting year for the Company. We strengthened our existing portfolio through the addition of new companies and through the intense support and development that we provide to our portfolio companies with a view to creating value for the Company and its shareholders.

- Total assets increased by US$27.3 million to US$109.0 million. This was mainly due to the funds received from the initial public offering ("IPO") and the Pre-IPO investors; and a net increase in the value of our investments in portfolio companies.
- Fair market value of investments in portfolio companies, including the market value of a company reported under the equity method, increased for the eighth consecutive year, ending the year at US$85.8 million.
- Total income increased by approximately US$1.4 million to US$9.9 million. Net income before taxes and before impact of non-recurring, non-cash expenses related to redeemable convertible loan ("RCL") conversion discount upon IPO reached US$2.0 million.
- Net loss after income taxes and after non-recurring, non-cash expenses related to RCL conversion discount upon IPO in the amount of US$3.8 million, reached US$3.6 million.

A Year of Significant Achievements

On 26 November 2015, we became a public company, trading on the Catalist Board of the Singapore Exchange ("SGX") under the symbol SGX:42T. We are the first Israeli company to trade on the Catalist and the second Israeli company listed on the SGX.

In the third quarter of FY2015, our subsidiary Trendlines Medical competed in the competitive process for a franchise from the OCS to continue to operate as an Israeli government-licensed technology incubator. Trendlines Medical won the tender and was awarded a franchise for a period of eight years, from 1 January 2016 to 31 December 2023.

During FY2015, we established five new portfolio companies — bringing our total portfolio to 46 companies.

- Three medical companies: ElastiMed Ltd., Tandem Technologies Ltd., and Zeev Implants Ltd.
- Two agritech companies: Enolog Wise Technologies Ltd. and Neopterix Solutions Ltd.

Our portfolio companies raised more than US$10 million in follow on capital. Among the companies that had

successful raises were Catalyst AgTech Ltd., ElastiMed Ltd., Gordian Surgical Ltd., Leviticus Cardio Ltd., Sol Chip Ltd. and S.T.S. Medical Ltd. A number of companies reached major milestones such as regulatory certifications, developments towards commercialisation, successful clinical/field trials and more. At the end of FY2015, three portfolio companies had contracts with investment banks to explore possible merger and acquisition opportunities.

Strong Partnerships & Collaborations

Our business rests on strong partnerships. This year, we entered into a number of collaboration agreements.

- Trendlines and B. Braun Melsungen AG ("B. Braun"), one of the world's leading health care suppliers, signed a definitive collaboration agreement to establish mutual deal flow, identify potential new investments, explore cooperation in the establishment of accelerators and incubators in selected markets worldwide and collaborate on the development of new technologies, solutions and products in the medical field. B. Braun invested S$7.1 million in the IPO of Trendlines.

- Our Trendlines Labs unit signed a collaboration agreement with Rambam Health Care Campus, the third such agreement with a major Israeli health care organisation.

- Trendlines Labs' collaboration agreement with a global top-20 medical technology company bore fruit in 2015, with a urology product becoming the first Trendlines Labs product brought to market by a Trendlines Labs partner.

- Trendlines Agtech and Saviva Capital LLC signed a binding MOU to jointly submit an application through the OCS for the Trendlines Agtech technology incubator license. The results of the tender are expected to be published in March 2016.

Throughout the first half of FY2015, Trendlines organised and participated in five different investment events, in sponsorship or partnership with Israeli government offices, private investment funds, banks, law firms and insurance companies. These events showcase our portfolio companies to investors and industry partners and are an important part of our marketing and business development activities.

An Expanded Board of Directors

During FY2015, we added three Independent Directors to our Board: Ms. Elka Nir, Professor Hang Chang Chieh, and Mr. Stephen Philip Haslett. More information about our Board and our Independent Directors can be found in the Board of Directors section of this annual report. We would like to take this opportunity to welcome our new Directors and to wish them much success in their endeavours on behalf of the Company.

The Capital Markets

The early part of 2016 was marked by declines in many of the world's stock markets and, like many other companies, our share price was adversely affected by this general trend. We remain focused on building long-term value for our shareholders and are confident in our business and in our corporate strategy. We continue to focus on making the right investment decisions, building our companies and achieving the best possible results.

2016 and Beyond

We look forward to an eventful, active 2016, filled with opportunities and achievements.

- On 27 January 2016, we held our 6th Annual Company Showcase which was the largest yet, with over 400 participants from Israel, Singapore, Europe, China and the United States.
- We return to the 15th IATI-Biomed 2016 Conference and Exhibition in May (our 11th appearance at this annual life science event).
- In September 2016, we will organise the 4th Annual AgriVest Agritech Investment Conference.

Trendlines continues to create and develop companies to improve the human condition through strong partnerships with our entrepreneurs, inventors, investors, research institutions and industry players.

Acknowledgements and Appreciation

We would like to take this opportunity to thank our Board, Management and employees of the Company for their hard work, dedication and commitment, as well as our partners, sponsors and shareholders for their continued support of, and confidence in the Company.

David Todd Dollinger
Chairman and
Chief Executive Officer

Stephen Louis Rhodes
Chairman and
Chief Executive Officer

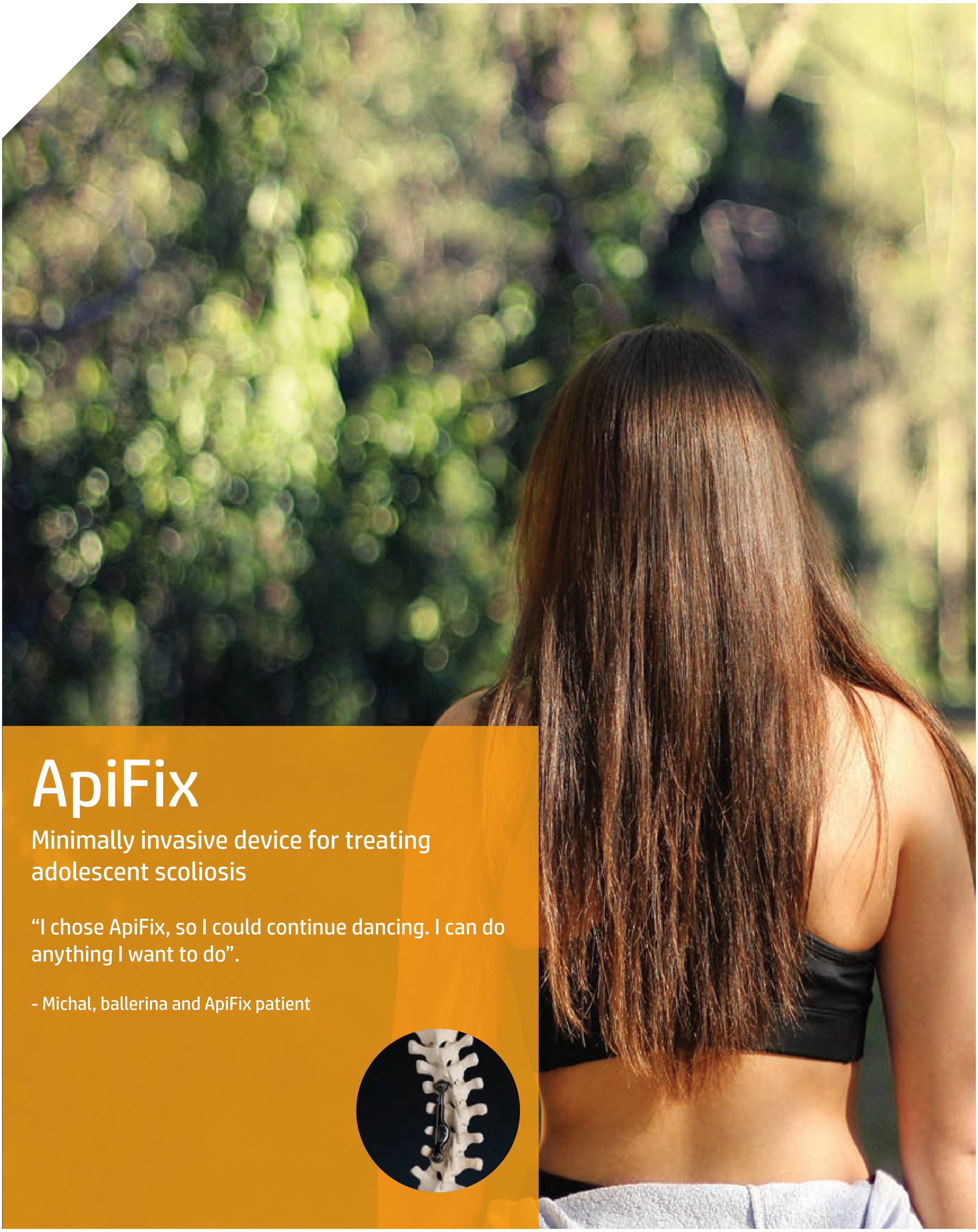
2 March 2016

MemTech

Advanced water filtration membranes

Tier 1 strategic partners: Technion-Israel Institute of Technology, Mekorot (Israel's National Water Company) and the SEB Alliance

Trendlines Portfolio Company ... Improving the Human Condition



ApiFix

Minimally invasive device for treating adolescent scoliosis

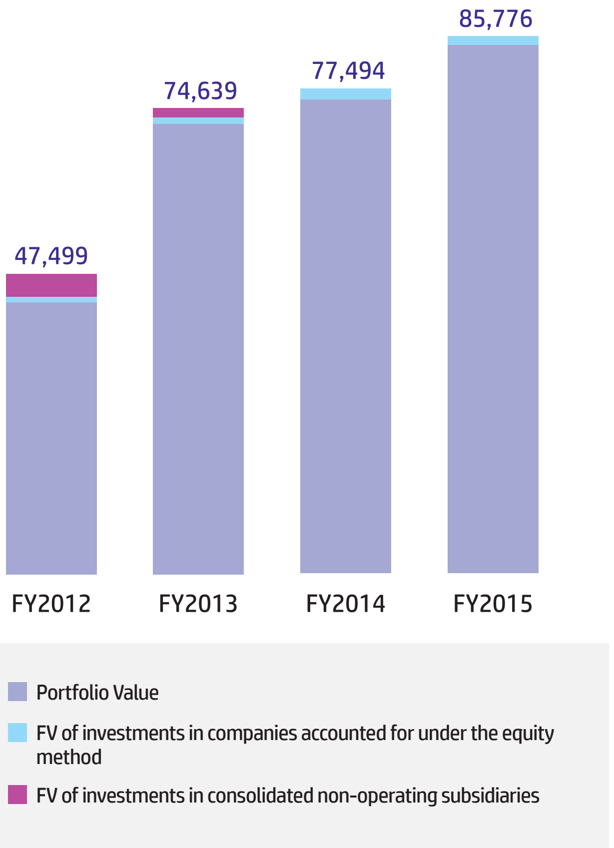
"I chose ApiFix, so I could continue dancing. I can do anything I want to do".

- Michal, ballerina and ApiFix patient

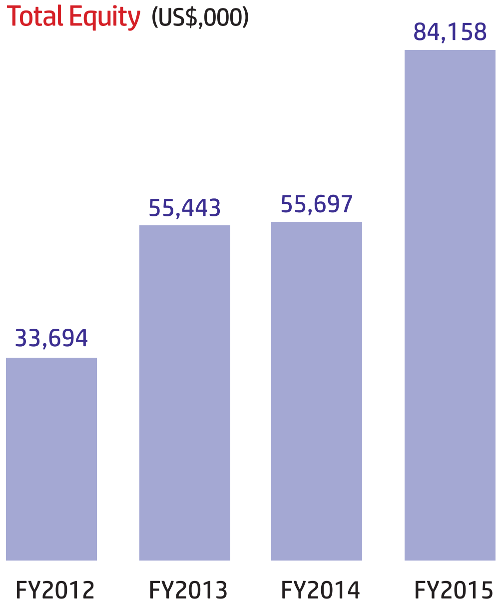
Trendlines Portfolio Company ... Improving the Human Condition

Financial Highlights

Fair Value of Portfolio Companies (US$,000)



Total Equity (US$,000)



Our 10 Most Valuable Companies

Total estimated fair market value of our 10 most valuable portfolio companies: approximately US$59.6* million, representing 69.5% of total portfolio value of approximately US$85.8* million as at 31 December 2015.

Company Name	Initial Investment	% Owned (Fully Diluted)
ApiFix Ltd.	2011	29.42
Arcuro Medical Ltd.	2013	42.59
E.T.View Medical Ltd.	2008	27.86
IonMed Ltd.	2009	28.80
Leviticus Cardio Ltd.	2010	29.27
MediValve Ltd.	2010	31.66
NeuroQuest Ltd.	2008	30.75
Omeq Medical Ltd.	2013	42.89
Stimatix GI Ltd.	2009	27.17
VivoText Ltd.	2008	26.22

* Including FV of investments in companies accounted for under the equity method in the amount of US$1,329 thousands

Financial Summary (US$,000)

	FY2012	FY2013	FY2014	FY2015
Total Portfolio Fair Value*	47,499	74,639	77,494	85,776
Total Income	13,768	29,707	8,553	9,939
Total expenses	5,158	6,798	11,408	7,938**
Income/(Loss) before non-recurring, non-cash expenses related to discount on Pre-IPO RCL upon IPO conversion	8,610	22,909	-2,855	2,001
Non-recurring, non-cash expenses related to discount on pre-IPO RCL upon IPO conversion	-	-	-	3,775
Income/(Loss) before income taxes	8,610	22,909	-2,855	-1,774
Net Income/(Loss)	5,968	16,723	-4,210	-3,568

* Including FV of investments in companies accounted for under the equity method (as described in the Company's offer document dated 16 November, 2015)

** Before non-recurring, non-cash expenses related to discount on Pre-IPO RCL upon IPO conversion

Operations Review

As an innovation commercialisation company, Trendlines invents, discovers, invests in and incubates innovation-based medical and agricultural technologies. We do this through our two Israeli government-franchised incubators, Trendlines Medical and Trendlines Agtech, and our in-house innovation centre, Trendlines Labs.

The Trendlines Portfolio

The 46 companies that made up the Trendlines portfolio (as at 31 December 2015) are developing technologies and products in the medical and agricultural technology markets. We believe substantial benefits may be derived from supporting companies at their earliest stage of growth, including higher returns and rapid growth opportunities.

The table below provides a visual representation of our business model, which illustrates the portfolio companies* that we invested in since we started operations in September 2007.

The portfolio companies are listed according to the year of our initial investment, with the earliest investments at the top, and the most recent at the bottom. The companies that are highlighted in bold are our 10 most valuable companies as at 31 December 2015.

The green columns from left to right represent our understanding of our portfolio companies' achievement of value-building milestones. We believe, as reflected in the table, that the older a company, the more likely that it will achieve significant milestones. The companies that we exited are represented in the far right of the table, listed by year of our first investment in each.

* Current portfolio companies as at 31 December 2015; 17 written-off portfolio companies and 2 companies established before September 2007 are not included. IPO indicates reverse mergers into public companies.

The Trendlines Portfolio Companies

Our portfolio companies and our corresponding equity interest are listed below:

Portfolio Company	Short Description	Outstanding Holdings (%)	Fully Diluted Holdings (%)
Advanced Mem-Tech Ltd.	Advanced water filtration membranes	29.04	15.00
ApiFix Ltd.	Minimally invasive device for treating adolescent scoliosis	31.07	29.42
Arcuro Medical Ltd.	All-suture, all-inside meniscus repair system	50.00	44.66
BioFishency Ltd.	All-in-one water treatment system for aquaculture	50.00	49.75
BioSight Ltd.	Nontoxic, anti-cancer pro-drugs	6.25	5.66
Breezy Industries Ltd.	Oral hygiene technology platform	32.92	31.25
Catalyst AgTech Ltd.	Reducing contamination from agrochemical use	69.11	64.93
CoreBone Ltd.	Bioactive coral-based bone graft material	42.45	42.45
EdenShield Ltd.	Nontoxic, odour-masking insect control solutions	41.87	36.54
ElastiMed Ltd.	Easy-to-wear compression stockings from smart materials	43.65	42.90
Endobetix Ltd.	Minimally invasive treatment of type 2 diabetes	51.01	46.38
Enolog Wise Technologies Ltd.	Automatic, real-time monitoring for improving wine quality	61.86	61.86
Escala Medical Ltd.	Nonsurgical prolapse repair device	50.00	45.77
E.T.View Medical Ltd.	Continuous airway visualisation during lung isolation procedures	27.75	28.43
Fidmi Medical Ltd.	Novel feeding device for improved nutrition delivery and quality of life	70.75	63.75
Gordian Surgical Ltd.	Novel trocar with built-in closure device	28.14	25.77
GreenSpense Ltd.	Propellant-free dispensing technology	32.61	27.08
Headway Ltd.	Computer-controlled treatment table for relief of head and neck pain	4.06	3.82
IonMed Ltd.	Surgical wound closure and healing	31.25	28.80
LapSpace Medical Ltd.	Inflatable laparoscopic retractor	66.06	55.45
Leviticus Cardio Ltd.	Wireless coplanar energy transfer for ventricular assist device	31.88	29.27
Liola Technologies Ltd.	E(x)ponential manufacturing optimiser	33.79	29.14
Magdent Ltd.	Miniature device for improving dental implant procedures	21.78	19.41
Mantissa Ltd.	Mini-radar for advanced security applications	24.47	23.11
MediValve Ltd.	Precise placement in aortic valve replacement	45.42	31.66
Metabolic Robots Feeding Solutions Ltd.	Automatic, on-demand poultry feeding system	45.00	43.41
MiRobot Ltd.	Multi-stall automatic robotic milking system	42.27	37.54
Neopterix Solutions Ltd.	Environmentally friendly solutions to control fruit flies	50.00	49.75
Nephera Ltd.	Protecting the kidneys and treating patients with acute heart failure	21.69	18.98
NeuroQuest Ltd.	Simple blood test for early diagnosis of Alzheimer's	76.09	30.75
Omeq Medical Ltd.	Smart epidural needle	44.54	41.79
OrthoSpin Ltd.	Smart external fixation system	50.00	45.27
ProArc Medical Ltd.	Minimally invasive solution for enlarged prostate	32.96	28.94
Saturas Ltd.	Stem water potential sensor for optimal irrigation	39.90	34.58
SiL Vascular Ltd.	Drug-coated, dual-balloon catheter for peripheral artery disease	45.00	36.85
Sol Chip Ltd.	Maintenance-free, everlasting solar battery	15.20	12.85
Stimatix G.I. Ltd.	Low-profile colostomy appliances	28.17	27.17
S.T.S. Medical Ltd.	Removable nasal stent following sinus surgery	40.89	35.37
Tandem Technologies Ltd.	Removal and retrieval of polyps in the colon	50.00	48.78
Valentis Nanotech Ltd.	Coating platform for food packaging, agritech and more	73.40	62.03
Vensica Medical Ltd.	Ultrasound-assisted drug-delivery catheter for the treatment of overactive bladder	50.00	47.52
ViAqua Therapeutics Ltd.	Drug delivery for aquaculture	57.00	57.00
Virentes Ltd.	Automation and innovation in plant grafting	50.00	48.50
VisiDome Ltd.	Accommodative intraocular lens	50.00	44.62
VivoText Ltd.	Expressive text to speech	29.02	26.22
Zeev Implants Ltd.	Modular dental implants	50.00	49.75

Operations Review

Trendlines Medical

During 2015, Trendlines Medical invested in three new portfolio companies, namely (i) ElastiMed Ltd., which is developing easy-to-wear compression stockings from smart materials; (ii) Tandem Technologies Ltd., which focuses on the removal and retrieval of polyps in the colon; and (iii) Zeev Implants Ltd., which is developing modular dental implants.

Trendlines Medical competed for and won the tender for a new technology incubator franchise from the OCS. The eight-year franchise allows Trendlines Medical to continue to leverage its investments in portfolio companies through funding from the OCS. Under the terms of the franchise, Trendlines Medical's initial cash investment can be up to NIS 3.0 million (approximately US$767,000) in each new company, of which NIS 450,000 (approximately US$115,000) is from Trendlines Medical's capital and the balance of NIS 2.55 million (approximately US$652,000) is in the form of an OCS grant to the portfolio company. In exchange for this investment, Trendlines Medical typically receives 50.0% interest in ordinary shares in the new portfolio company.

A number of Trendlines Medical's portfolio companies achieved significant milestones in 2015. Some are highlighted here.

ApiFix Ltd.

- Received Israeli regulatory certification
- Completed 25 implants during 2015 (and 64 total)

ElastiMed Ltd.

Received investment from a Singaporean venture capital firm

E.T.View Medical Ltd.

- Announced successful clinical trial results
- Sales increased by approximately 22.0% to US$1.35 million in the first 9 months of FY2015
- Announced discussions with potential acquirers

Gordian Surgical Ltd.

Completed fund raising of US$1 million

IonMed Ltd.

Developed skin therapeutics product

Leviticus Cardio Ltd.

- Completed fund raising of US$1.5 million
- Received ISO 13485* certification from the Standards Institution of Israel
- Released successful study results

MediValve Ltd.

Completed initial human trials

NeuroQuest Ltd.

Announced the start of clinical validation in the United States

S.T.S. Medical Ltd.

Completed fund raising of US$450,000

* Quality management system for the design and manufacture of medical devices

Trendlines Medical participates in numerous events each year to showcase its portfolio companies to investors, to attract entrepreneurs and to increase exposure to corporate partners and potential acquirers.

In March 2015, Trendlines Medical took six medical technology companies to industry events in five cities in the United States, providing opportunities for these companies to present to potential investors.

Trendlines Medical exhibited at the 14th IATI-Biomed Conference in Israel in May 2015. The Trendlines Medical booth was a hub of activity during the three-day conference, showcasing Trendlines Medical and its portfolio companies, and attracting entrepreneurs, inventors and investors and media from around the world.

Trendlines Agtech

Trendlines Agtech invested in two new agritech companies during 2015, namely (i) Enolog Wise Technologies Ltd., which is developing an automatic, real-time monitoring system for improving wine quality; and (ii) Neopterix Solutions Ltd., which is developing zero-residue, environmentally friendly solutions for the control of fruit flies.

In December 2015, Trendlines and Saviva Capital LLC executed a binding MOU to jointly submit a bid in a competitive process for the granting of a new franchise by the OCS to operate an incubator in Israel's Judea and Samaria region. The results of the tender are expected to be published in March 2016.

Trendlines Agtech participates in a number of events each year to showcase portfolio companies to investors, entrepreneurs, corporate partners and potential acquirers. In April 2015, Trendlines Agtech organised the 3rd AgriVest Conference, which attracted investors and industry leaders worldwide and contributed to the development of Israel's agritech ecosystem over the past few years. Trendlines Agtech participated in the 19th International Agricultural Exhibition and Conference (Agritech) where Trendlines Agtech and some of its portfolio companies presented and exhibited.

Members of the Trendlines Agtech team and CEOs of the portfolio companies attended, spoke, presented and exhibited at various agritech conferences around the world, including the World Agri-Tech Investment Summit in San Francisco, the Pioneers Festival in Vienna and the AgriBio Expo in Seoul.

A number of Trendlines Agtech's portfolio companies have achieved significant milestones in 2015. Some are highlighted below.

BioFishency Ltd.

- Launched commercial sales
- Won 2nd place at the 3rd AgriVest Conference

EdenShield Ltd.

- Completed fund raising of US$1.0 million
- Announced positive field trial results
- Launched commercial sales

Enolog Wise Technologies Ltd.

Won 2nd place in Israel's Get in the Ring start-up competition

GreenSpense Ltd.

Received Frost & Sullivan Sustainable Packaging New Product Innovation Award

Saturas Ltd.

- Completed US$950,000 investment
- Completed successful field trials

Catalyst AgTech Ltd.

Received investment through Impact First Investments

Sol Chip Ltd.

- Completed fund raising of US$5.0 million
- Named Most Innovative Israeli Start-Up at iNNOVEX 2015

Operations Review

Trendlines Labs

In partnership with multinational corporations and leading research institutions, Trendlines Labs creates and develops technologies and products to meet unmet market needs. Trendlines Labs co-develops with its partners to expand product pipelines so as to reduce innovation and development risks inherent in product commercialisation. The dedicated Trendlines Labs team relies on its extensive technological, engineering and management experience to take a highly focused, extremely efficient approach to innovation. And together with our partners' in-depth market knowledge, it creates the environment for shaping ideas into products and bringing them to market. Trendlines Labs currently has product development relationships and cooperation agreements in place with various multinational corporations in North America, Europe and Asia.

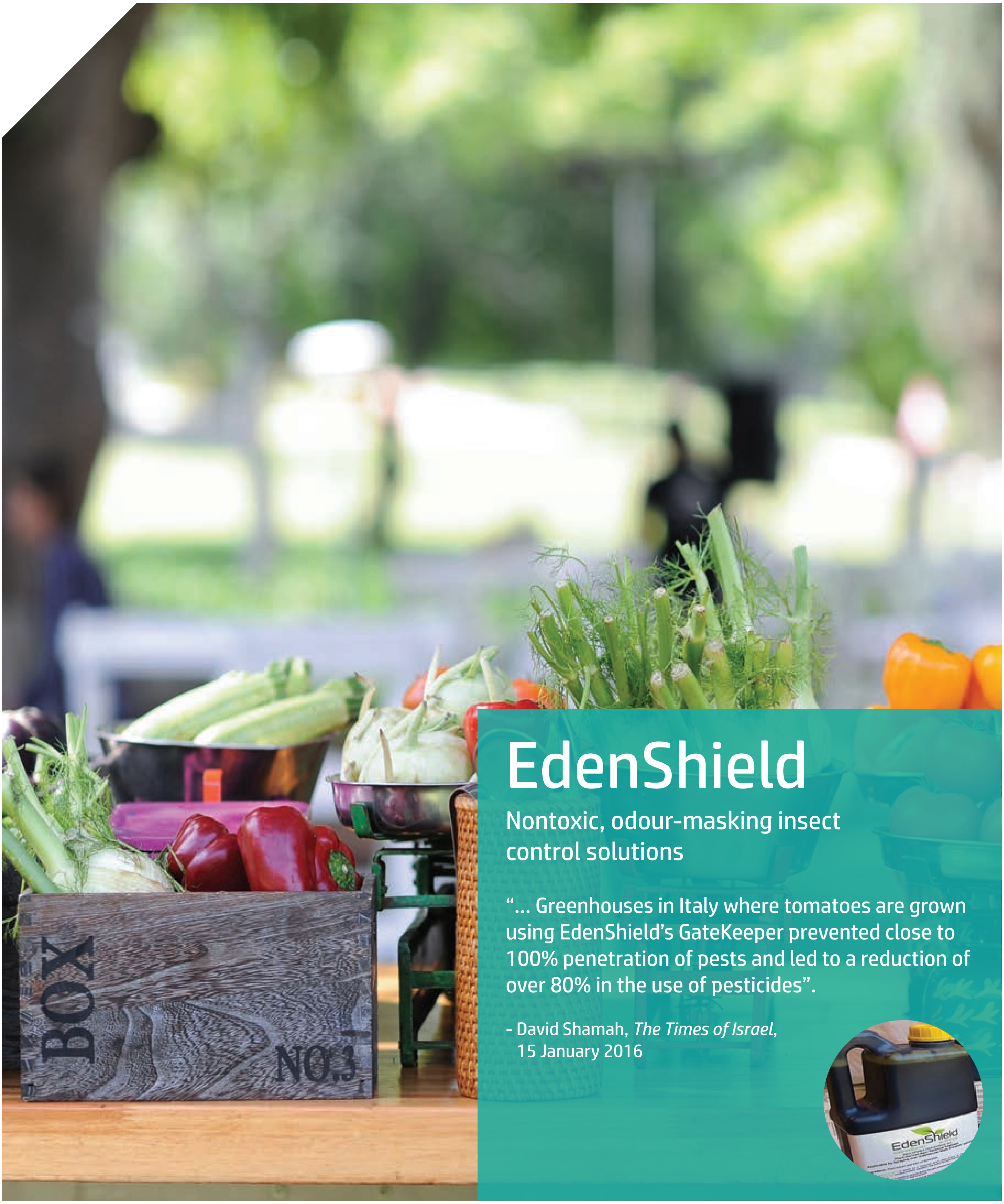
During 2015, Trendlines Labs completed a number of significant developments.

- On top of the agreement signed with Sheba Medical Center (the largest hospital in the Middle East) in 2014, Trendlines Labs announced a partnership agreement in August 2015 with Rambam Health Care Campus to jointly develop innovative medical devices and diagnostic solutions. Rambam Health Care Campus is one of Israel's leading hospitals with a 1,000-bed academic hospital that serves 2 million people.

- In 2015, a urological medical device developed by Trendlines Labs in collaboration with a world-leading US-based multinational corporation was marketed by the multinational partner.

International Incubators

We are exploring cooperation opportunities through partnerships or the formation of strategic alliances with parties who are interested in establishing incubators, together with us, in various countries, including Germany, Singapore and China. Mr. Moshe Katzenelson joined our Company in late 2015 to lead this initiative.



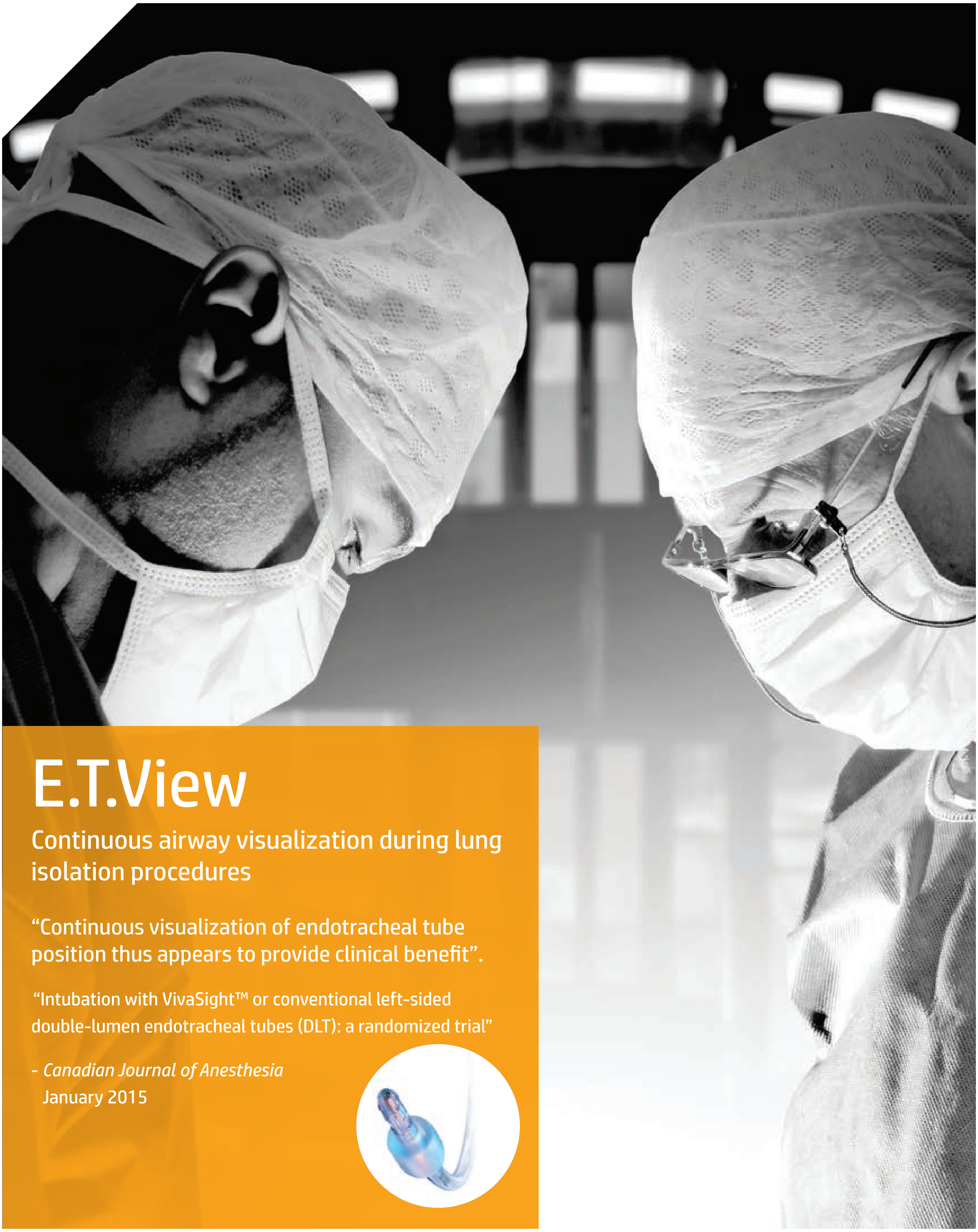
EdenShield

Nontoxic, odour-masking insect control solutions

"... Greenhouses in Italy where tomatoes are grown using EdenShield's GateKeeper prevented close to 100% penetration of pests and led to a reduction of over 80% in the use of pesticides".

- David Shamah, *The Times of Israel*, 15 January 2016

Trendlines Portfolio Company ... Improving the Human Condition



E.T.View

Continuous airway visualization during lung isolation procedures

"Continuous visualization of endotracheal tube position thus appears to provide clinical benefit".

"Intubation with VivaSight™ or conventional left-sided double-lumen endotracheal tubes (DLT): a randomized trial"

- *Canadian Journal of Anesthesia*
January 2015

Trendlines Portfolio Company ... Improving the Human Condition

Financial Review

Consolidated Statement of Financial Position

The comparative performance for the assets, liabilities and equity are based on the Group's financial statements as at 31 December 2015 and 31 December 2014.

Total assets increased by approximately 33.4% from US$81.7 million as at 31 December 2014 to US$109.0 million as at 31 December 2015. This was mainly due to the funds received from the IPO and the Pre-IPO investors, an increase of US$19.6 million in the value of current assets; and a net increase of approximately US$8.8 million or 11.7% in our investments in portfolio companies from approximately US$75.6 million as at 31 December 2014 to US$84.4 million as at 31 December 2015.

Non-Current Assets

Long-Term Investments

Long-term investments represented the value of consideration shares of a listed purchaser for the sale of a portfolio company in FY2014. 20% of these shares are being held in escrow for 24 months to secure indemnification obligations. Those shares were presented as a long term investment as at 31 December 2014 and as a short term investment as at 31 December 2015.

Investments in Portfolio Companies and Companies Accounted for Under the Equity Method

The increase in value of our investments in portfolio companies was derived from the following:

- the Most Valuable Portfolio Company whose fair value increased by approximately US$3.9 million as a result of a higher valuation ascribed to the royalties on future net sales expected to be received under the 2014 Asset Purchase Agreement. The fair value of the Most Valuable Portfolio Company as at 31 December 2015 was estimated using a probability-weighted discounted cash flow valuation model conducted by an independent valuation specialist;
- investments in five (5) new portfolio companies which contributed approximately US$3.0 million to the fair value of our portfolio companies as at 31 December 2015; and
- an aggregate increase of approximately US$6.9 million in the fair value of fourteen (14) of our portfolio companies mainly due to (i) the completion of fund raising exercises for eleven (11) portfolio companies at a higher valuation and (ii) general commercial and technological progress demonstrated in three (3) portfolio companies during FY2015.

The increase in fair value of our portfolio companies was partially offset due to a decrease of approximately US$4.6 million in the aggregate fair value of seventeen (17) of our portfolio companies.

The fair value of all the portfolio companies as at 31 December 2015 was approximately US$85.8 million. This consists of our investments in portfolio companies presented in our financial statements at their fair value of approximately US$84.4 million, as well as the fair market value of the associated company, E.T.View Medical Ltd. held through our Company of approximately US$1.3 million as compared to its carrying amount of US$0.

As at 31 December 2015	Number of Portfolio Companies	Carrying Amount (US$'000)	Fair Value (US$'000)
"Investments in portfolio companies"(1)	45	84,447(2)	84,447
"Investments in companies accounted for under the equity method"	1	–	1,329(3)
Total Portfolio	**46**	**84,447**	**85,776**

Notes:

(1) Includes a portfolio company valued at approximately US$39.9 million as at 31 December 2015.

(2) Includes the fair value of Group's investment in E.T.View Medical Ltd., which is held through the Company's direct subsidiary, Trendlines Medical – Misgav Ltd.

(3) Represents the fair value of the portion of Company's shareholdings in E.T.View Medical Ltd., comprising 2,787,052 shares and 750,000 options as at 31 December 2015. The fair value is derived from the traded share price of E.T.View Medical Ltd. as quoted on the Tel Aviv Stock Exchange as at the close of trading on 31 December 2015.

Current Assets

As at 31 December 2015, current assets amounted to approximately US$24.0 million and mainly comprised cash and cash equivalents, restricted short-term deposits, accounts and other receivables, short-term investments and short-term loans to portfolio companies.

Cash and Cash Equivalents

Cash and cash equivalents increased by approximately US$5.5 million mainly due to the net proceeds from the IPO in FY2015.

Short-Term Investments

Our short-term investments, which represented 68.5% of our total current assets, increased by approximately US$14.64 million mainly due to the funds received from the Pre–IPO investors, and the IPO.

Accounts and Other Receivables

Accounts and other receivables amounted to approximately US$0.4 million as at 31 December 2015, mainly comprised of other receivables of approximately US$0.2 million and trade receivables of approximately US$0.1 million which were non-interest bearing and were generally with credit terms of 90 days. The decrease of US$0.4 million in accounts and other receivables was mainly due to lesser R&D services provided by Trendlines Labs to a third party.

Financial Review

Long-Term Liabilities

Our total liabilities stood at approximately at US$24.8 million as at 31 December 2015. Our long-term liabilities, representing approximately 85.3% of our total liabilities decreased by approximately US$0.2 million, or 0.9%, from approximately US$21.4 million as at 31 December 2014 to approximately US$21.2 million as at 31 December 2015. This was mainly attributable to the following:

Long-Term Deferred Revenue

A decrease of US$0.5 million in the deferred revenue, due to the fact that new companies were added to the portfolio toward the end of the year.

Convertible Debentures and Warrants

The absence of convertible debentures and warrants as at 31 December 2015 which was due to the conversion of convertible debentures and warrants into the Company's shares during the Company's IPO in November 2015.

Deferred Taxes, Net

Net deferred taxes increased by approximately US$1.9 million, or 13.2%, mainly due to unrealised gains recognised for our portfolio of investments.

Current Liabilities

Our current liabilities decreased by approximately US$1.0 million, or 21.3%, from approximately US$4.6 million as at 31 December 2014 to approximately US$3.7 million as at 31 December 2015.

Trade and Other Payables

Trade and other payables decreased by approximately US$0.3 million, or 21.3%, mainly due to a decrease in amount due to a portfolio company which was paid in FY2015.

Short-Term Deferred Revenues

Deferred revenue decreased by US$0.7 million, or 21.2%, mainly due to lower number of companies that were added to the portfolio in 2014 compared to the number of new companies in 2013.

Equity

As at 31 December 2015, equity attributable to equity holders of the Company amounted to approximately US$84.1 million, which represented an increase of approximately US$31.3 million from US$52.9 million as at 31 December 2014. The increase is mainly due to the net proceeds from the IPO in FY2015.

Non-controlling interests was reduced to US$34,000 at 31 December 2015 and represented an 8.3% minority held by an unrelated party in a subsidiary of the Company, Technology Incubator Misgav/Karmiel, Management Services Ltd. The reduction in the non-controlling interest was mainly due to the purchase of shares in the capital of Trendlines Agtech – Mofet Ltd. from the 5 minority shareholders of Trendlines Agtech – Mofet Ltd. in exchange for the allotment and issuance of new Shares in the capital of our Company pursuant to the Agtech Minority Shareholders Share Exchange Agreement. Please refer to the section entitled "Restructuring Exercise" of the Company's offer document dated 16 November 2015 for more details.

Consolidated Statement of Comprehensive Income

Review for the performance of the Group for the full year ended 31 December 2015 ("FY2015") as compared to the full year ended 31 December 2014 ("FY2014").

Income

Total income increased by approximately US$1.4 million, or 16.2%, from US$8.6 million in FY2014 to US$9.9 million in FY2015.

Gain from Change in Fair Value of Investments in Portfolio Companies

The increase of US$3.1 million in gain from change in fair value of investments in portfolio companies, evaluated at fair market value through profit and loss, was mainly due to (i) a gain of approximately US$3.9 million in the fair value of the Most Valuable Portfolio Company (as defined in the Company's offer document dated 16 November 2015) which made commercial progress and in addition received a cash dividend of US$0.7 million received from this portfolio company; (ii) an aggregate gain in fair value of approximately US$6.4 million for some portfolio companies as a result of the completion of fund raising exercises for eleven (11) portfolio companies at a higher valuation and general commercial and technological progress demonstrated in three (3) portfolio companies in FY2015.

The gain was partially offset by (i) a decrease of approximately US$5.3 million in the fair market value of various portfolio companies as a result of the completion of fund raising exercises of eight (8) portfolio companies at a lower valuation and general commercial or technological difficulties demonstrated in eight (8) portfolio companies during FY2015 and (ii) a reduction of market price of one (1) traded portfolio company amounting to US$0.2 million in FY2015.

Income from Services to Portfolio Companies

Income from services to portfolio companies comprised approximately US$0.4 million received as overhead reimbursement from our portfolio companies and approximately US$3.9 million value of non-cash benefits received from the OCS in Israel. Income from services to portfolio companies decreased by approximately US$0.2 million, or 3.6%, due to a decline in overhead reimbursement from our portfolio companies as there was a smaller number of portfolio companies being serviced by the Group in FY2015 as compared to FY2014.

Financial Review

Group's Share of Losses of Companies Accounted for Under the Equity Method, Net

The Group's recorded share of losses of companies accounted for under equity method, net, of US$0.3 million, as compared to nil in FY2014. The losses were due to a reduction in the market value of the options held by the Company to purchase additional shares in E.T.View Medical Ltd.

Income from Contracted Research and Development ("R&D") Services

Income from contracted R&D services decreased by approximately US$0.9 million or 68.9% due to completion of a collaboration agreement in relation to R&D services provided by Trendlines Labs to a third party.

Finance Income

There was a slight increase in finance income of US$28,000 due to a gain from a short term deposit which was partially offset by exchange rate differences.

Other Income

Other income decreased by approximately US$0.3 million mainly due to the absence of the consideration in respect of a non-compete agreement that the Group received in FY2014 relating to an asset deal exit of a portfolio company in 2013.

Expenses

Operating, General and Administrative Expenses

Operating, general and administrative expenses decreased by approximately US$2.4 million, or 26.1%, from US$9.1 million in FY2014 to approximately US$6.7 million in FY2015. The decrease was mainly attributable to (i) lower share-based payments which amounted to approximately US$1.4 million in FY2015 as compared to US$2.3 million in FY2014 as a result of two (2) rounds of grants of employee share options in FY2014; (ii) the absence of costs incurred in relation to our cancelled initial public offering exercise in Canada which amounted to approximately US$1.5 million in FY2014. The increase in depreciation and amortisation by US$60,000 was mainly due to the depreciation and amortisation of unused items.

Marketing Expenses

Marketing expenses decreased by approximately US$0.1 million mainly due to a lower use of marketing consultants in FY2015.

R&D Expenses, Net

Net R&D expenses decreased by approximately US$0.4 million, or 40.6%, due to the decrease in R&D services provided by our Group as mentioned above, which resulted in lower expenses incurred for subcontractors and materials during FY2015.

Financial Expenses

Financial expenses decreased by approximately US$0.6 million, or 62.5%, due mainly to (i) a decrease in interest expenses as a result of a higher cash on hand the company had in FY2015 compare to FY2014; (ii) exchange rate difference due to the depreciation of USD against the NIS and (iii) lower financial expenses on loans from the OCS as a result of lower increase in the fair value of the OCS loans.

Non Recurring, Non-Cash Expenses Related to Discount on Pre-IPO RCL upon IPO Conversion

In June 2015, the Company raised an aggregate amount of Singapore Dollar ("SGD") 13,700,000 (approximately US$10.2 million) from the issuance of redeemable convertible loans ("RCL") to certain pre-IPO investors. Upon the conversion of the RCL to shares at the IPO, the RCL was evaluated to US$ 13.6 million, resulting from the RCL discount on IPO share price. Such an increase in the value of the RCL was expensed in the statement of comprehensive income.

Loss before Income Tax

In view of the above, loss before income tax in FY2015 was US$1.8 million as compared to a loss before income tax of US$2.9 million in FY2014, mainly due to higher income generated in FY2015.

Income Taxes

Income taxes increased by approximately US$0.4 million, or 32.4%, mainly due to higher taxable income in FY2015. The non-recurring expenses relating to conversion of RCL was non-deductible for tax purposes.

Consolidated Statement of Cash Flow

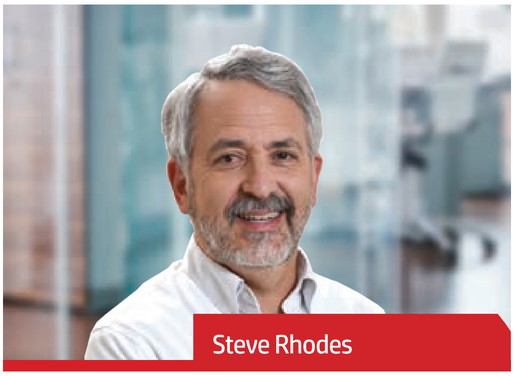
Net cash used in operating activities of US$6.0 million in FY2015 was mainly due to a net loss of US$3.6 million and adjustments for non-cash items such as (i) gains from changes in fair value of investments in portfolio companies of approximately US$4.9 million; (ii) investments in portfolio companies of approximately US$1.5 million; and (iii) income from services to portfolio companies of approximately US$3.9 million; and (iv) net working capital outflows of approximately US$23 which was mainly due to a decrease in accounts and other receivables of approximately US$0.4 million which was offset by an increase in short term loans to portfolio companies of approximately US$0.2 million.

Net cash used in investing activities of US$13.9 million in FY2015 was mainly due to the purchase of bank deposits and short term investments of approximately US$13.5 million.

Net cash provided by financing activities of US$25.4 million in FY2015 was mainly due to the net proceeds of approximately US$10.2 million from the grant of redeemable convertible loans by the pre-IPO investors as well as the net proceeds of approximately US$15.9 million from the issuance of shares pursuant to the IPO.

Board of Directors

Todd Dollinger



Steve Rhodes

Zeev Bronfeld

Elka Nir

Stephen Philip Haslett

Professor Hang Chang Chieh

Todd Dollinger
Chairman and Chief Executive Officer

Mr. Todd Dollinger was appointed as our Director upon the formation of our Company on 1 May 2007 and was last re-elected as our Chairman and CEO on 24 February 2016. Mr. Dollinger is responsible for the overall management of our Group's business operations (particularly, in the areas of budget and operations) and is also primarily responsible for business development in China. Mr. Dollinger is also the Chairman of Trendlines Medical where he manages and provides leadership direction in respect of the day-to-day operations of Trendlines Medical.

He founded Trendlines, Inc., a US based company providing sales, marketing, consulting and product development services for the US market in 1978. He served as president of Trendlines, Inc. until 1990 when he and his family moved to Israel where he joined the marketing department of SRD Medical. He went on to become SRD Medical's CEO, managing private equity placements and all aspects of marketing and product development. In 1993, he left SRD Medical to cofound Trendlines International with Mr. Stephen Louis Rhodes. Under their leadership, Trendlines International grew to become one of Israel's leading business development consulting firms. In 2007, Mr. Dollinger and Mr. Rhodes, together with our Non-Executive Director and our substantial shareholder, Mr. Zeev Bronfeld, and one of our other shareholders, Mr. Ehud Huberman, founded our Company and merged the principal activities of Trendlines International into our Company the following year. Mr. Dollinger also serves as director and chairman of the board on a number of Trendlines' portfolio companies. Mr. Dollinger holds a high school diploma.

Steve Rhodes
Chairman and Chief Executive Officer

Mr. Steve Rhodes was appointed as our Director upon the formation of our Company on 1 May 2007 and was last re-elected as our Chairman and CEO on 24 February 2016. Mr. Rhodes is responsible for the overall management of our Group's business operations (particularly, in the areas of finance and compliance reporting functions) and is also primarily responsible for the establishment of strategic partnerships in Europe and United States. Mr. Rhodes is also the Chairman of Trendlines Agtech where he manages and provides leadership direction in respect of the day-to-day operations of Trendlines Agtech.

Mr. Rhodes started his career with the Chicago branch of Bank Leumi in 1979 where he advanced through a number of financial marketing and lending positions, including director of marketing. He continued with Bank Leumi when he and his family moved to Israel in 1985. While at Bank Leumi in Israel, Mr. Rhodes rose to the position of Deputy Manager of Bank Leumi's International Division. In 1988, he joined SRD Medical. After serving as its Chief Financial Officer ("CFO"), he moved to the company's Marketing Department, becoming its VP Sales and Marketing. In 1993, Mr. Rhodes left SRD Medical to cofound Trendlines International with Mr. Dollinger. Under their leadership, Trendlines International grew to become one of Israel's leading business development consulting firms. In 2004, Mr. Rhodes became the CEO of the Incubator for Management of Technological Entrepreneurship Misgav Ltd. (subsequently renamed Trendlines Medical), a position that he held until 2010. Mr. Rhodes also serves as director and chairman of the board on a number of our Group's portfolio companies. He received his MBA from the University of Chicago and a BA from Harvard University. He is a Certified Public Accountant in the State of Illinois.

Zeev Bronfeld
Non-Executive Director

Mr. Zeev Bronfeld, together with our Chairmen and CEOs Mr. Dollinger and Mr. Rhodes, and one of our shareholders, Mr. Ehud Huberman, founded our Company and was appointed as our Director upon the formation of our Company on 1 May 2007 and was last re-elected on 11 November 2015. He is a Non-Executive Director. He is currently the CEO of M.B.R.T. Development and Investment Ltd.

He has significant experience in the management and building of medical device and biotechnology companies. He co-founded Bio-Cell Ltd., an Israeli publicly traded holding company specialised at the time in biotechnology companies and was its director and CEO until 25 December 2014 and 11 October 2015, respectively. Mr. Bronfeld is a director and chairman of a number of private companies. He received his BSc in Economics from the Hebrew University of Jerusalem.

Board of Directors

Elka Nir
Lead Independent Director

Ms. Elka Nir was appointed as our Director on 15 October 2015 and was last re-elected to the Board to serve as our External Director under the Israeli Companies Law on 24 February 2016. She is our Lead Independent Director. Ms. Nir is currently the founder and CEO of E.LeadIN Ltd., a company that provides business, strategy, marketing, strategic alliances and investment consultancy services. In addition, she is the CEO of Carmel Ltd. (the economic corporation of Haifa University, Israel) where she is responsible for, *inter alia*, leading commercial and business activities. In particular, she founded and serves as the CEO of Carmel Innovations Ltd. (a microfund that invests in projects from Haifa University, Israel) and holds directorships in Carmel Innovations Ltd.'s subsidiaries.

She served as the VP marketing, sales and customer support at a subsidiary of GE Medical from 1997 to 2000 before joining General Electric Medical, Israel, as their VP engineering and research between 2000 and 2002. From January 2003 to January 2007, Ms. Nir was the chief operating officer and director of development and operations at Biosense Webster (Israel), Ltd., a subsidiary of Johnson & Johnson. From December 2006 to December 2011, she was the managing director and general partner of Giza Venture Capital Fund ("Giza VC Fund"), a venture capital fund that invests in innovative high tech and life sciences companies. She was also a member of Giza VC Fund's investment committee and had strong connections to its global investors, specifically in Asia. From January 2012 to January 2015, Ms. Nir served as a board director and investment committee member at the Van Leer Technology Ventures, a technological incubator that invests in innovative medical and information technology companies.

She received her BSc in Computer Sciences from the Technion-Israel Institute of Technology and her diploma (magna cum laude) in Business Administration from the University of Haifa, Israel.

Stephen Philip Haslett
Independent Director

Mr. Stephen Philip Haslett was appointed as our Director on 15 October 2015 and will be due for re-election at the Company's forthcoming Annual General Meeting. Mr. Haslett is our Independent Director. In addition, Mr. Haslett also provides consultancy services in business development and commercialisation through Silver Fox Pte Ltd, a company he founded.

He has more than 30 years of experience in the IT business, and held executive positions at Hewlett Packard, Dell Computer and various technology start-ups where he assisted in the commercialisation and globalisation of their technologies. He was also a professor of entrepreneurship at INSEAD, where he taught post-graduate and executive courses on, inter alia, entrepreneurship, private equity, venture capital and computer-based business simulations.

He holds a MSc and BSc (honours), both in Aeronautical Engineering, from Imperial College, London and a Diploma of Imperial College from the University of London. He is also an associate of the City and Guilds Institute, London, and a member of the Singapore Institute of Directors.

Professor Hang Chang Chieh, PhD
Independent Director

Professor Hang Chang Chieh was appointed as our Director on 15 October 2015 and was last re-elected to the Board to serve as our External Director under the Israeli Companies Law on 24 February 2016. He is our Independent Director. Professor Hang is currently the head, Division of Engineering & Technology Management, Faculty of Engineering, of the National University of Singapore ("NUS"), a position he has held since 2007. Professor Hang has also been appointed the founding executive director of the Institute for Engineering Leadership at NUS since 2011.

Professor Hang worked as a computer and systems technologist in the Shell Eastern Petroleum Company (Singapore) and the Shell International Petroleum Company (The Netherlands) from 1974 to 1977 before joining NUS. Between 1977 and 2000, Professor Hang served in various positions in NUS, including the Vice-Dean of Engineering, head of the Department of Electrical Engineering and Deputy Vice-Chancellor (Research and Business

Ventures). Between 2001 and 2003, Professor Hang was seconded to the Agency for Science, Technology and Research ("A*STAR") and acted as A*STAR's executive deputy chairman. Upon completion of the secondment to A*STAR, Professor Hang returned to NUS in January 2004 as the Founding Director of the Centre for Management of Science and Technology, Faculty of Engineering, NUS.

Professor Hang has served as a board member of several public organisations, including his appointment as the founding deputy chairman of Singapore's National Science and Technology Board from 1991 to 1999, founding chairman of the Intellectual Property Office of Singapore from 2001 to 2009, founding chairman of the IP Academy of Singapore from 2002 to 2006 and a member of the board of trustees of the Singapore Institute of Technology from 2009 to 2015.

Professor Hang received his PhD in Control Engineering from the University of Warwick and a BSc(Eng) (honours) from the University of Singapore.

DIRECTORSHIPS HELD BY DIRECTORS IN OTHER LISTED COMPANIES (CURRENT AND THE PRECEDING THREE YEARS)		
	Present Directorships	Past Directorships (in Preceding 3 Years)
Mr. David Todd Dollinger	• E.T.View Medical Ltd.	
Mr. Stephen Louis Rhodes	• E.T.View Medical Ltd.	
Mr. Zeev Bronfeld	• D.N.A. Biomedical Solutions Ltd. • Protalix BioTherapeutics, Inc. • MacroCure Ltd.	• Bio-Cell Ltd. (till December 2014) • Biomedix Incubator Ltd. (till March 2013) • Gefen Biomed Investment Ltd. (till March 2013)
Ms. Elka Nir	• B.S.P Biological Signal Processing Ltd. • HBL- Hadasit Bio-Holdings Ltd. • IceCure Medical Ltd.	• BATM Advanced Communications Ltd. (till June 2015)
Mr. Stephen Philip Haslett	-	-
Professor Hang Chang Chieh	-	-

Senior Management

Todd Dollinger

See bio in Board of Directors.

Steve Rhodes

See bio in Board of Directors.

Eran Feldhay, MD

Dr. Eran Feldhay, CEO, Trendlines Medical and VP, The Trendlines Group, is responsible for the overall management of Trendlines Medical. A medical doctor, Eran joined Trendlines Medical in May 2010. He began his career in 2003 as a product manager at cardiology-imaging and IT solutions provider Medcon Telemedicine Technologies Ltd. ("Medcon") when the company was a start-up. Under his guidance as product manager, Medcon expanded to include full cardiology IT solutions as well as cardiac cath lab monitoring solutions. In 2004, he was promoted to VP Marketing and Product Management. Dr. Feldhay served as a senior member of the due diligence team when Medcon was acquired by McKesson Corporation, a Fortune 500 company. In September 2006, he was appointed general manager of McKesson Israel Ltd. and VP cardiology for McKesson Imaging Group, a position he held until November 2008. From 2008 to 2011, he was a part-time external director of TopSpin Medical, Inc., a company previously listed on the TASE. He received his MD and a BSc in Medical Science from Tel Aviv University and his MBA from Ben-Gurion University of the Negev.

Yosef (Yosi) Hazan

Mr. Yosef (Yosi) Hazan, CEO, Trendlines Labs and VP, The Trendlines Group, is responsible for the overall management of Trendlines Labs. He joined Trendlines Labs in December 2011, bringing considerable experience in global R&D management and marketing. He held executive positions in engineering and development, and has more than 25 years of experience that spans various markets, including military, semiconductor equipment and medical devices. Prior to joining Trendlines Labs, Mr. Hazan was COO at CogniFit Ltd. from December 2009 to December 2010 and General Manager at Biosense Webster, a medical device company of Johnson and Johnson, from April 2007 to December 2009. Prior to that, he also served as General Manager at KLA-Tencor Ltd, a semiconductor equipment company from April 1996 to April 2007. He holds an M.Sc. and B.Sc. in Electrical Engineering from the Technion-Israel Institute of Technology.

Gabriela (Gabi) Heller

Ms. Gabriela (Gabi) Heller, CFO, joined Trendlines in July 2010 and is responsible for finance, reporting, and taxation, and certain legal matters. Ms. Heller has extensive financial experience, having previously worked as an accountant, CFO, and as a director of public and private companies. Prior to joining our Company, she served as CFO of Walden Israel Ventures' funds from November 1993 to July 2010. Prior to joining Walden, she was a senior manager with Kost Forer Gabbay & Kasierer (a Member of Ernst & Young Global) from October 1989 to October 1993. She currently serves as a director of Nasdaq-listed Camtek Ltd. and two companies listed on the Tel Aviv Stock Exchange (TASE), Kerur Holdings Ltd. and Elco Ltd. She is also a director of Kolchey Misgav Ltd., a privately held company. She holds an LLM from Bar-Ilan University and a BA in Economics and Accounting from the Hebrew University of Jerusalem. She is also a Certified Public Accountant in the State of Israel.

Nitza Kardish, PhD

Dr. Nitza Kardish, PhD, CEO, Trendlines Agtech and VP, The Trendlines Group, is responsible for the overall management of Trendlines Agtech. A plant geneticist, Dr. Kardish joined Trendlines Agtech in June 2011, bringing 15 years of experience working in senior management positions at life science companies. Prior to joining Trendlines Agtech, she served as VP, Business Development at Technion R&D Foundation 2, Ltd. (also known as "Technion Seed"), where she was responsible for the life sciences and cleantech fields. She previously served as CEO of Clal Life Sciences, a R&D centre for emerging life sciences companies, CEO of UroGyn, a start-up that developed minimally invasive surgical tools, and as Business Development Manager at Rafael Development Corporation, Ltd. from January 2004 to April 2006. She received her doctorate (life sciences) from Tel Aviv University and was a post-doctoral research fellow in the Department of Plant Genetics at the Weizmann Institute of Science. She received an MSc (cum laude) from Tel Aviv University.

Moshe Katzenelson

Mr. Moshe Katzenelson, Head of International Incubators, is responsible for development of Trendlines' international incubator business, the establishment and operation of Trendlines-owned incubators outside Israel. Mr. Katzenelson joined Trendlines in November 2015. An engineer, and later a project manager in the telecom industry, Mr. Katzenelson moved to the venture capital industry (StageOne Ventures) and was appointed CEO of the fund's start-up incubator. After serving as CEO of the Technion Incubator, he joined Goldratt Consulting, where he consulted to companies in India. Mr. Katzenelson gained experience in the agritech industry, having spent three years as Commercial Project Manager at Netafim, the world leader in drip irrigation. He received an MBA from Tel Aviv University and a BSc from the Technion-Israel Institute of Technology.

Yosef (Yossi) Ron

Mr. Yosef (Yossi) Ron, Chief Operating Officer ("COO") and Joint Company Secretary, joined our corporate staff in July 2011, bringing more than 35 years of extensive managerial experience. He is responsible for operations matters and provides guidance and support to Trendlines Agtech and Trendlines Medical on matters related to the OCS. As the Company's Israeli Secretary, Mr. Ron is responsible for the Company's compliance with applicable Israeli rules and regulations. From 2000, and prior to his appointment as COO, he served as CEO of Trendlines Agtech and its predecessors. From 1980 to 1996, Mr. Ron established and managed AEROMAOZ Ltd., an aviation electronics equipment company, which became a global company under his leadership. Thereafter, he served as a senior organisational consultant at TEOM from May 1997 to October 2000. He received a BSc in Industrial Engineering from Tel Aviv University.

Milestones

For additional information, see the Chairmen's Statement, Operations Review and Senior Management.

2015

Our successful IPO and listing on the Catalist of the SGX on 26 November 2015 capped months of intensive effort and marked the beginning of a new chapter in our eight-year history. We are proud to be the first Israeli company to trade on the Catalist and the second one to be listed on the SGX. In conjunction with the IPO, the pre-IPO redeemable convertible loan, which we completed on 5 June 2015, was automatically converted to shares on 12 November 2015.

In the third quarter of 2015, our subsidiary, Trendlines Medical, was awarded the tender from the OCS to continue to operate as a licensed technology incubator with a franchise period of eight years, from 1 January 2016 to 31 December 2023.

On 12 August 2015, our internal innovation centre, Trendlines Labs, signed a collaboration agreement with Rambam Health Care Campus, the third of such agreement with a major Israeli health care organisation.

On 9 December 2015, our subsidiary, Trendlines Agtech, and Saviva Capital LLC signed a binding MOU to jointly submit a bid in a competitive process for the granting of a new franchise to operate an incubator in Israel's Judea and Samaria region by the OCS.

New Portfolio Companies

We invested in five new portfolio companies in 2015: Enolog Wise Technologies Ltd. and Neopterix Solutions Ltd. (under Trendlines Agtech's portfolio); ElastiMed Ltd., Tandem Technologies Ltd. and Zeev Implants Ltd. (under Trendlines Medical's portfolio). With these additions, we have a total of 46 portfolio companies as at 31 December 2015.

Events

We organised various events in Israel in 2015 to provide our subsidiaries and our portfolio companies with opportunities to increase the exposure of their products and technologies to both the Israeli and international markets.

Team

We welcomed Mr. Moshe Katzenelson who joined our Company in late 2015. Mr. Nir Goldenberg joined Trendlines Labs in late 2015 as Director of Business Development.

Milestones

2016

On 11 February 2016, we signed a definitive collaboration framework agreement with a multinational medical device corporation headquartered in Japan for the purpose of mutually identifying certain clinical opportunities in agreed fields.

In addition, we are also currently in negotiations with a multinational corporation to enter into a definitive agreement following the signing of an MOU in January 2016 for the purpose of forming a fund that will focus on investments in early-stage companies that will be part of Trendlines Agtech.

On 1 March 2016, we signed a Collaboration Agreement with B. Braun, one of the world's leading health care suppliers for the purpose of establishing mutual deal flow, identifying potential new investments, cooperating in the establishment of accelerators and incubators in selected markets worldwide, and collaborating on the development of new technologies, solutions and products in medical fields ("Collaboration Agreement"). This Collaboration Agreement follows an MOU we entered into with B. Braun on 13 October 2015 prior to the IPO. B.Braun invested S$7.1 million in our IPO.

New Portfolio Companies

We invested in a new portfolio company under Trendlines Agtech in early 2016, AquiNovo Ltd., developing a technology to accelerate the growth of farmed fish that is non-genetically modified and does not rely on the use of hormones.

Events

On 27 January 2016, we held our 6th Annual Company Showcase. This year's event, our largest to date, attracted more than 400 participants, including delegations from Singapore, China and the United States. The centerpiece of the event included presentations by 10 of our portfolio companies. We were pleased to have Mr. Gerald Ong, CEO of PrimePartners Corporate Finance Pte. Ltd., as the keynote speaker, and Professor Dr. Hanns-Peter Knaebel, Chairman of the Management Board of B. Braun's Aesculap Division, who presented ways to effectively work with multinational corporations.

At the end of May 2016, we will once again be participating at the 15th Annual IATI-Biomed Conference in Tel Aviv, Israel, which marks our 11th appearance at this life science conference. At the end of September 2016, we will organise our 4th AgriVest conference, which will include a competition for Best Agritech Company in Israel.

Team

Trendlines Medical welcomed Mr. Yuval Almougy in January 2016 as VP New Ventures, a position formerly held by Dr. Edit Goldberg. Dr. Edit Goldberg is now Trendlines Medical's VP Technology & Business Development.


THE SING
Trendlines
Medical · Agtech · Labs
6th Annual Trendlines
Company Showcase
January 27, 2016

Corporate Social Responsibility

Our mission, “Creating and developing companies to improve the human condition,” reflects the values at the core of our business. We invest in, establish and support early-stage medical and agricultural technology companies. We believe that the success of our portfolio companies can benefit and improve health care — and the food chain. We are committed to our mission and have made such core values our social responsibility.

ApiFix

The minimally invasive device for Adolescent Idiopathic Scoliosis significantly reduces surgery time and incorporates a miniature ratchet mechanism to capture incremental corrections.

GreenSpense

Eco-Sleeve allows gas-free continuous dispensing that eliminates the need for pressurised containers and enables new packaging materials and designs while maintaining the convenient user experience.

BioFishency

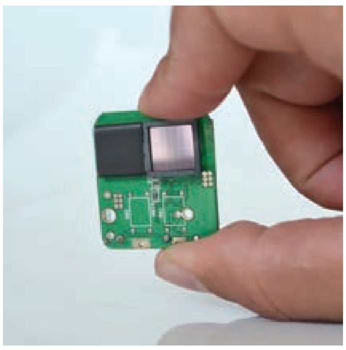
The cost-effective, all-in-one water treatment system enables land-based facilities to double production and reduce water usage using installed infrastructure.

Omeq Medical

The smart needle for more accurate epidural injections prevents multiple insertions and improves the success of analgesia/anaesthesia.

EdenShield

Leveraging beneficial characteristics of desert plants indigenous to Israel, EdenShield developed a family of nontoxic crop protection products that mask plant odour and to lower insect attraction.



Sol Chip

The compact, maintenance-free Everlasting Solar Battery supplies energy for Internet of Things (IoT) devices. The technology provides a platform for disruptive applications such as precision agriculture and smart cities.

tmura

Tmura

Tmura, the Israeli Public Service Venture Fund, is dedicated to sharing the wealth created by Israel's highly successful technology sector. Tmura (www.tmura.org) receives donations of equity from Israeli and Israel-related high-tech companies and, upon a liquidity event, allocates the proceeds to education and youth-related charities in Israel.

As a member, we have donated shares of our Company, and we strongly encourage all our portfolio companies to contribute to this worthwhile initiative. To date, 22 of our portfolio companies have donated equity to Tmura.

יזמים צעירים ישראל
מיסודו של לאומי
A Member of JA Worldwide

Young Entrepreneurs Israel

This program (www.yazamim.org.il, Hebrew) exposes young people to the world of creativity, entrepreneurship and business by encouraging innovation and originality, and enabling learning through experience — all within an ethical and competitive environment. Trendlines was one of the sponsors of the winning team in the program's competition, and a number of our portfolio companies' CEOs volunteered as mentors for participating teams in the competition.

BizTEC
Entrepreneurship Challenge

BizTEC

Trendlines Medical's VP, Technology & Business Development, Dr. Edit Goldberg, served as a judge at BizTEC (www.biztec.org.il), the entrepreneurship challenge of the Technion's Entrepreneurship Center. Mr. Yuval Almougy, Trendlines Medical's VP, New Ventures, is currently a mentor in the program.

IDF Air Defense School

We take great pride in mentoring on entrepreneurship and business. Students visit our facilities to hear our employees and CEOs of portfolio companies speak about their backgrounds and business experiences. Such visits also provide a discussion and dialogue platform about innovation and the process of taking ideas from concept to fruition.

In Our Offices

In addition to our involvement in the community, we endeavour to maintain sustainability efforts in the workplace, which include:

- placing paper and plastic recycling receptacles in all offices;
- despatching an electronic version of our annual report to our shareholders, rather than printing; and
- encouraging employees to carpool to reduce fuel consumption and greenhouse gas emissions.

Corporate Data

Directors

Mr. David Todd Dollinger
Chairman and CEO

Mr. Stephen Louis Rhodes
Chairman and CEO

Mr. Zeev Bronfeld
Non-Executive Director

Ms. Elka Nir
Lead Independent Director

Mr. Stephen Philip Haslett
Independent Director

Prof. Hang Chang Chieh
Independent Director

Board Committees

Nominating Committee

Mr. Stephen Philip Haslett, Chairman
Ms. Elka Nir
Prof. Hang Chang Chieh
Mr. Stephen Louis Rhodes

Remuneration Committee

Ms. Elka Nir, Chairperson
Prof. Hang Chang Chieh
Mr. Stephen Philip Haslett

Audit Committee

Ms. Elka Nir, Chairperson
Prof. Hang Chang Chieh
Mr. Stephen Philip Haslett

Company Secretaries

Ms. Lynn Wan Tiew Leng (FCIS)
Mr. Yosef Ron (BSc)

Registered Office

The Trendlines Building
Misgav Business Park
17 T'chelet (Sky) Street
M.P. Misgav 2017400 • Israel
Telephone: +972.72.260.7000
Facsimile: +972.72.260.7200
E-mail: info@trendlines.com
Website: www.trendlines.com
Reg. No. 513970947

Sponsor

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay, #10-00 Income at Raffles
Singapore 049318

Auditor

Kost Forer Gabbay & Kasierer
A Member of Ernst & Young Global
2 Pal-Yam Avenue, Brosh Building
Haifa 3309502, Israel
Audit Partner: Ari Aslan (Appointed in 2014)

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01 Singapore Land Tower
Singapore 048623
Telephone: +65.6536.5355

Principal Banker

The Bank of East Asia, Limited
60 Robinson Road, BEA Building
Singapore 068892

Leviticus Cardio

Wireless coplanar energy transfer for ventricular assist device

"Importantly, the data reinforces our belief that the CET system has the potential to provide substantial quality of life improvement and infection reduction for patients treated with a ventricular assist device".

- MU Jiří Malý, MD, PhD, IKEM, Prague

Trendlines Portfolio Company ... Improving the Human Condition

BioFishency

All-in-one water treatment system for aquaculture

"BioFishency provides a plug-and-play product to cut down on water usage and produce healthier fish".

- Karin Kloosterman, Israel21C
5 May 2014

Trendlines Portfolio Company ... Improving the Human Condition

Investor Relations

A Commitment to Communication

The Trendlines Group maintains a strong commitment to communicate effectively with its community of investors. We make a great effort to provide transparent and timely announcements that include relevant and material information on corporate matters to comply with the legal and regulatory requirements of the SGX.

Through these transparent and timely announcements, our shareholders, potential investors and partners learn about our operations and corporate developments and gain a deeper understanding of our business with a view towards making informed investment decisions.

Communication Media

We utilize a variety of media to communicate with our investor community.

- Our corporate website (www.trendlines.com) provides a comprehensive overview of our organisation, including information about our business units, management team and latest news. Each portfolio company has a dedicated, detailed page that contains valuable information about its technology or product, its market and the achievement of milestones.
- Through the investors pages on our website (investors.trendlines.com), we make regular announcements and a monthly corporate update pertaining to our operations. Subscribers can elect to receive announcement alerts by e-mail. The investors pages on our website provide information about our executive team, Board and corporate background, stock information and history of awards and achievements. All unaudited quarterly and full year financial statements are posted on the website. This site also includes a description of our corporate governance policies and other practical information. Shareholders and potential investors can contact our investor relations team for further information or for answers to specific questions.
- We issue a monthly newsletter to thousands of subscribers around the world. We share information about our organisation and our portfolio companies, the events we organise or attend and the news articles featuring the Company or our portfolio companies. The newsletter can be subscribed from our website.
- Through our presence on social media platforms such as Facebook, LinkedIn and Twitter, we regularly post corporate or industry-related news to a much broader global audience.

In addition to these regular publications, we believe in the strength of face-to-face meetings with our shareholders and potential investors and endeavour to increase the number of these meetings.

Investor Relations

- At our 6th Annual Company Showcase in January 2016, 10 of our portfolio companies presented to more than 400 Showcase participants. The event was also attended by analysts and journalists who were briefed by our CEOs and other members of our team.
- In April 2015, we organised the 3rd AgriVest Conference to bring together agricultural technology investors and industry leaders from around the world to learn about Israel's dynamic agritech ecosystem. The 4th AgriVest Conference is scheduled for September 2016.
- We organise and coordinate investor meetings with the CEOs of our portfolio companies.
- We host visits of our facilities to explain our business model and to give visitors an up-close view of our "entrepreneurial ecosystem" and allow them to meet the entrepreneurs in person.
- Members of our management team attend major international investor events and conferences.
- Our Chairmen regularly travel all over the world (including Germany, Singapore, the United States and China) to meet with shareholders and investors to provide updates on the progress of the Company and its portfolio companies.

CORPORATE GOVERNANCE REPORT

The Trendlines Group Ltd. ("**Trendlines**" or the "**Company**", and together with its subsidiaries, the "**Group**") recognizes the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company ("**Shareholders**"). Good corporate governance establishes and maintains a legal and ethical environment in the Group to protect the interests of the Shareholders and to maximize long-term Shareholders' value.

In connection with the listing of the Company's shares on the Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 26 November 2015 (the "**IPO**"), the Company began, and is in the process of, implementing recommended practices in the Code of Corporate Governance 2012 (the "**Code**"), subject however to compliance with the various corporate governance requirements under the Israeli Companies Law (the "**Israeli Companies Law**") with which the Company, as a company incorporated in Israel whose shares are publicly traded on a stock exchange, is required to comply.

This Corporate Governance Report outlines the Company's corporate governance practices that were adopted during the financial year ended 31 December 2015 ("**FY2015**"), with specific reference made to the principles of the Code and the disclosure guide developed by the SGX-ST in January 2015 (the "**Guide**"). The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Deviations from the Code and/or the Guide are partially a result of the short period of time since the Company's IPO and the implementation of the recommended practices in the Code and the Guide in connection therewith. In addition, appropriate explanations and/or alternative corporate governance practices adopted by the Company have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.

Board Matters

Principle 1: The Board's Conduct of Affairs

Guideline 1.1: Primary Functions of the Board
As at the date of this Corporate Governance Report, the Board of Directors of the Company ("**Board**") comprises two Executive Directors and four Non-Executive Directors, out of which three are Independent Directors. The composition of the Board is as follows:

Name of Director	Designation
Mr. David Todd Dollinger	Chief Executive Officer and Chairman of the Board
Mr. Stephen Louis Rhodes	Chief Executive Officer and Chairman of the Board
Mr. Zeev Bronfeld	Non-Executive Director
Ms. Elka Nir	External Director (Lead Independent Director)
Mr. Stephen Philip Haslett	Independent Director
Professor Hang Chang Chieh	External Director (Independent Director)

Under the Israeli Companies Law and the Company's Articles of Association (the "**Articles**"), the Company's business and affairs are managed under the direction and oversight of the Company's Board, which may exercise all powers and may take all actions that are not specifically granted to the Shareholders or to any other organ of the Company. The Board determines the Company's policy and supervises the performance of the Chief Executive Officers' duties and actions and is authorised, among other things, to:

- determine the Company's business plans, principles for funding them and the priorities between them;
- review the financial status and determine the credit the Company is authorised to obtain;
- determine the Company's organisational structure and remuneration policy;
- resolve to issue series of debentures;

CORPORATE GOVERNANCE REPORT

- be responsible for the preparation of financial statements and approve the financial statements;
- report to the Company's Shareholders on the status of the Company's affairs and the results of its business operations at its annual general meeting;
- appoint and remove the Chief Executive Officers;
- resolve whether to approve (or disapprove) certain transactions, which require the approval of the Board under the Israeli Companies Law or the Articles;
- issue securities and securities convertible into shares up to the limit of the Company's authorised share capital;
- resolve to effect a distribution in accordance with the Israeli Companies Law;
- provide the Company's opinion in respect of a special tender offer as stipulated in the Israeli Companies Law; and
- determine the minimum number of Directors who should have accounting and financial expertise.

Guideline 1.2: Independent Judgment
In accordance with the Israeli Companies Law, every Director by virtue of his or her office occupies a fiduciary position with respect to the Company. A Director is not permitted to place him or herself in a situation where his or her interests conflict with his or her duty. Without derogating from the generality of the foregoing, Directors shall refrain from any conflict of interest between the performance of their duties in the Company and the performance of their other duties or their personal affairs, shall refrain from any activity that is competitive with the Company's business, shall refrain from taking advantage of any business opportunity of the Company in order to obtain a personal gain for themselves or others, and shall disclose to the Company any information or documents relating to the Company's affairs which the Director received by virtue of his or her position as an office holder. If a Director knows that he or she has a personal interest in an existing or proposed transaction of the Company, then – without delay and not later than the Board's meeting at which the transaction is first discussed – he or she must disclose to the Company the nature of his personal interest, including any material fact or document. Generally, a Director who has a personal interest in a transaction (except with respect to a non-extraordinary transaction) which is considered at a meeting of the Board or any Board Committees (as defined below) of the Company may not be present at such a meeting or vote on that matter unless the chairman of the Board or Board Committee (as applicable) determines that such Director should be present in order to present the transaction that is subject to approval. If a majority of the members of the Board or Board Committee (as applicable) have a personal interest in the approval of a transaction, then all Directors may participate in discussions of the Board or Board Committee (as applicable) on such transaction and vote on approval thereof, but Shareholders' approval will also be required for such transaction.

The Company's nominating committee is responsible for determining on an annual basis whether or not a Director is independent or whether an individual qualifies as an External Director, in accordance with the guidelines in the Code and the Israeli Companies Law. Please refer to Principle 2 in this Corporate Governance Report for further information regarding the Company's Independent Directors.

Guideline 1.3: Delegation by the Board
The Board may, subject to the provisions and limitations of the Israeli Companies Law, delegate any or all of its powers to committees, each consisting of one or more persons (all of whose members must be Directors), and it may from time to time revoke such delegation or alter the composition of any such committee. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board. Under Israeli Companies Law, a public company must have an audit committee and a remuneration committee, each comprised of at least three directors and in which all of the company's External Directors shall be members.

To assist the execution of its responsibilities, the Board has established three committees, namely, the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**"), all collectively referred to hereafter as the "**Board Committees**". The Board Committees were formed at the time of the Company's listing on the Catalist of the SGX-ST and a majority of their members are Independent Directors.

CORPORATE GOVERNANCE REPORT

The compositions of the Board Committees are as follows:

	AC	NC	RC
Chairperson	Ms. Elka Nir	Mr. Stephen Philip Haslett	Ms. Elka Nir
Member	Mr. Stephen Philip Haslett	Ms. Elka Nir	Mr. Stephen Philip Haslett
Member	Professor Hang Chang Chieh	Professor Hang Chang Chieh	Professor Hang Chang Chieh
Member	–	Mr. Stephen Louis Rhodes	–

Clear written terms of reference for each of the Board Committees set out basic guiding principles for the establishment and activity of such Board Committee. Each Board Committee shall review and re-assess, on an annual basis, the adequacy of its applicable terms of reference and submit such evaluation, including any recommendations for change, to the Board for review, discussion and approval.

Please refer to Principles 4, 5, 7, 8, 11 and 12 in this Corporate Governance Report for further information regarding each of the Board Committees.

Guideline 1.4: Key Features of Board Processes
In accordance with the Articles and the Israeli Companies Law, the Board may meet and adjourn its meetings according to the Company's needs and otherwise regulate such meetings and proceedings as the Board deems fit, provided however, that the Board shall convene at least once every financial quarter.

In order to ensure that the Group's operations are not disrupted, the Directors are notified of the meetings of the Board and the Board Committees in advance. Ad-hoc meetings are also convened when circumstances require, and/or resolutions in writing of the Board are circulated for matters that require the Board's approval.

In addition, in accordance with their applicable terms of reference, the AC shall meet at least once every financial quarter, and each of the NC and RC shall meet at least twice in a financial year. Additional meetings are convened according to the Company's needs. Minutes of all meetings of the Board and Board Committees are recorded and duly entered in books provided for that purpose. Such minutes shall, in all events, set forth the names of the Directors present at the meeting and all resolutions adopted thereat. The Articles and the applicable terms of reference of the Board Committees allow for the meetings of its Board and the Board Committees to be held by means of a conference call or any other device or means of communication allowing each Director participating in such meeting to hear all the other Directors participating in such meeting. The Board and Board Committees may also make decisions by way of written resolutions.

The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings held during FY2015 to 1 March 2016 are as follows:

Number of meetings held(***):	Board	AC(*)	NC(*)	RC(*)
	6	2	2	1
Name of Director	**Number of meetings attended**			
Mr. David Todd Dollinger	6	–	–	–
Mr. Stephen Louis Rhodes	6	–	2	–
Mr. Zeev Bronfeld	6	–	–	–
Ms. Elka Nir (**)	6	2	2	1
Mr. Stephen Philip Haslett (**)	5	2	2	1
Professor Hang Chang Chieh (**)	6	2	2	1

Notes:

(*) Was established on 19 October 2015.
(**) Was appointed as a Director on 15 October 2015.
(***) Not including written resolutions.

CORPORATE GOVERNANCE REPORT

Guideline 1.5: Board Approval
Matters reserved for the Board's decision are specified in detail under the Israeli Companies Law, as detailed in Guideline 1.1 above. Therefore, the Company is of the opinion that currently no written guidelines are required with respect to such matters. Apart from the matters that specifically require the Board's approval as set forth above, the Board approves certain transactions of the Group exceeding certain threshold limits, while delegating authority for transactions below those limits to the Group's management and/or the Group's investment committees so as to optimize operational efficiency.

Guideline 1.6: Induction and Training of Directors
All new Directors appointed to the Board are briefed on the Group's activities, strategic direction and policies, key business risks, and the regulatory environment in which the Group operates, as well as their statutory and other duties and responsibilities as Directors and are provided with copies of the Group's applicable policies including, *inter alia*:

- Disclosure Policy;
- Securities Dealing Policy;
- Whistle Blowing Policy;
- Anti-Bribery and Anti Corruption Policy;
- Code of Business Conduct and Ethics; and
- Any other corporate policy as may be adopted by the Group which is applicable to, or supervised, by the Board.

The Company's management updates the Board, at least on a quarterly basis, on business and strategic developments of the Group, and the Directors are also provided with updates and/or briefings from time to time by professional advisors in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislations and regulations, risk management and financial reporting standards. In addition, the Directors are also at liberty to approach the Company's management should they require any further information or clarification concerning the Group's operations.

In addition, the Company intends to give the Directors a tour of the Company's operational facilities to familiarize them with the business environment and governance practices of the Company during the first half of the financial year ending 31 December 2016 ("**FY2016**"). Professor Hang Chang Chieh has prior experience as director of public listed companies in Singapore and is therefore familiar with the roles and responsibilities of a director of a public listed company in Singapore. Notwithstanding, all Directors have attended the relevant training conducted by the Singapore Institute of Directors on 20 October 2015 in order to familiarize themselves with their roles, duties and responsibilities as a director of a public listed company in Singapore.

Principle 2: Board Composition and Guidance

Guidelines 2.1-2.2: Board Independence
The Company's Chief Executive Officers also serve as Chairmen of the Board (please refer to Principle 3 in this Corporate Governance Report for further information on this matter), therefore, it is recommended under the Code that the Company has at least half the members of its Board be independent directors as defined in the Code. In addition, under Israeli Companies Law, shareholders of public companies must elect, by a Disinterested Majority (as under the Israeli Companies Law), at least two members of the Board who qualify as "External Directors" under the Israeli Companies Law. External Directors must meet certain standards of independence at the time of their appointment and during the two-year period prior to their appointment.

The Board currently comprises six members, three of whom, namely, Ms. Elka Nir, Mr. Stephen Philip Haslett and Professor Hang Chang Chieh are considered to be independent Directors, in accordance with both the Israeli Companies Law and the Code (the "**Independent Directors**"). As such, the recommendation under the Code that at least half of the members of the Board should comprise of independent directors, has been met.

CORPORATE GOVERNANCE REPORT

Guidelines 2.3-2.4: Independence Review
The Board considers an Independent Director as one who has no relationship with the Company, the Company's related companies, ten percent Shareholders or the Company's officers, which could interfere, or be reasonably perceived to interfere, with the exercise of that Director's independent judgment of the conduct of the Group's affairs. The independence of each Director is reviewed annually by the NC in accordance with the definition of independence in the Code.

None of the Company's Independent Directors has served as a member of the Board for more than nine consecutive years (all of whom were appointed to the Board in October 2015).

The NC has reviewed and has identified each of the Independent Directors to be independent. As half of the Board is made up of Independent Directors, the NC believes the Board shall be able to exercise independent judgment on corporate affairs and ensure that no one individual or groups of individuals dominate any decision making process. The NC is of the view that the Board has a good balance of Directors who have extensive business, financial, accounting and management experience who as a group provide core competencies necessary to meet the Group's objectives.

The Board has reviewed and confirmed the independence of the Independent Directors. The Independent Directors have also confirmed their independence by providing the Company with written declarations in accordance with the Israeli Companies Law and the Code.

There are no Directors who are deemed by the Board to be Independent Directors, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him or her not to be independent.

The Company has appointed Ms. Elka Nir to serve as its Lead Independent Director (please refer to Principle 3 of this Corporate Governance Report for further information on the Lead Independent Director).

Guidelines 2.5-2.6: Board Size and Composition
Under the Articles, the Board must consist of at least five and not more than ten Directors, including at least two External Directors required to be appointed under the Israeli Companies Law. The Board believes that, considering the scope and nature of the operations of the Company, the Board's current size (as detailed above) is an appropriate size for the Board to facilitate effective decision making.

Under Israeli Companies Law, at least one of the External Directors must have "accounting and financial expertise" and the rest of the External Directors must have either "professional competence" or "accounting and financial expertise". The conditions and criteria for a director qualifying as having accounting and financial expertise or professional competence are set out in regulations adopted under the Israeli Companies Law.

The Board is responsible for determining the minimum number of Directors, who should have accounting and financial expertise. In determining the number of Directors required to have accounting and financial expertise, the Company's Board must consider, among other things, the type and size of the Company, the scope and complexity of its operations and the number of its Directors. The Board has determined that at least two of the Directors must possess accounting and financial expertise as defined under Israeli Companies Law. In this regard, the Board has determined that Mr. Zeev Bronfeld, Mr. Stephen Louis Rhodes and Ms. Elka Nir each possesses "accounting and financial expertise" as such term is defined under the Israeli Companies Law.

In addition, under Israeli Companies Law, a public company must appoint at least one director of each gender.

Apart from gender diversity, the Board aims to have its members comprise an appropriate mix of members with complementary skills, core competencies and experience for the Company.

The Board's current composition includes members with a diversity of skills, including accounting and finance expertise, business acumen, management experience, industry knowledge, familiarity with regulatory requirements and knowledge of risk management.

The Board considers that its current Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

The Directors' academic and professional qualifications are presented in pages 20 to 23 of the Company's FY2015 Annual Report.

CORPORATE GOVERNANCE REPORT

Guidelines 2.7-2.8: Non-Executive Directors' Participation
The Company's Non-Executive Directors, namely, Ms. Elka Nir, Mr. Stephen Philip Haslett, Professor Hang Chang Chieh and Mr. Zeev Bronfeld are persons from different professions and working backgrounds, bringing to the Company their wealth of knowledge, business expertise and contacts in the business community and play an important role in helping the Company shape its business strategy by allowing the Company to draw on their diverse backgrounds and working experience. Although the Non-Executive Directors are not involved in the day-to-day running of the Company's operations, they play an invaluable role in furthering the business interests of the Company by contributing their experience and expertise. To ensure that the Non-Executive Directors are well supported by accurate, complete and timely information, they have unrestricted access to the Company's management. In addition, three out of the four Non-Executive Directors also sit on various Board Committees and provide constructive inputs and oversight of the Company and its management.

The Non-Executive Directors met on 24 February 2016 in the absence of key management personnel of the Company (the "**KMP**").

Principle 3: Chairman and Chief Executive Officer

Guidelines 3.1-3.2: Role of Chairman and the Chief Executive Officer
Under the Israeli Companies Law, a company's chief executive officer may serve as the chairman of the board of directors of such company, subject to the required approvals, including shareholders' approval with a special majority to be renewed every 3 years, as required under the Israeli Companies Law.

The NC (with Mr. Stephen Louis Rhodes abstaining from all discussions and decisions concerning his own appointment) has determined that it is in the best interests of the Company for the positions of Chairmen of the Board and Chief Executive Officers to be held by the same persons for the following reasons:

- The existing dual Chief Executive Officers and Chairmen management structure has worked well for the Company. Messrs. David Todd Dollinger and Stephen Louis Rhodes have held the same designations of Chairmen since the co-founding of the Company in 2007; Mr. Stephen Louis Rhodes was named Co-Chief Executive Officer in July 2010. Since then, Messrs. David Todd Dollinger and Stephen Louis Rhodes have been the key personnel whose contributions and expertise in their capacities as Chief Executive Officers and Chairmen have largely resulted in the success of the Company to-date, with a reputation as the operators of one of the best government-franchised incubators in Israel, and a strong track record of developing and executing exit strategies for its portfolio companies. Moving forward, it is expected that the continued growth and development of the Company will be largely dependent on the preservation of the existing management structure which has served the Company well.

- The Company is not aware of any objections or complaints raised by any of the existing Shareholders in relation to the dual roles of Messrs. David Todd Dollinger and Stephen Louis Rhodes since the founding of the Company.

- The Company believes that the concept of having two Chief Executive Officers and Chairmen is practical both based on the Company's experience of the past eight years and because there are other listed companies which also have a similar dual role management structure.

Following the recommendation of the NC and the Board, the Company had at the Special General Meeting held on 24 February 2016 (the "**2016 SGM**"), obtained Shareholders' approval (by the special majority as required under Israeli Companies Law) on the appointment of the Chief Executive Officers, Messrs. David Todd Dollinger and Stephen Louis Rhodes, to serve as Chairmen of the Board. For further information regarding the appointment of the Chief Executive Officers to serve as Chairmen of the Board, please refer to the Company's circular to the Shareholders dated 19 January 2016.

Mr. David Todd Dollinger is responsible for the overall management of our Group's business operations (particularly, in the areas of budget and operations) and is also primarily responsible for business development in China.

Mr. Stephen Louis Rhodes is responsible for the overall management of our Group's business operations (particularly, in the areas of finance and compliance reporting functions) and is also primarily responsible for the establishment of strategic partnerships in Europe and the United States.

CORPORATE GOVERNANCE REPORT

Notwithstanding that the Chairmen of the Board are the Chief Executive Officers, the Board is satisfied that there is sufficient transparency and accountability in view of the strong independent element on the Board.

Guidelines 3.3-3.4: Lead Independent Director
In light of the appointment of the Chief Executive Officers, Messrs. David Todd Dollinger and Stephen Louis Rhodes, to serve as Chairmen of the Board as detailed above, the Company is required under the Code to designate an Independent Director to serve as Lead Independent Director. The Company has appointed Ms. Elka Nir to serve as its Lead Independent Director.

The Lead Independent Director may be available to the Shareholders where they have concerns and for which contact through the normal channels of the Chairman and Chief Executive Officer or the Chief Financial Officer (or equivalent) has failed to resolve or is inappropriate.

The Independent Directors, constituting all of the members of the AC, shall meet at least annually without the presence of the Company's management and Non-Independent Directors, to discuss matters of significance. The Independent Directors met on 24 February 2016 in the absence of KMP.

Principle 4: Board Membership

Guideline 4.1: Establishment and Composition of Nominating Committee
The NC is established, inter-alia, for the purposes of ensuring that the Company has a formal and transparent process for all Board appointments. The NC is comprised of 4 Directors, a majority of whom are Independent Directors, including the NC Chairman.

Guidelines 4.2-4.4: Authority and Duties of Nominating Committee
The authority and duties delegated by the Board to the NC are detailed in written terms of reference approved by the Board, and include, inter alia:

- Developing corporate governance guidelines and principles for the Company;
- Identifying individuals qualified for nomination to the Board and reviewing and recommending the nomination or re-nomination of the Directors, having regard to the Director's contribution and performance;
- Considering the structure and composition of the Board and Board Committees;
- Evaluating the performance and effectiveness of the Board, the Board Committees and each of their members;
- Succession planning, including the appointment recommendations, training and evaluation of the Directors and senior management;
- Determining on an annual basis whether or not a Director is independent or whether an individual qualifies as an External Director in accordance with the Israeli Companies Law; and
- Reviewing and approving any new employment of related persons and the proposed terms of their employment, subject to the requirements under Israeli law.

Each member of the NC shall abstain from all discussions and voting on any resolution in respect of the assessment of his or her performance or re-nomination as a Director.

The NC considers and recommends to the Board the appropriate structure, size and needs of the Board, with regard to the appropriate skills mix, personal qualities and experience required for the effective performance of the Board. The NC also recommends all appointments and retirements of Directors and considers candidates to fill new positions created by expansion or vacancies that occur by resignation, retirement or for any other reasons.

CORPORATE GOVERNANCE REPORT

Candidates are selected based on their character, judgment, business experience and acumen. The Company also considers Company-specific factors (such as size and composition of the Board, nature and scope of the Group's operations and size) in deciding on the capacity of Directors.

Where a Director has multiple board representations, the NC will evaluate if a Director is able to and has been adequately carrying out his or her duties as Director of the Company, taking into consideration the number of his or her listed company board representations and other principal commitments which involve significant time commitment. Despite some of the Directors having other board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. In addressing competing time commitments faced when Directors serve on multiple boards, the NC has determined that each Director should hold not more than 6 listed company board representations, unless otherwise approved by the NC under special circumstances. The details of directorships and/or chairmanships in other listed companies and other principal commitments of the Directors are set out in the "Board of Directors" section of the Annual Report in page 23.

Having assessed the capacity of the Directors based on factors disclosed above, the Board is of the view that this number would allow Directors to have increased exposure to different boards and broaden their experience and knowledge in relation to Board matters, hence ultimately benefitting the Company.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties effectively for FY2015.

Guideline 4.5: Alternate Directors
The Company does not currently have any alternate directors.

Guideline 4.6: Board Appointment Process
The NC is responsible for identifying individuals qualified for nomination to the Board and/or any Board Committee and reviewing and recommending the appointment or re-appointment (or not) of the Directors and/or members of the various Board Committees, having regard for among others: (i) the education, track record, experience and capabilities of the candidate; (ii) whether the candidate's competencies, skills and personal qualities are aligned with the Company's needs and any criteria for selecting new Directors established by the Board; and (iii) whether the candidate understands the demands and expectations of a Director of the Company. With respect to re-appointment of Directors, the NC shall also assess the performance of the Director in accordance with performance criteria to be determined by the Board from time to time.

Pursuant to the Articles, each of the Directors, other than the External Directors (for whom special election requirements apply under the Israeli Companies Law as detailed below) will be appointed by a simple majority vote of holders of the Company's voting shares, participating and voting at an annual general meeting of the Shareholders. Other than External Directors, the Directors are divided into three groups with staggered three-year terms. Each group of Directors consists, as nearly as possible, of one-third of the total number of Directors constituting the entire Board (other than the External Directors). At each annual general meeting of the Shareholders, the election or re-election of Directors following the expiration of the term of office of the Directors of that group of Directors will be for a term of office that expires on the third annual general meeting following such election or re-election, such that from 2016 and after, at each annual general meeting the term of office of only one group of Directors will expire (i.e. the term of office of Group I will initially expire at the annual general meeting held in 2016 and thereafter at 2019, 2022, etc.). Each Director will hold office until the annual general meeting of the Shareholders in which his or her term expires, unless they are removed by a vote of more than fifty percent of the total voting power of the Shareholders present and voting at an annual general meeting of the Shareholders or upon the occurrence of certain events, in accordance with the Articles.

The Directors (other than External Directors) are divided among the three groups as follows:

i. The initial Group I Director is Mr. Stephen Philip Haslett and his term of office will expire at the upcoming annual general meeting of the Shareholders to be held in 2016 and when his successor will be elected and qualified or he will be re-elected;

ii. The initial Group II Directors are Messrs. David Todd Dollinger and Zeev Bronfeld and their term of office will expire at the first annual general meeting of the Shareholders following the meeting referred to in clause (i) above and when their successors will be elected and qualified or they will be re-elected; and

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iii. The initial Group III Director is Mr. Stephen Louis Rhodes and his term of office will expire at the first annual general meeting of the Shareholders following the meeting referred to in clause (ii) above and when his successor will be elected and qualified or he will be re-elected.

External Directors are elected for an initial term of three years and may be elected for two additional three-year terms under the circumstances set forth under the Israeli Companies Law. External Directors may be removed from office only under limited circumstances set forth in the Israeli Companies Law.

Following the recommendation of the NC (with Ms. Elka Nir and Professor Hang Chang Chieh abstaining from all discussions and decisions concerning their respective appointments) and the Board at 2016 SGM, the Shareholders approved (by the special majority as required under Israeli Companies law) the election of Ms. Elka Nir and Professor Hang Chang Chieh, both Independent Directors of the Company, to serve as External Directors of the Company.

Following the recommendation of the NC (with Mr. Stephen Philip Haslett abstaining from all discussions and decisions concerning his re-election as Director of the Company) and the Board, at the 2016 annual general meeting, to be held on 19 April 2016 (the "**2016 AGM**"), the Board shall propose to its Shareholders to approve the re-appointment of Mr. Stephen Philip Haslett as a Director of the Company for a term of office that shall expire at the annual general meeting of the Company to be held in 2019.

The NC (with Mr. Stephen Philip Haslett abstaining from all discussions and decisions concerning his re-election) had reviewed, at its meeting held on 24 February 2016, the experience, independence, and the contemplated contributions of Mr. Stephen Philip Haslett and resolved that Mr. Stephen Philip Haslett provides to the Company beneficial service and advice.

Moreover, given the Company's nature of business and scope of activities, and the fact that the Company is a company incorporated under Israeli law, managed in Israel, and listed on the Catalist of SGX-ST, and considering the specific expertise, and understanding expected from and provided by Mr. Stephen Philip Haslett, the NC is of the opinion that the Company and its Shareholders shall benefit from the service of Mr. Stephen Philip Haslett as an Independent Director of the Company.

If re-elected, in accordance with Article 40 of the Articles, Mr. Stephen Philip Haslett will remain as Chairman of the NC and a member of the AC and RC. The Board considers Mr. Stephen Philip Haslett to be independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**").

Guideline 4.7: Key Information on Directors
The key information of the Directors, including their appointment dates and directorships held in listed companies for the past three years, are set out on page 23 of the Company's FY2015 Annual Report.

Principle 5: Board Performance

Guidelines 5.1-5.3: Board and Board Committees Performance Evaluation Process
The NC is responsible for evaluating the effectiveness of the Board and Board Committees as a whole and for assessing the contribution by the Chairmen and each individual Director to the effectiveness of the Board and Board Committees. As the Company was only recently listed on the Catalist of the SGX-ST on 26 November 2015, the NC and the Board have not yet determined performance criteria to assess such effectiveness, and they intend to do so in FY2016. In light of these circumstances, there was no determination of the performance of the Board, the Board Committees and each Director in FY2015.

The NC will review the performance of the Board, the Board Committees and each Director based on its performance criteria in FY2016. The Board has not engaged any external facilitator in conducting the assessment of the performance of the Board, the Board Committees and each Director. If and where relevant, the NC will consider such engagement.

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Principle 6: Access to Information

Guidelines 6.1-6.2: Complete, Adequate and Timely Information
To enable the Board to fulfill its responsibilities and make informed decisions, the Board obtains from the Company's management information which it deems adequate, complete and in a timely manner.

Prior to each meeting, members of the Board and the Board Committees are provided with the notice and agenda of the meeting and documentation containing background or explanatory information relating to the matters brought before the relevant meeting, including, where applicable, copies of disclosure documents, budgets, forecasts and internal financial statements. In respect of budgets, any material variance between the projections and actual results are disclosed and explained to the Board. The Company's management, legal advisors and auditors who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings, subject to and in accordance with the provisions of the Israeli Companies Law regarding such participation by non-members in such meetings.

The minutes of meetings of the Board and Board Committees are circulated to all Board or Board Committee members (as applicable) after the respective meetings for their approval.

Guideline 6.3: Role of Company Secretary (Secretaries)
The Directors have separate and independent access to the joint Company Secretaries namely, Mr. Yosef Ron, the Company's Israeli Secretary, and Ms. Lynn Wan Tiew Leng, the Company's Singaporean Secretary, (collectively, the "**Secretaries**") and independent auditors.

The role of the Company Secretaries has been clearly defined and includes responsibility for ensuring that Board procedures are followed and that applicable rules and regulations are complied with, specifically, the Company's Israeli Secretary is responsible with respect to the Company's compliance with applicable Israeli rules and regulations, and the Company's Singaporean Secretary is responsible with respect to the Company's compliance with applicable Singapore rules and regulations. Under the direction of the Chairmen of the Board and Chief Executive Officers, the Company Secretaries' responsibilities also include ensuring good information flows within the Board and its Board Committees and between management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required.

At least one of the Company's Secretaries is present at the meetings of the Board and Board Committees, as and when their presence is required, subject to applicable law.

Guideline 6.4: Appointment of Company Secretary (Secretaries)
Under the Articles, the appointment of the Company Secretaries is subject to the approval of the Board, however the Board may delegate such authority to the Chief Executive Officers.

Guideline 6.5: Independent Professional Advice
Under Israeli Companies Law, the Directors may, under special circumstances and in the furtherance of their duties, receive independent professional advice at the Company's expense subject to the approval by the Board or competent court. No independent professional advice were obtained during FY2015.

Principle 7: Procedures for Developing Remuneration Policies

Guideline 7.1: Establishment and Composition of Remuneration Committee
The RC is comprised of 3 Directors, all of whom are Independent Directors, including the RC Chairperson.

Under the Israeli Companies Law, a public company must have a remuneration committee comprised at least three directors, including all of the external directors who must be the majority members and one thereof must serve as the chairman of the committee, and all the remaining members must receive remuneration for their service as directors of the company, in accordance with the regulations under the Israeli Companies Law governing the remuneration of the external directors. The remuneration committee must not include the chairman (or chairmen) of the board of directors, any controlling shareholder

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or a relative of a controlling shareholder or any director employed by the company or by the company's controlling shareholder or by an entity under the control of the company's controlling shareholder, or a director who provides services, on a regular basis, to the company, to its controlling shareholder or to any entity under the control of such controlling shareholder, as well as any director whose principal livelihood derives from the company's controlling shareholder.

Guidelines 7.2, 7.4: Authority and Duties of Remuneration Committee
The authority and duties delegated by the Board to the RC are detailed in written terms of reference approved by the Board, and include, *inter alia*:

- Reviewing and making recommendations to the Board with respect to the approval of the compensation policy with respect to the terms of office and employment of office holders and any extensions thereof;

- Periodically reviewing the implementation of the compensation policy and providing the Board with recommendations with respect to any amendments or updates thereto;

- Reviewing and resolving whether or not to approve arrangements with respect to the terms of office and employment of office holders;

- Determining whether or not to exempt a transaction with a candidate for Chief Executive Officer from Shareholders' approval because such approval would preclude the engagement with such candidate, provided that such transaction is consistent with the compensation policy;

- Overriding a determination of the Shareholders in relation to certain compensation related issues, subject to the approval of the Board and under special circumstances, such as, the approval of the Company's compensation policy, after such compensation policy was reconsidered by the RC and on the basis of detailed reasons, the RC and thereafter the Board determined that the adoption of the compensation policy is in the best interests of the Company despite the objection of the Shareholders;

- The establishment of key human resources and compensation policies, including all incentive and equity-based compensation plans;

- Evaluating the Company's executive and senior management; and

- Recommending to the Board a framework of remuneration for the Directors and other office holders, including KMP, and determining specific remuneration packages for each Director and office holder, including, without limitation, directors fees, salaries, allowances, bonuses, benefits in kind, pension rights, compensation payments (including any compensation payable for loss or termination of office, service or appointment), incentive payments, options and share-based incentives and awards.

In addition, the RC will perform an annual review of the remuneration of employees related to the Directors and/or substantial shareholder of the Company (as defined in the Catalist Rules) to ensure that their remuneration packages are in line with the Company's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increases and/or promotions for these employees.

Each member of the RC shall abstain from all discussions and voting on any resolutions in respect of his or her remuneration package or that of employees related to him or her. The remuneration of the External Directors is also subject to the limitations under the Israeli Companies Law and applicable regulations thereunder.

Guideline 7.3: Guidance of Remuneration Committee
The RC has unrestricted access to the Company's independent external auditors and is authorized by the Board to seek any information it requires from any employee of the Company for the purpose of performing its duties. In addition, the RC has the sole authority, without having to seek Board or any other approval, to obtain, at the reasonable expense of the Company, advice and assistance services in any of the matters which are within its scope of responsibilities, from internal or external legal, accounting or other advisors (including compensation consultants), as it determines necessary in its sole discretion, to provide oversight on work performed by such advisor, to determine fees for such services and to terminate such advisors' services. No remuneration consultants were engaged by the Company in FY2015.

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Under the Israeli Companies Law, within nine months following a company's public listing, a compensation policy with respect to the terms of office and employment of office holders must be approved by the board of directors of such company, after considering the recommendations of its remuneration committee, and by a special majority of the company's shareholders.

During the second half of FY2015, the Company has begun the process of preparing a compensation policy with respect to the terms of office and employment of its office holders (the "**Compensation Policy**") in order to approve it within the required timeframe under Israeli Companies Law. Within this process the Company has engaged a third party independent consultant, Ernst & Young (Israel) Ltd. in January 2016, for professional advice regarding customary remuneration practices to ensure that the remuneration guidelines to be set forth under the Compensation Policy be competitive and aligned to the market benchmark. The RC has reviewed the prior relationships of Ernst & Young (Israel) Ltd. with the Company, and has determined that all relationships and/or arrangements between Ernst & Young (Israel) Ltd. and the Company did not and do not impair the independence and objectivity of Ernst & Young (Israel) Ltd. as a third party independent consultant. In addition, Ernst & Young (Israel) Ltd. as a third party independent consultant, has confirmed that, in its professional judgement, it is independent from the Company.

Principle 8: Level and Mix of Remuneration

Guideline 8.1: Remuneration of Directors and Other Office Holders (Including KMP)
The Company intends to approve the Compensation Policy within the timeframe required under the Israeli Companies Law (i.e., no later than 25 August 2016), and shall therefore summon a general meeting of its Shareholders to approve such Compensation Policy, following the recommendation of the RC and the Board's approval thereof. The Compensation Policy shall serve as the basis for decisions concerning the terms of employment or engagement of the Company's office holders, including exculpation, insurance, indemnification or any monetary payment, obligation of payment or other benefit in respect of employment or engagement.

Guideline 8.2: Long Term Incentive Schemes
The Compensation Policy shall relate to certain factors, including advancement of the Company's objectives, the Company's business plan and its long-term strategy, and creation of appropriate incentives for office holders. It shall also consider, among other things, the Company's risk management, size and the nature of its operations as well as the following additional factors and principles:

- The education, skills, expertise, professional experience and accomplishments of the relevant office holder;
- The office holder's roles and responsibilities and prior compensation agreements with him or her;
- The ratio between the cost of the employment terms offered to the office holder and the cost of salary of the Company's other employees, including those employed through manpower companies, and in particular the relation to the average pay and median pay of such employees;
- The impact of disparities in salary upon work relationships in the Company;
- The possibility of reducing variable compensation at the discretion of the board of directors; and the possibility of setting a limit on the exercise value of non-cash variable equity-based compensation; and
- As to severance compensation, the period of service of the office holder, the terms of his or her compensation during such service period, the Company's performance during that period of service, the office holder's contribution towards the Company's achievement of its goals and the maximization of its profits, and the circumstances under which the person is leaving the Company.
- The link between variable compensation and long-term performance and measurable criteria;
- The relationship between variable and fixed compensation, and the ceiling for the value of variable compensation;

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- The conditions under which an office holder would be required to repay compensation paid to him or her if it was later shown that the data upon which such compensation was based was inaccurate and was required to be restated in the Company's financial statements;

- The minimum holding or vesting period for variable, equity-based compensation; and

- The maximum limits for severance compensation.

Please refer to Guideline 7.3 above for further details on the Compensation Policy.
The Company seeks to advance the interests of the Company by affording to its selected employees and Directors, including Affiliated Companies (as defined under The Trendlines 2015 Share Option Plan and the Sub-Plan (the "**2015 Plan**")), who have contributed or will contribute to the growth and performance of the Company or its Affiliated Companies, and who satisfy the eligibility criteria set out in the 2015 Plan, an opportunity to acquire a proprietary interest in the Company or to increase their proprietary interest therein, as applicable, by the grant in their favour, of options, thus providing such employee or director an additional incentive to remain or retain employed or engaged by the Company or Affiliated Company, as the case may be, and encouraging such employee or director's sense of proprietorship and stimulating his or her active interest in the success of the Company and its Affiliated Companies by which he or she is employed or engaged. For this purpose, following the approval of the Shareholders at a special general meeting of the Company's shareholders held on 11 November 2015, the Company has adopted the 2015 Plan. Information on the 2015 Plan is set out in the Directors' Report on pages 64 to 67 and the Financial Statements on pages 113 to 116 of the Company's FY2015 Annual Report.

The Company issued an aggregate of 320,000 options at the exercise price of S$0.32 to grantees in accordance with the 2015 Plan in FY2015.

Guideline 8.3: Remuneration of External Directors
According to the regulations promulgated under the Israeli Companies Law concerning the remuneration of external directors (the "**Remuneration Regulations**"), external directors are generally entitled to an annual fee, a participation (attendance) fee for each meeting of the board of directors or any committee of the board of directors on which he or she serves as a member, and reimbursement of travel expenses for participation in a meeting which is held outside of the external director's area of residence and of all direct expenses incurred in connection with attending meetings outside such external director's home country, provided that the said reimbursement of expenses is based on the same criteria as the reimbursement paid by the company to the non-external directors and who are not residents of the country where the meeting takes place. The minimum, fixed and maximum amounts of the annual and participation fees are set forth in the Remuneration Regulations, based on the classification of the company according to the amount of its capital. The participation fees paid for participation in a board of directors' meeting through the phone, or through any other means of communication shall be sixty percent of the ordinary participation fees. The participation fees paid with regard to the adoption of a resolution in writing (without convening an actual meeting) shall be fifty percent of the ordinary participation fees. According to the Remuneration Regulations, the remuneration committee and shareholder's approval may be waived if the annual and participation fees to be paid to the external directors are within the range of the fixed annual fee or the fixed participation fee and the maximum annual fee or the maximum participation fee for the company's level, respectively. However, remuneration of an external director in an amount which is less than the fixed annual fee or the fixed participation fee, respectively, requires the approval of the remuneration committee, the board of directors and the shareholders (in that order). The remuneration of external directors must be made known to the candidate for such office prior to his/her appointment and, subject to certain exceptions, will not be amended throughout the three-year period during which he or she is in office. A company may compensate an external director in shares or rights to purchase shares, other than convertible debentures which may be converted into shares, in addition to the annual remuneration, the participation fee and the reimbursement of expenses, subject to certain limitations set forth in the Remuneration Regulations.

Under the Israeli Companies Law, the terms of office and employment for other members of the remuneration committee that are not external directors should be the same as the terms of office of the external directors.

The Directors are also entitled to be paid reasonable travel, hotel and other expenses expended by them in attending board meetings and performing their functions as directors of the Company, according to the policy of the Company from time to time and subject to obtaining required corporate approvals.

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Principle 9: Disclosure of Remuneration

Guidelines 9.1-9.2: Disclosure of Remuneration of Directors and Chief Executive Officers
The breakdown for the remuneration paid to or accrued to each individual Director and the Chief Executive Officer for FY2015 is as follows:

Directors and Chief Executive Officers Remuneration						
Name	**Fees (%)**	**Salary (%)**	**Bonus (%)**	**Other Benefits (%)***	**Fair Value of Share Option (%)****	**Total (S$)**
Executive Directors						
Todd Dollinger (Chairman and Chief Executive Officer) (***)	–	33.82	–	2.63	63.55	1,042,880
Steve Rhodes (Chairman and Chief Executive Officer) (***)	–	33.70	–	2.95	63.35	1,046,093
Non-Executive Directors						
Zeev Bronfeld(****)	100.00	–	–	–	–	3,391
Elka Nir	100.00	–	–	–	–	7,065
Stephen Philip Haslett	100.00	–	–	–	–	7,100
Hang Chang Chieh	100.00	–	–	–	–	7,657

(*) Refers to benefits in kind such as car, housing allowances, etc., made available to office holders as appropriate.
(**) Refers to the value of the options granted as of the date of grant (based on Binomial Option Pricing Model) per year of vesting (taking into account the cost of previous vesting grant for that year).
(***) The salary, benefits and other compensation under the employment agreement between the parties relate only to the position as Chief Executive Officers. There is no additional remuneration for the office as Chairmen of the Board.
(****) Zeev Bronfeld has not received remuneration from the Company since his appointment as Director. Following the Company's IPO, Zeev Bronfeld started receiving directors' fees in accordance with the Remuneration Regulations.

Guidelines 9.1 and 9.3: Disclosure of Remuneration of KMP (Who are not Directors or Chief Executive Officers)
The breakdown for the remuneration of the top KMP (who are not Directors or Chief Executive Officers) for FY2015 is as follows:

Name	**Salary (%)**	**Bonus (%)**	**Other benefits (%)**	**Fair value of share option (%)**	**Total (S$)**
Gabriela Heller	63.90	3.55	7.45	25.10	381,272
Yosef Ron	65.00	1.79	12.28	20.93	377,818
Yosef Hazan	78.29	2.00	–	19.71	338,230
Eran Feldhay	73.16	2.06	6.72	18.06	328,182
Nitza Kardish	74.59	1.85	6.92	16.64	365,279
Aggregate remuneration =					**1,790,781**

The aggregate amount of termination, retirement, post employments benefits of the Directors, the Chief Executive Officers and the top five KMP (who are not Directors or the Chief Executive Officers) for FY2015 was S$151,202.

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Guideline 9.4: Remuneration to Employees who are Immediate Family Members of a Director or the Chief Executive Officer for FY2015
Karen Kozek is the spouse of the Company's Chairman and Chief Executive Officer, Mr. Todd Dollinger, and is employed by the Company as a marketing communications coordinator. The remuneration of Ms. Kozek during FY2015 was between S$50,000 and S$100,000. Save for Karen Kozek, there are no other employees of the Group who are immediate family members of a Director or Chief Executive Officer of the Company.

Guideline 9.5: Details of Employee Share Option Scheme
Please refer to Principle 8.2 of the Corporate Governance Report, Directors' Report on pages 64 to 67 and the Financial Statements on pages 114 to 116 of the Company's FY2015 Annual Report for information regarding the 2015 Plan.

Guideline 9.6: Link between Remuneration and Performance
The remuneration received by the Executive Directors and KMP consisted fixed compensation only, as described in this Principle 9 above. Variable compensation, if granted in the future, shall be determined all or part based on the level of achievement of corporate and/or individual performance objectives and/or all or part on discretion of the relevant organ as shall be detailed in the Compensation Policy (please refer to Principle 7 of this Corporate Governance Report for further information regarding the adoption of the Compensation Policy).

As the Company was only recently listed on the Catalist of the SGX-ST in November 2015 there was no determination of the performance of the Board and KMP. The RC will review the performance of the Board and KMP based on its performance criteria in FY2016.

Principle 10: Accountability

Guidelines 10.1-10.2: Board Accountability
The Company is committed to: (a) ensuring that its Shareholders and the market are provided with timely and adequate disclosure of material information in relation to the Company; (b) complying with the continuous disclosure obligations contained in the relevant laws, regulations and rules in Singapore; and (c) ensuring that all Shareholders have fair and equal opportunities to receive information issued by the Company.

One of the Board's principal duties is to promote and protect the long-term value and returns to the Shareholders, and accepts that it is accountable to the Shareholders and adopts best practices to maintain Shareholders confidence and trust. The Company is required to release unaudited quarterly and annual financial results pursuant to the Catalist Rules. Company's announcements are released via SGXNET within the respective periods stipulated in the Catalist Rules after review and approval by the Board and the Company's sponsor. In presenting results of financial statements, the Board strives to provide the Shareholders with detailed analysis and a balanced and understandable assessment of the Group's performance, financial position and prospects.

The Board also reviews legislation and regulatory compliance reports from management to ensure that the Group's compliance with the relevant regulatory requirements.

Guideline 10.3: Management Accountability
Since the IPO, the Company's Chief Executive Officers and its Chief Financial Officer provide management accounts and such explanation and information to the Board on a regular basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. The Company will review the need for implementation of providing Directors with monthly management accounts, as appropriate.

Principle 11: Risk Management and Internal Controls

Guidelines 11.1-11.3: Board Review of Risk Management and Internal Controls
The Company's internal controls structure consists of policies and procedures established to provide reasonable assurance to safeguard the assets of the Company against material misstatement, risks or loss. The Company's internal controls extend beyond the accounting and finance function – its scope addresses the financial, operational, compliance and information technology risks.

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The Company has instituted an internal control framework covering financial, operational, compliance and information technology, as well as risk management policies and systems. The framework defines the roles and responsibilities of business units such as the Company's Incubators and other units. The design and implementation of risk management and internal control system are managed and reviewed by senior management. Key documentation including delegation of authority, control process and operational procedures are disseminated to the Group's employees.

To complement its internal control processes, the Company has in place a Whistle Blowing Policy which encourages employees and others who deal with the Company, and who have serious concerns about any aspects of the Company's work, to voice such concerns in confidence (please refer to Principle 12 below for further information regarding the Company's Whistle Blowing Policy).

The AC reviews the adequacy of the Group's internal controls (including financial, operational, compliance and information technology controls) and the risk management policies and systems established by the Group.

The Board with the concurrence of the AC, is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2015. The bases for the Board's view are as follows:

1. Assurance has been received from the Chief Executive Officer and Chief Financial Officer in respect of (a) proper maintenance of financial records and financial statements to give a true and fair view of the Company's operations and finances for FY2015; and (b) adequacy and effectiveness of the Company's risk management and internal control systems;

2. Management completed a scoping and risk assessment overview to identify the significant accounts and related classs of transactions and processes, in respect of internal controls over financial reporting, and has evaluated the design and operating effectiveness of such internal controls;

3. KMP regularly evaluates, monitors, and reports to the AC on material risks, if any;

4. Discussions were held between Management, AC and the external auditors to review and address any potencial concerns; and

5. An enterprise risk assessment and a fraud risks survey were conducted to identify and mitigate significant risks.

The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise. The Company's current efforts in respect of Corporate Social Responsibility is found in pages 30 to 31 of the Annual Report.

The internal controls system put in place by the Company's management provides reasonable assurance against material financial misstatements or loss, reliability, relevance and integrity of information (including financial information) completeness of records, safeguarding of assets, effectiveness and efficiency of operations and compliance with applicable policies, laws and regulations. However, the Board also notes that such assurance cannot be absolute in view of the inherent limitations of any audit and internal control systems against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities.

Principle 12: Audit Committee

Guidelines 12.1-12.2: Establishment and Composition of Audit Committee
The AC is comprised of 3 Directors, all of whom, including the Chairperson, are Independent Directors. The AC includes the Company's External Directors, namely Ms. Elka Nir and Professor Hang Chang Chieh, whose appointment as external directors was subject to Shareholders' approval obtained at the general meeting convened on 24 February 2016 in compliance with the Israeli Companies Law, whereupon the AC was constituted in compliance with the Israeli Companies Law. The Chairperson of the AC is Ms. Elka Nir.

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At its current composition, the AC comprises members who are appropriately qualified, having relevant accounting or related financial management expertise and experience to discharge the authority and duties delegated by the Board to the AC.

Guidelines 12.3-12.4: Authority and Duties of the Audit Committee
The authority and duties delegated by the Board to the AC are detailed in written terms of reference approved by the Board, and include, inter alia:

- Reviewing and recommending to the Board the approval of the Company's quarterly and annual financial statements and related management's discussion and analysis;

- Recommending to the Board and overseeing the external auditors of the Company, including reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;

- Making recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

- Reviewing the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgments made by the external auditors so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

- Pre-approving all audit and non-audit services to be provided to the Group by the external auditors;

- Identifying deficiencies in the administration of the Company (including reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties)), and recommending remedial actions with respect to such deficiencies;

- Reviewing the effectiveness and adequacy of the Group's internal audit function;

- Reviewing the system of internal controls and management of financial risks with the internal and external auditors;

- Reviewing the cooperation of the Company's management with the external auditors and the internal auditors (without the presence of management), where applicable and at least annually;

- Reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time;

- Reviewing of hedging policies and instruments to be implemented (if any);

- Reviewing and approving interested person transactions and review procedures thereof;

- Reviewing potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;

- Reviewing the risk management framework, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, to announce immediately via SGXNET;

- Investigating any matters within its terms of reference;

- Reviewing the policy and arrangements by which the staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and ensuring that arrangements are in place for the independent investigations of such matter and for appropriate follow-up;

- Administering and overseeing the implementation of the Disclosure and Insider Trading Policy, the Whistle Blowing Policy, the Anti-Bribery Policy, and any other corporate policy as may be adopted by the Company; and

CORPORATE GOVERNANCE REPORT

- Undertaking such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

In addition, under the Israeli Companies Law, the AC is required, among other things, to:

- Identify deficiencies in the administration of the Company (including by consulting with the internal auditor or the external auditors of the Company), and recommend remedial actions with respect to such deficiencies;

- Determine with respect to transactions with related parties, including office holders and the controlling shareholder (if any), if such transactions are substantial actions (i.e. an action that is likely to materially affect the Company's profitability, assets or liabilities) or extraordinary transactions (i.e. a transaction that is not in a Company's ordinary course of business, not on market terms or that is likely to have a material impact on the Company's profitability, assets or liabilities) and may determine once a year, in advance, criteria for such determination;

- Determine with respect to extraordinary (and non-extraordinary) transactions with the controlling shareholder, the requirement to conduct a competitive procedure, or other procedures to be conducted prior to entry into such transactions;

- Review and approve or disapprove certain related-party transactions;

- Determine the procedure for approval of transactions with the controlling shareholder, which are not negligible transactions;

- Where the Board approves the working plan of the internal auditor, examine such working plan before its submission to the Board and proposing amendments thereto;

- Examine the internal audit controls and internal auditor's performance, including whether the internal auditor has sufficient resources and tools to fulfil his responsibilities;

- Examine the scope of the external auditor's work and compensation and submit a recommendation with respect thereto to the Board or general meeting, depending on which of them is considering the remuneration of the external auditor; and

- Adopt procedures with respect to processing employee complaints in connection with deficiencies in the administration of the Company, and the appropriate means of protection afforded to such employees.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any Israeli law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. In the event that a member of the AC is interested in any matter being considered by the AC, he or she will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

The AC shall also commission an annual internal control audit until such time as the AC is satisfied that the Group's internal controls are robust and effective enough to mitigate the Group's internal control weaknesses (if any). Prior to the decommissioning of such an annual audit, the Board is required to report to the SGX-ST and the Company's sponsor on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal control audit. Thereafter, such audits may be initiated by the AC as and when it deems fit to satisfy itself that the Group's internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure will be made via SGXNET of any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by the Board.

Guidelines 12.5 and 12.8: Audit Committee Activities
The AC was constituted on 19 October 2015 (and as of 24 February 2016 its composition is in compliance with the Israeli Companies Law following the election of the External Directors).

CORPORATE GOVERNANCE REPORT

Since its establishment on 19 October 2015 until 1 March 2016, the AC met twice with the Company's external auditors in the absence of KMP.

The AC reviewed the audited consolidated financial statements for FY2015 and also discussed with management and the external auditors the significant accounting policies, judgment and estimate applied by the management in preparing the annual consolidated financial statements. The AC focused particularly on:

- valuation of portfolio companies;
- assessment of control over portfolio companies;
- appropriateness of the going concern assumptions in the preparation of the annual consolidated financial statements; and
- Significant adjustments resulting from the audit, if any.

Following the review and discussions, the AC then recommended to the Board to approve the audited annual consolidated financial statements for FY2015.

Guidelines 12.6-12.7: Independence of External Auditors and Whistle Blowing Policy
The AC has reviewed the independence and objectivity of the external auditors through discussions with the external auditors as well as by reviewing the non-audit services provided by the Company's external auditors, namely Kost Forer Gabay & Kasierer, a member of Ernst & Young Global ("EY") as set out below and is satisfied that the nature and extent of such services would not prejudice the independence of the external auditors.

Fees Paid/Payable to EY for FY2015		
	(S$'000)	**% of total**
Audit fees (including IPO fees)	978	83
Non-audit fees: Tax advice, Office of Chief Scientist advisory services and enterprise risk mangament related advisory services	206	17
Total	**1,184**	**100**

The non-audit services rendered by EY during FY2015 were not substantial (less than 50% of the aggregate fees paid/payable to EY). The Company is an Israeli- incorporated company and EY has confirmed that it is a member firm of the global network of Ernst & Young firms, Ernst & Young Global (which includes Ernst & Young (Singapore). For the purpose of compliance with Rule 712(2) of the Catalist Rules, EY has confirmed that it is a registered public accounting firm with the Public Company Oversight Board- United States, which is a member of the International Forum of Audit Regulators.

On the basis of the above, the AC has recommended to the Board the re-appointment of EY as external auditors of the Company at the 2016 AGM.

For the purpose of compliance with Rules 715 and 717 of the Catalist Rules, the Company confirms that it has no subsidiaries or associated companies incorporated in Singapore, and that EY has been appointed to audit the Company's, its significant subsidiaries and associated companies' financial statements, all of which are currently incorporated in Israel.

The Company has adopted a whistle blowing policy (the "**Whistle Blowing Policy**") which encourages employees and others who deal with the Company, and who have serious concerns about any aspects of the Company's work, to voice such concerns in confidence. The Whistle Blowing Policy sets out the Company's commitment to thoroughly investigate concerns that are reported in good faith and to protect employees, contractors or other stakeholders who report wrongdoing from being discriminated against or disadvantaged. Pursuant to the Whistle Blowing Policy, those with a complaint or concern regarding the Company are expected to contact a member of the AC or another person designated as a compliance officer via emailing to the email address (whistleblowing@trendlines.com) which can be found in the corporate website: http://investors.trendlines.com/governance.

CORPORATE GOVERNANCE REPORT

Guideline 12.8: Measures Taken by the AC to Keep Abreast of Changes to Accounting Standards and Issues which Have a Direct Impact on the Financial Statements
In the first quarter of FY2016, the AC had attended training on new accounting standards, risk management, corporate governance and regulatory related topics. In addition, the external auditors would brief the AC and the Board, from time to time with respect to new accounting standards that are being introduced.

Principle 13: Internal Audit

The Company's internal audit function is outsourced to Mr. Doron Rosenblum from Ezra Yehuda-Rozenblum Ltd (the "**Internal Auditor**" or "**IA**") that reports directly to the AC Chairperson. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that the Internal Auditor is adequately qualified given, inter alia, its adherence to standards set by recognised professional bodies and adequately resourced, and has the appropriate standing in the Company to discharge its duties effectively. The AC had not met with the IA during FY2015 as the IA was only appointed in February 2016 (which is within 3 months following the IPO as provided for under the Israeli Companies Law).

The AC will review the adequacy and effectiveness of the internal audit fuction on an annual basis, from FY2016 onwards.

Principle 14: Shareholder Rights

Guideline 14.1: Shareholders Rights
Being committed to good corporate practices, the Company treats all of its Shareholders fairly and equitably. To facilitate the exercise of Shareholders' rights, the Company ensures that all material information relating to the Group and its financial performance is disclosed in an accurate and timely manner via SGXNET.

Guidelines 14.2-14.3: Participation in General Meetings of Shareholders
The Company encourages Shareholders' participation at the general meetings of its Shareholders which are held in Singapore. All Shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. In accordance with the Articles, Shareholders may appoint one or two proxies to attend and vote at general meetings in their absence. The proxy forms must be deposited with the Company not less than forty-eight hours before the time set for the general meetings.

Principle 15: Communication with Shareholders

Guidelines 15.1-15.2: Timely Disclosure of Information to Shareholders
The Company ensures that its Shareholders are notified of all material information in an accurate and timely manner. The Company's unaudited quarterly and annual results are announced within the mandatory period prescribed by the Catalist Rules. The financial statements and other materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and publicly released via SGXNET on a timely basis. All Shareholders receive the annual report of the Company and the notice of the Company's annual general meetings, which notice is also advertised in the press and released via SGXNET. Shareholders and investors may contact the Company or access information regarding the Company on its website (which provides, *inter alia*, corporate announcements, press releases and the latest financial results as released by the Company on SGXNET, and contact details of its investor relations.

Guidelines 15.3-15.4: Interaction with Shareholders
The Company solicits feedback from and addresses the concerns of shareholders via the following:

- an external investor relations team whose contact details can be found on the Company's website;

- the Company's in-house corporate communications team;

- a detailed investor information section on its website;

CORPORATE GOVERNANCE REPORT

- a monthly electronic newsletter; and

- investor/analyst briefings.

Since the Company's IPO to 1 March 2016, the Company held approximately nine investor and analyst briefings and seven investor meetings with its institutional and retail investors.

Guideline 15.5: Dividend Policy
The Company currently does not have a fixed dividend policy. The form, frequency and amount of dividends that the Directors may recommend or declare in respect of any particular financial year or period will be subject to, *inter alia*, the Group's level of cash and retained earnings, actual and projected financial performance, projected levels of capital expenditure and expansion plans, working capital requirements and general financial condition, and any restructions on payment of dividends imposed by the Group's financing arrangements. The Board has not declared or recommended any dividends for FY2015. Although the Company aspires to pay regular dividends, the Company currently intends to retain available funds from any future earnings to fund the development and growth of the Group's business.

Principle 16: Conduct of Shareholder Meetings

Guidelines 16.1, 16.2 and 16.5: Participation and Voting at General Meetings of Shareholders
The Company does not practice selective disclosure. Price-sensitive information is first publicly released on the SGXNET, either before the Company meets with any group of analysts or simultaneously with such meetings. Financial results and annual reports are announced or issued on the SGXNET within the mandatory periods under the Catalist Rules.

All Shareholders are provided with the annual report and notice of the convening of the annual general meeting. At the Company's annual general meeting, the Shareholders are given the opportunity to air their views and ask Directors or management questions regarding the Company.

All resolutions are put to vote by poll, and their detailed results are announced via SGXNET after the conclusion of the general meeting.

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of Shareholder's identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

Detailed information on each item in the general meeting agenda is provided in the explanatory notes to the notice of such general meeting.

Guideline 16.3: Management Participation at General Meetings
At least one of the Chairmen of the Company shall be present at general meetings, unless such presence is not reasonably possible in which case at least one of the Chairmen of the Company shall participate at general meetings via teleconference or other communication means, and an additional Director or office holder shall be present at such general meeting. In addition, the Company's Chief Financial Officer shall be present at annual general meetings to present the Company's annual financial statements and assist in addressing queries raised by the Shareholders with respect to such annual financial statements, unless such presence is not reasonably possible in which case the Chief Financial Officer shall participate in the meeting via teleconference or other communication means. In the event that the external auditors is unable to be physically present at the annual general meetings, the external auditors will participate via teleconference or other communication means to assist in answering any questions of shareholders with respect to the Company's audited annual financial statements at such meetings.

Guideline 16.4: Minutes of General Meetings
All minutes of general meetings will made available to Shareholders upon their request.

CORPORATE GOVERNANCE REPORT

Compliance with Applicable Catalist Rules

Rule 1204(8): Material Contracts
Save for as disclosed in Notes 19b and 19c of the notes to the financial statements, there were no material contracts entered into by the Group involving the interest of the Chief Executive Officer, Director, or controlling shareholder of the Company, which are either still subsisting at the end of FY2015, or, if not then subsisting, were entered into since the end of the previous financial year.

Rule 1204(17): Interested Person Transactions
The AC reviews and approves all interested person transactions ("**IPTs**") to ensure that they are on normal commercial terms and on arm's length basis (that is, the transactions are transacted in terms and prices not more favorable to the interested persons than if they were transacted with a third party) and are not prejudicial to the interests of the Group or the Company's minority Shareholders in any way, and the transactions are in the best interests of our Group. The Board has approved written procedures and guidelines for such review and approval of IPTs by the AC. All IPTs are properly documented and reported on in a timely manner to the AC.

The Company does not have a general mandate for IPTs. There were no IPTs with value of more than S$100,000 transacted during FY2015.

Rule 1204(19): Securities Dealing Policy
The Company has adopted a securities dealing policy (the "**Securities Dealing Policy**") which sets out the policy on dealings in the Company's securities by the Company and the directors, officers, management and employees of the Group (the "**Relevant Persons**"). The Relevant Persons are to ensure that any trading by them in any of the Company's securities is undertaken within the framework set out in the Securities Dealing Policy and in accordance with the relevant laws, regulations and rules in relation to the dealing of the Company's securities. Pursuant to the Securities Dealing Policy, the Company and the Relevant Persons are prohibited from dealing with the Company's securities during the prescribed blackout periods beginning two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full-year financial statements respectively, and ending on the date of the announcement of the relevant results. In any event, the Company and the Relevant Persons are prohibited from dealing with the Company's securities at any time when they are in possession of unpublished material price sensitive information. In addition, as a matter of good practise, the Company and the Relevant Persons are also prohibited from dealing in the Company's securities on short-term considerations. The AC is responsible for administering and overseeing the implementation of the Securities Dealing Policy.

Rule 1204(21): Non-Sponsor Fees
For FY2015, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. non-sponsor fees of S$2,174,661 for acting as the issue manager, sponsor and placement agent pursuant to the Company's IPO.

Rule 1204(22): Use of IPO Proceeds
The net proceeds raised from the IPO, after deducting the cash expenses in relation to the IPO of approximately S$5.7 million is approximately S$19.3 million.

CORPORATE GOVERNANCE REPORT

The following table sets out the breakdown of the use of proceeds from the IPO as at the date of this annual report:

Purpose	**Amount allocated (S$'000)**	**Amount utilised as at the date of this annual report (S$'000)**	**Balance (S$'000)**
Follow-on investments in portfolio companies	10,000	1,240	8,760
Expansion of operations into new markets	5,000	95	4,905
Expansion of internal innovation centre, Trendlines Labs	2,875	252	2,623
Operational expenses to support potential increase in the number of portfolio companies	1,400	–	1,400
Listing expenses	5,726	5,726	–
Total	**25,001**	**7,313**	**17,688**

DIRECTORS' REPORT

We are pleased to submit this annual report to the shareholders of the Company together with the audited statements for the financial year ended 31 December 2015.

Directors

The Directors in office at the date of this report are as follows:

Name of Director	Designation
Mr. David Todd Dollinger	Chief Executive Officer and Chairman of the Board
Mr. Stephen Louis Rhodes	Chief Executive Officer and Chairman of the Board
Mr. Zeev Bronfeld	Non-Executive Director
Ms. Elka Nir	External Director (Lead Independent Director)
Mr. Stephen Philip Haslett	Independent Director
Professor Hang Chang Chieh	External Director (Independent Director)

Directors' Interests

According to the share register kept by the Company for the purposes of Sections 127 and 128 of the Israeli Companies Law, 5759-1999 (the "**Law**"), and according to the information provided to the Company by our directors, particulars of interests of directors who held office at the end of FY 2015 (the "**Year**") (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations, other than wholly owned subsidiaries, are as follows:

Except as listed hereunder, none of our directors who held office at the end of the Year had any direct interest in the Company's shares, debentures, warrants and share options – neither at the beginning of the Year, nor at the end of the Year, nor as at 21 January 2016.

Directors' Interests in the Company:

Name of director	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
	(as adjusted for the Bonus Shares Issue [1])					
	At the beginning of the Year	At end of the Year	At 21 January 2016	At the beginning of the Year	At end of the Year	At 21 January 2016
Ordinary Shares						
Mr. David Todd Dollinger	13,367,040	13,367,040	13,367,040	5,230,224 – Meitav Dash Benefits for the Benefit of Mr. David Dollinger 9,411,768 (TIF Shares)[2]	5,838,384 – Meitav Dash Benefits for the Benefit of Mr. David Dollinger 9,411,768 (TIF Shares)[2]	5,838,384 – Meitav Dash Benefits for the Benefit of Mr. David Dollinger 9,411,768 (TIF Shares)[2]
Mr. Stephen Louis Rhodes	13,367,040	13,367,040	13,367,040	5,230,224 – Meitav Dash Benefits for the Benefit of Mr. Stephen Louis Rhodes 9,411,768 (TIF Shares)[2]	5,838,384 – Meitav Dash Benefits for the Benefit of Mr. Stephen Louis Rhodes 9,411,768 (TIF Shares)[2]	5,838,384 – Meitav Dash Benefits for the Benefit of Mr. Stephen Louis Rhodes 9,411,768 (TIF Shares)[2]

DIRECTORS' REPORT

Name of director	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
	(as adjusted for the Bonus Shares Issue [1])					
	At the beginning of the Year	At end of the Year	At 21 January 2016	At the beginning of the Year	At end of the Year	At 21 January 2016
Ordinary Shares						
Mr. Zeev Bronfeld	72,732,416	72,732,416	72,732,416	–	–	–
Mr. Stephen Philip Haslett	–	–	–	–	–	–
Ms. Elka Nir	–	–	–	–	–	–
Professor Hang Chang Chieh	–	–	–	–	–	–

Directors' Interests in Related Corporations:

Name of director and corporation in which interests are held	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
	(as adjusted for the Bonus Shares Issue [1])					
	At the beginning of the Year	At end of the Year	At 21 January 2016	At the beginning of the Year	At end of the Year	At 21 January 2016
Headway Ltd.						
Ordinary Shares						
Mr. Stephen Louis Rhodes[4]	30,000[3]	30,000[3]	30,000[3]			
LapSpace Medical Ltd.						
Share options						
Mr. Zeev Bronfeld	4,774	4,774	4,774			
Stimatix G.I. Ltd.						
Share options						
Mr. Zeev Bronfeld	2,320	2,320	2,320	2,000[5]	2,000[5]	2,000[5]
S.T.S. Medical Ltd.						
Ordinary Shares						
Mr. Zeev Bronfeld[5]				7,120	7,120	7,120
Share options						
Mr. Zeev Bronfeld				6,294	6,294	6,294
ApiFix Ltd.						
Share options						
Mr. Zeev Bronfeld	2,263	2,263	2,263			

(1) The shares at the beginning of the Year were adjusted for the "Bonus Shares Issue", the "Bonus Shares Issue" shall mean the allotment and issuance of 311,989,797 Shares to the Company's existing shareholders (without consideration paid by our shareholders) as bonus shares, on the basis of seven (7) bonus shares, credited as fully paid-up, for every one (1) existing issued share in the capital of our Company held as at 12 November 2015 (following the capitalisation of NIS 3,119,897.97 in our Company's share premium account), pro-rata to their respective shareholdings in our Company.

(2) Mr. David Todd Dollinger and Mr. Stephen Louis Rhodes have an indirect interest in the Shares held by Trendlines Israel Fund L.P. ("TIF") which holds 9,411,768 Trendlines Shares ("TIF Shares"). They have the exclusive right and power to manage the business and affairs of TIF which includes the authority to dispose of, or to exercise control over the disposal of, the TIF Shares.

(3) The shares are held for himself and in trust for the benefit of Mr. David Todd Dollinger.

(4) Mr. Stephen Louis Rhodes' father holds 151 shares in Stimatix G.I. Ltd.

(5) The holding is through M.B.R.T. Developments and Investments Ltd, a company wholly owned by Mr. Zeev Bronfeld.

DIRECTORS' REPORT

Except as disclosed under the "Share Options" section of this report, neither at the end of, nor at any time during the Year, was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or any other body corporate.

Since the end of the Year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share Options

The 2011 Global Incentive Option Scheme (the "**Old Option Plan**") was approved and adopted in 2011. The Old Option Plan is administered by the Remuneration Committee, comprising of 3 directors, namely: Ms. Elka Nir, Mr. Stephen Philip Haslett and Professor Hang Chang Chieh.

The following table sets out information regarding Old Options granted to the directors under the Old Option Plan:

Name of Participant	Options granted during financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Mr. David Todd Dollinger	–	19,111,312	5,838,384	13,272,928
Mr. Stephen Louis Rhodes	–	19,111,312	5,838,384	13,272,928
Mr. Zeev Bronfeld	–	–	–	–
Ms. Elka Nir	–	–	–	–
Mr. Stephen Philip Haslett	–	–	–	–
Professor Hang Chang Chieh	–	–	–	–

No Old Options have been granted to Controlling Shareholders and Associates of Controlling Shareholders.

As at the end of the Year, a total of 65,762,200 Old Options exercisable into 65,762,200 Shares at exercise prices of between NIS0.00125 and US$0.201125 were granted to 39 participants, of which 11,854,664 Old Options were exercised pursuant to which 11,854,664 Shares have been allotted and issued by the Company. As at the end of the Year, 53,125,664 Old Options exercisable into 53,125,664 Shares at exercise prices of between NIS0.00125 and US$0.201125 remain outstanding. All outstanding Old Options granted under the Old Option Plan will be vested by 2 August 2018.

None of the Participants received 5% or more of the total number of options available under the Old Option Plan.

Since 2 August 2015, no Old Options have been granted under the Old Option Plan and Old Options are not permitted to be granted under the Old Option Plan and in lieu thereof options may be granted under the Trendlines Group Ltd. 2015 Global Share Option Plan ("**The Trendlines 2015 Share Option Plan**" or the "**Plan**") and its Sub-Plan.

The Old Option Plan provides that in the event of a transaction such as a merger, acquisition or reorganisation of our Company with another company, or the sale of substantially all of the assets of the Company, the outstanding unexercised Old Options shall be assumed or substituted for an appropriate number of Shares as were distributed to Shareholders in connection with such transaction. In the event that the unexercised Old Options are not assumed or substituted, they may be immediately vested on the date which is ten (10) days prior to the effective date of the transaction, provided that a clause to this effect is included in the optionee's grant notification letter. The right to exercise vested Old Options will expire on the earliest to occur of the following: (i) 10 years from the date of grant; (ii) 12 months after the date of the optionee's death or disability; (iii) 90 days after the date of the optionee's voluntary resignation or involuntary termination not for cause; (iv) immediately, in the case of termination of the optionee's employment or term in office for cause; or (v) the date set forth in the grant notification letter provided by the Company.

DIRECTORS' REPORT

All outstanding Old Options granted under the Old Option Plan, to the extent not exercised, will expire by August 2025. However, notwithstanding the foregoing, with respect to the Old Options granted to the Executive Officers (namely, Ms. Gabriela Heller, Mr. Yosef Ron, Mr. Yosef Hazan, Dr. Eran Feldhay and Dr. Nitza Kardish) and one (1) ex-employee on 1 September 2011, the right to exercise the vested Old Options will expire 10 years from the date of grant (that is, 1 September 2021). With respect to the Old Options granted to certain of the Executive Officers (namely, Ms. Gabriela Heller, Mr. Yosef Ron, Mr. Yosef Hazan, Dr. Eran Feldhay and Dr. Nitza Kardish) and one (1) ex-employee on 1 September 2011, the Old Options shall be entitled to receive "deemed interest" such as dividends distributed prior to exercise of such Old Options, which will be paid as a deemed dividend by way of a salary/bonus paid to the Executive Officers.

Old Options granted may not be assigned or transferred by an optionee other than by will or by laws of descent and distribution, or as specifically otherwise allowed under the Old Option Plan.

The Plan and Sub-Plan were adopted on 11 November 2015, effective immediately prior to listing of the Company's shares on the Catalist of the SGX-ST. Following the adoption of the Plan and Sub-Plan, the Old Option Plan is no longer active but continues to govern the treatment of the Old Options that have been previously granted thereunder.

As at the end of the Year, there are 53,125,664 Old Options granted and outstanding under the Old Option Plan. The following table sets out information regarding the outstanding Old Options (as adjusted for the Bonus Shares Issue):

Name of holder of Old Options	Date of grant	Purchase price	Number of Shares comprised in the Old Options granted	Number of Shares allotted and issued pursuant to the exercise and/or expiry of the Old Options	Number of Shares comprised in the unexercised Old Options	Number of Shares that will be allotted and issued pursuant to the exercise of the unexercised Old Options	Exercise price per Old Option[4]	Exercise period	Expiration date
Mr. David Todd Dollinger	1 September 2011	N.A.	5,838,384	5,838,384	–[1]	–[1]	US$0.003	Not applicable[1]	Not applicable[1]
	2 June 2014	N.A.	13,272,928	–	1,659,116	13,272,928	US$0.1845	2 June 2014 to 1 June 2024	2 June 2024
Mr. Stephen Louis Rhodes	1 September 2011	N.A.	5,838384	5,838384	–[2]	–[2]	US$0.003	Not applicable[2]	Not applicable[2]
	2 June 2014	N.A.	13,272,928	–	13,272,928	13,272,928	US$0.1845	2 June 2014 to 1 June 2024	2 June 2024
Ms. Gabriela Heller	1 September 2011	N.A.	1,459,592	–	1,459,592	1,459,592	US$0.13625	1 September 2011 to 1 September 2021	1 September 2021
	2 June 2014	N.A.	1,916,888	–	1,916,888	1,916,888	US$0.1845	2 June 2014 to 1 June 2024	2 June 2024
Mr. Yosef Ron	1 September 2011	N.A.	729,792	–	729,792	729,792	US$0.13625	1 September 2011 to 1 September 2021	1 September 2021
	2 June 2014	N.A.	1,573,800	–	1,573,800	1,573,800	US$0.1845	2 June 2014 to 1 June 2024	2 June 2024
Mr. Yosef Hazan	22 December 2011	N.A.	2,189,392	–	2,189,392	2,189,392	US$0.13625	22 December 2011 to 22 December 2021	22 December 2021
	2 June 2014	N.A.	1,187,088	–	1,187,088	1,187,088	US$0.1845	2 June 2014 to 1 June 2024	2 June 2024
Dr. Eran Feldhay	1 September 2011	N.A.	2,189,392	–	2,189,392	2,189,392	US$0.13625	1 September 2011 to 1 September 2021	1 September 2021
	2 June 2014	N.A.	1,187,088	–	1,187,088	1,187,088	US$0.1845	2 June 2014 to 1 June2024	2 June 2024

DIRECTORS' REPORT

Name of holder of Old Options	Date of grant	Purchase price	Number of Shares comprised in the Old Options granted	Number of Shares allotted and issued pursuant to the exercise and/or expiry of the Old Options	Number of Shares comprised in the unexercised Old Options	Number of Shares that will be allotted and issued pursuant to the exercise of the unexercised Old Options	Exercise price per Old Option[4]	Exercise period	Expiration date
Dr. Nitza Kardish	1 September 2011	N.A.	2,189,392	–	2,189,392	2,189,392	US$0.13625	1 September 2011 to 1 September 2021	1 September 2021
	2 June 2014	N.A.	1,187,088	–	1,187,088	1,187,088	US$0.1845	2 June 2014 to 1 June 2024	2 June 2024
Other employees[3]	26 June 2011	N.A.	146,784	146,784	–[5]	–[5]	NIS 0.00125	Not applicable[5]	Not applicable[5]
	1 September 2011	N.A.	1,167,672	–	1,167,672	1,167,672	US$0.13625	1 September 2011 to 1 September 2021	1 September 2021
	6 January 2014	N.A.	3,503,016	–	3,503,016	3,503,016	US$0.13625	6 January 2014 to 6 January 2024	6 January 2024
	2 June 2014	N.A.	4,499,608	80,000[6]	4,499,608[6]	4,499,608[6]	US$0.1845	2 June 2014 to 1 June 2024	2 June 2024
	26 April 2015	N.A.	80,000	–	80,000	80,000	US$0.1875	26 April 2015 to 26 April 2025	26 April 2025
	2 August 2015	N.A.	1,520,000	–	1,520,000	1,520,000	US$0.201	2 August 2015 to 2 August 2025	2 August 2025

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the Year.

Notes:

(1) Mr. David Todd Dollinger was granted 5,838,384 Old Options which were all exercised.

(2) Mr. Stephen Louis Rhodes was granted 5,838,384 Old Options which were all exercised.

(3) Comprises employees and consultants of our Company (excluding Mr. David Todd Dollinger, Mr. Stephen Louis Rhodes, Ms. Gabriela Heller, Mr. Yosef Ron, Mr. Yosef Hazan, Dr. Eran Feldhay and Dr. Nitza Kardish).

(5) A former director of the Company was granted 146,784 Old Options, all of which had been exercised.

(6) A former employee of the Company was granted 80,000 Old Options of which 31,112 Old Options were exercised and the remaining 48,888 Old Options have expired upon the termination of the former employee's employment.

The Trendlines 2015 Share Option Plan

The Company has adopted The Trendlines 2015 Share Option Plan (the "**Plan**") and the Sub-Plan at a Special General Meeting of the Shareholders held on 11 November 2015. The Plan and any Sub-Plans are administered by the Board or the Remuneration Committee. The Remuneration Committee, comprising of 3 directors, namely: Ms. Elka Nir, Mr. Stephen Philip Haslett and Professor Hang Chang Chieh.

DIRECTORS' REPORT

No options have been granted to Controlling Shareholders and Associates of Controlling Shareholders under the Plan.

No options have been granted to directors under the Plan.

None of the Participants received 5% or more of the total number of options available under the Plan.

The Company does not have any parent company.

No options were granted at a discount to market price during the financial year.

As at the end of the Year, a total of 320,000 options exercisable into 320,000 Shares at exercise prices of S$0.32 were granted to 5 participants, of which none of the options were exercised and no Shares have been allotted and issued by the Company. As at the end of the Year, 320,000 options exercisable into 320,000 Shares at exercise prices of S$0.32 remain outstanding. All outstanding options granted under the Plan will be vested by 8 July 2018. Since the end of the Year, no options have been granted under the Plan.

Non exhaustive information regarding the Plan is set out below (please refer to Appendix I of the Offer Document dated 16 November 2015 for the entire Plan and Sub-Plan):

Option Pool

The total number of Shares for which the Remuneration Committee may grant options under the Plan at any date, when added to the number of Shares issued and/or issuable in respect of: (a) all options already granted under the Plan and Sub-Plan; and (b) all options or awards granted under any other share option scheme or share schemes then in force, shall not exceed 15.0% of the total issued share capital of the Company (excluding treasury Shares) on the day immediately preceding the date of grant of the options.

Maximum Entitlements

The aggregate number of shares reserved as option pool in respect of all options granted under the Plan available to plan controlling shareholders or associates of the plan controlling shareholders shall not exceed 5.0% of the shares available under the Plan. The number of shares reserved as option pool in respect of all options granted under the Plan available to each plan controlling shareholder or associate of the plan controlling shareholder shall also not exceed 1.0% of the shares available under the Plan.

Options, Exercise Period and Exercise Price

The exercise price for each grantee shall be as determined by the Remuneration Committee and specified in the applicable option agreement; provided, however, that: (i) unless otherwise determined by the Remuneration Committee (which determination shall not require shareholder approval, unless so required in order to comply with the provisions of applicable Mandatory Law (including, for the avoidance of doubt, the listing manual)), the exercise price shall be the fair market value of the shares on the date of grant ("Fair Market Value Option") (i.e., the average of the last dealt prices for the shares on the Catalist of the SGX-ST over the 5 consecutive trading days immediately preceding the date on which the options are granted); and (ii) where the exercise price is set at a discount to the Fair Market Value of the shares, the maximum discount shall not exceed 20.0% of the Fair Market Value of the shares (or such other percentage or amount as may be determined by the Remuneration Committee and permitted by the Sponsor or (if required) any other stock exchange on which the Shares are quoted ("Discounted Option"). Fair Market Value Options may be exercised after the first anniversary of the date of grant of that Option while Discounted Options may only be exercised after the second anniversary from the date of grant of the Option ("Cliff Period"). Unless otherwise determined by the Remuneration Committee with respect to any specific Grantee and/or to any specific grant following the Cliff Period, the options shall vest upon the lapse of each full additional one (1) month thereafter of the grantee's continuous service thereafter, until all the Options vested (that is, 100% of the grant will be vested after three (3) years).

Unless expired earlier pursuant to the Plan, unexercised Options shall expire and terminate and become null and void upon the lapse of 10 years from the Date of Grant.

DIRECTORS' REPORT

Duration of the Plan

The Plan is effective as of the day it was adopted by the Board, and shall continue in effect until the earlier of: (a) its termination by the Board; or (b) the lapse of 10 years from the date the Plan is adopted by the Board. The termination, discontinuance or expiry of the Plan shall be without prejudice to the rights accrued to Options which have been granted and accepted in accordance with the rules of the Plan, whether such Options have been exercised (whether fully or partially) or not.

Grant of Discounted Options

Discounted Options will only be granted to deserving employees whose performance has been consistently good and/or whose future contributions to our Group will be invaluable. The ability to offer Discounted Options will operate as a means to recognise the performance of participants as well as to motivate them to continue to excel while encouraging them to focus on improving the profitability and return of our Group to a level that benefits our Shareholders when these are eventually reflected through an appreciation of our share price. Discounted Options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered Discounted Options as only employees who have made significant contributions to the success and development of our Group would be granted Discounted Options.

The flexibility to grant Discounted Options is also intended to cater to situations where the stock market performance has overrun the general market conditions. In such events, the Remuneration Committee will have absolute discretion to:

(a) grant Options set at a discount to the Fair Market Value of a Share (subject to a maximum limit of 20.0%); and

(b) determine the participants to whom, and the Options to which, such reduction in exercise prices will apply.

The Remuneration Committee will have the absolute discretion to grant Discounted Options, to determine the level of discount (subject to a maximum discount of 20.0% of the Fair Market Value) and the grantees to whom, and the Options to which, such discount in the exercise price will apply provided that our Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the Plan and Sub-Plan at a discount not exceeding the maximum discount as aforesaid. Such Discounted Options may be exercisable after two (2) years from the date of grant.

As at the end of the Year, there are 320,000 options granted and outstanding under the Plan. The following table sets out information regarding the outstanding options under the Plan:

Name of holder of options	Date of grant	Purchase price	Number of Shares comprised in the options	Number of Shares allotted and issued pursuant to the exercise and/or expiry of the options	Number of Shares comprised in the Unexercised options	Exercise price per option	Exercise period	Expiration date
Mr. Ronen Jaffe	30 December 2015	–	64,000	–	64,000	S$0.32	10 years as of the date of grant	30 December 2025
Mr. Robert Meislin	30 December 2015	–	64,000	–	64,000	S$0.32	10 years as of the date of grant	30 December 2025
Mr. Alon Harris	30 December 2015	–	64,000	–	64,000	S$0.32	10 years as of the date of grant	30 December 2025
Mr. Barry Salky	30 December 2015	–	64,000	–	64,000	S$0.32	10 years as of the date of grant	30 December 2025
Mr. Yuval Yanai	30 December 2015	–	64,000	–	64,000	S$0.32	10 years as of the date of grant	30 December 2025

DIRECTORS' REPORT

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the Year.

Audit Committee

The Audit Committee was established on 19 October 2015 and the members of the Audit Committee comprise of 3 directors, namely, Ms. Elka Nir, Mr. Stephen Philip Haslett and Professor Hang Chang Chieh.

Since its the establishment of the Audit Committee to 1 March 2016, the Company had held 2 meetings.

The Audit Committee reviews the adequacy of the Group's internal controls (including financial, operational, compliance and information technology controls) and the risk management policies and systems established by the Group.

The Audit Committee had full access to and cooperation of Management and it also has full discretion to invite any Director or executive officer to attend its meetings. The Chief Financial Officer attends meetings of the Audit Committee. The external auditors have unrestricted access to the Audit Committee and the Audit Committee has reasonable resources to enable it to discharge its functions properly.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board that the external auditors be nominated for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

Auditors

The auditors have indicated their willingness to accept re-appointment for the ensuing financial year.

On behalf of the Board,

David Todd Dollinger, Chairman and CEO

Stephen Louis Rhodes, Chairman and CEO

2 March 2016

STATEMENTS BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 69 to 123 are drawn up so as to give a true and fair view of the Company and of the Group as at 31 December 2015 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) as at the date of this statement, there are reasonable grounds to assume that the Group will be able to pay its debts as and when they fall due.

The Board has, on the date of this statement, authorized these financial statement for issue.

On behalf of the directors,

David Todd Dollinger, Chairman and CEO

Stephen Louis Rhodes, Chairman and CEO

2 March 2016

THE TRENDLINES GROUP LTD.

INDEPENDENT AUDITORS' REPORT AND AUDITED FINANCIAL STATEMENTS OF THE TRENDLINES GROUP LTD. AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015

(U.S. dollars in thousands)

THE TRENDLINES GROUP LTD.

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL

YEAR ENDED DECEMBER 31, 2015,

INDEX

INDEPENDENT AUDITOR'S REPORT

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The Shareholders and Board of Directors
The Trendlines Group Ltd.

We have audited the accompanying financial statements of The Trendlines Group Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as of December 31, 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and the Company as of December 31, 2015, and the Group's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Haifa, Israel
March 2, 2016

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

		The Group		The Company	
		December 31,		December 31,	
	Note	2015	2014	2015	2014
Assets					
Current Assets:					
Cash and cash equivalents		6,998	1,536	6,702	950
Short-term investments	8	16,438	1,774	15,038	1,691
Accounts and other receivables	3	428	836	226	662
Short-term loans to portfolio companies	4	136	246	–	–
Total Current Assets		24,000	4,392	21,966	3,303
Non-Current Assets:					
Long-term investment	8	–	962	–	–
Investments in Portfolio Companies	8	84,447	75,623	–	–
Investment in Subsidiaries	7	–	–	62,725	51,169
Investments in companies accounted for under the equity method	7	–	129	–	129
Property, plant and equipment, net	5	541	592	143	145
Total Non-Current Assets		84,988	77,306	62,868	51,443
Total Assets		108,988	81,698	84,834	54,746
Liabilities and Equity					
Current Liabilities:					
Trade and other payables	9	1,078	1,370	651	330
Deferred revenues	2(B)(12)	2,579	3,274	–	–
Total Current Liabilities		3,657	4,644	651	330
Long-Term Liabilities:					
Deferred revenues	2(B)(12)	713	1,203	–	–
Loans from the Israeli Chief Scientist	10	4,449	4,493	–	–
Convertible debentures and warrants	16	–	1,545	–	1,545
Other long-term liabilities		52	14	59	16
Deferred taxes, net	12(D)	15,959	14,102	–	–
Total Long-Term Liabilities		21,173	21,357	59	1,561
Equity:					
Equity Attributable to Equity Holders of the Company:					
Share capital	14	1,315	100	1,315	100
Share premium		54,852	21,404	54,852	21,404
Receipts on account of shares, net	14(B)	–	1,398	–	1,398
Reserve from share-based payment transactions	15	4,203	2,900	4,203	2,900
Retained earnings		23,754	27,053	23,754	27,053
Total		84,124	52,855	84,124	52,855
Non-Controlling Interests		34	2,842	–	–
Total Equity		84,158	55,697	84,124	52,855
Total Liabilities and Equity		108,988	81,698	84,834	54,746

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

U.S. dollars in thousands, except share data

	Note	Year ended December 31, 2015	2014
Income:			
Gain from change in fair value of investments in Portfolio Companies	2(B)(4)	4,960	1,879
Income from services to Portfolio Companies	2(B)(12)	4,274	4,433
Group's share of losses of companies accounted for under the equity method, net	7(B)	(324)	–
Income from contracted R&D services	2(B)(12)	424	1,364
Financial income	17(D)	188	160
Other income		417	717
Total income		9,939	8,553
Expenses:			
Operating, general and administrative expenses	17(A)	6,710	9,085
Marketing expenses		243	320
R&D expenses, net	17(B)	633	1,065
Financial expenses	17(C)	352	938
Expenses before non-recurring, non-cash expenses related to RCL conversion discount upon IPO		7,938	11,408
Non-recurring, non-cash expenses related to RCL conversion discount upon IPO	16(B)	3,775	–
Total expenses		11,713	11,408
Loss before income taxes		(1,774)	(2,855)
Income taxes	12(E)	(1,794)	(1,355)
Net loss and total comprehensive loss		(3,568)	(4,210)
Net loss and total comprehensive loss attributable to:			
Equity holders of the Company		(3,299)	(2,814)
Non-Controlling Interests		(269)	(1,396)
		(3,568)	(4,210)
Net earnings per share attributable to equity holders of the Company (in U.S dollars):	18		
Basic net loss		$ (0.01)	$ (0.01) *)
Diluted net loss		$ (0.01)	$ (0.01) *)

*) Adjusted to reflect the issuance of the Bonus Shares (see also Note 14(F)).

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Attributable to equity holders of the Company							
	Share capital	Share premium	Receipts on share account	Reserve from share-based payment transactions	Retained earnings	Total	Non-Controlling Interests	Total equity
Balance as of January 1, 2014	**96**	**19,628**	**–**	**1,701**	**29,867**	**51,292**	**4,151**	**55,443**
Net loss and total comprehensive loss	–	–	–	–	(2,814)	(2,814)	(1,396)	(4,210)
Cost of share-based payments	–	–	–	2,323	–	2,323	–	2,323
Receipts on account of shares, net (see Note 14(B))	–	–	1,398	–	–	1,398	–	1,398
Exercise of options (see Note 15(B))	3	1,124	–	(1,124)	–	3	–	3
Conversion of Convertible Debentures (see Note 16)	1	652	–	–	–	653	–	653
Issuance of shares to Non-controlling interests	–	–	–	–	–	–	83	83
Deconsolidation of subsidiaries (see Note 7(A)(2))	–	–	–	–	–	–	4	4
Balance as of December 31, 2014	**100**	**21,404**	**1,398**	**2,900**	**27,053**	**52,855**	**2,842**	**55,697**
Net loss and total comprehensive loss	–	–	–	–	(3,299)	(3,299)	(269)	(3,568)
Cost of share-based payments	–	–	–	1,453	–	1,453	–	1,453
Conversion of Convertible Debentures (see Note 16)	1	704	–	–	–	705	–	705
Issuance of shares, net	6	3,510	(1,398)	–	–	2,118	–	2,118
Acquisition of non-controlling interests by issuance of shares (see Note 14(B))	24	2,515	–	–	–	2,539	(2,539)	–
Exercise of options	– *)	140	–	(140)	–	–	–	–
Expiration of options (see Note 15(B))	–	10	–	(10)	–	–	–	–
Issuance of bonus shares	810	(810)	–	–	–	–	–	–
Issuance of shares upon IPO (net of expenses of $4,200)	204	13,565	–	–	–	13,769	–	13,769
Conversion of Convertible Debentures upon IPO (see Note 16)	170	13,814	–	–	–	13,984	–	13,984
Balance as of December 31, 2015	**1,315**	**54,852**	**–**	**4,203**	**23,754**	**84,124**	**34**	**84,158**

*) Represents an amount less than 1$.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,	
	2015	**2014**
Cash Flow from Operating Activities:		
Net loss	(3,568)	(4,210)
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Depreciation	165	105
Income taxes	1,794	1,355
Gains from changes in fair value of investments in Portfolio Companies	(4,960)	(1,879)
Investments in Portfolio Companies	(1,522)	(1,814)
Proceeds from sale of investments in Portfolio Companies	–	358
Financial expenses (income), net	(255)	351
Non-recurring, non-cash expenses related to RCL conversion discount upon IPO	3,775	–
Income from services to Portfolio Companies	(3,911)	(4,042)
Share-based payments	1,453	2,323
Non-cash issuance expenses of convertible debentures	–	31
Group's share of losses of companies accounted for under the equity method, net	324	–
Changes in asset and liability items:		
Decrease (increase) in short-term loans to Portfolio Companies	(195)	349
Decrease in accounts and other receivables	408	56
Decrease in trade and other payables	(228)	(208)
Increase in long term liabilities	38	–
	(3,114)	(3,015)
Cash paid and received during the year for:		
Interest paid	(68)	(75)
Dividend received	718	295
	650	220
Net cash used in operating activities	(6,032)	(7,005)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31, 2015	Year ended December 31, 2014
Cash Flows from Investment Activities:		
Purchase of property, plant and equipment	(114)	(43)
Investments in short-term investments, net	(13,622)	(1,112)
Proceeds from sale of other investments	–	2,639
Investments in companies accounted for under equity method	(194)	–
Net cash provided by (used in) investing activities	(13,930)	1,484
Cash Flows from Financing Activities:		
Receipts on account of shares, net	–	1,398
Issuance of shares, net	15,887	–
Exercise of options	–	3
Issuance of shares to non-controlling interests	–	83
Loans from the Israeli Chief Scientist	–	218
Issuance of convertible debentures	10,177	2,126
Issuance expenses with respect to issuance of convertible debentures	(520)	–
Repayment of convertible debentures	(120)	(43)
Net cash provided by financing activities	25,424	3,785
Increase(decrease) in cash and cash equivalents	5,462	(1,736)
Cash and cash equivalents at the beginning of the period	1,536	3,272
Cash and cash equivalents at the end of the period	6,998	1,536
Significant non-cash transactions		
Receipt of shares in consideration for sale of investments in Portfolio Company (See Note 8(B)(3))	–	3,974
Repayment by third party of loans from the Israeli Chief Scientist (See Note 8(B)(3))	–	513
Conversion of Convertible Debentures into shares upon IPO (See Note 16)	13,984	–
Conversion of Convertible Debentures into shares (See Note 16)	705	653
Acquisition of non-controlling interests by issuance of shares	2,573	–

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 1:- General

A. Corporate information

The Trendlines Group Ltd. (the "Company") is engaged in creating and investing in innovation, primarily carried out through its two subsidiaries: Trendlines Agtech - Mofet Ltd. ("Agtech") and Trendlines Medical - Misgav Ltd. ("Medical") which are technological incubators, and which represent one business segment for management reporting purposes. The Group investments and other assets are all located within Israel.

On November 26, 2015, the Company completed an initial public offering ("IPO") on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Upon the IPO, the Company issued 75,760,000 placement shares at S$0.33 per share, for a total of S$25 million (approximately $17,700) in gross proceeds (approximately $13,500 after expenses). In the pre-IPO stage, the Company raised S$13.7 million (approximately $10,177) in Redeemable Convertible Loans ("RCL") from certain investors, which RCL were converted to shares upon the IPO (at a discount from the listing price - see Note 16) bringing total IPO-related gross proceeds to S$38.7 million (approximately $27,400). The Company is trading on ticker SGX: 42T.

Trendlines Agtech and Trendlines Medical (collectively: the "Trendlines Incubators") are incubators operating under franchise agreements with the State of Israel, through the Office of the Chief Scientist of the Ministry of Economy ("OCS"), which were due to expire on December 31, 2014. The Trendlines Incubators each submitted formal requests for an extension which were approved by the OCS and accordingly, the OCS extended the franchise period of Trendlines Medical until June 30, 2015 and extended the franchise period of Trendlines Agtech until June 30, 2016, without a competitive bid process.

On March 29, 2015, the OCS advised Trendlines Medical that due to a new competitive bid process in the Trendlines Medical region, the OCS is willing to extend the Trendlines Medical franchise period following a formal request for this extension. On March 31, 2015, Trendlines Medical submitted such a formal request and on April 21, 2015, the OCS approved an extension of the franchise period until March 31, 2016.

On July 15, 2015, Trendlines Medical submitted the documents for the competitive bid. On September 7, 2015, Trendlines Medical received a letter from the OCS announcing that it was elected as the winning bidder in the aforesaid competitive bid process for the operation of a technological incubator under periphery incubator conditions. On December 15, 2015, Trendlines Medical received formal notice from the OCS of the renewal of its incubator franchise for a period of eight years from January 1, 2016 to December 31, 2023.

Under the terms of the new franchise the OCS has established certain milestones which must be met for Trendlines Medical to retain the franchise. Such milestones include, among others, a minimum number of new portfolio companies to operate under Trendlines Medical during specified time periods from the beginning of the franchise period (at least: 6 within a period of 24 months; 12 within a period of 48 months; and 18 within a period of 72 months) as well as demonstration of additional fundraising by Trendlines Medical and/or the Company, within a period of 24 months from the beginning of the franchise period, for the benefit of incubator operations, in the amount of at least $10,000, with sufficient liquidity, to the satisfaction of the OCS.

On December 21, 2015, Trendlines Agtech submitted the documents for the competitive bid following a new competitive bid process in Trendlines Agtech's region.

In addition, the Company internally develops new technologies, mainly in the area of medical devices, through its "Trendlines Labs" operations.

The Company's headquarters is located at 17 T'chelet Street, Misgav Business Park, M.P. Misgav 2017400, Israel.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 1:- General (cont.)

B. Approval of financial statements

These financial statements were approved by the board of directors on March 2, 2016.

C. Since its inception, the Group has had negative cash flows from operations. Accordingly, the Group is still dependent on external financing to fund its activities. During the year ended December 31, 2015, the Company raised approximately $25,400 in private placements, an IPO on SGX-ST and pre-IPO RCL. The Group management believes that these funds, together with its existing financial resources, are sufficient for the Group to meets its obligations as they come due at least for a period of twelve months from the date of approval of the financial statements.

D. Definitions

The Company	-	The Trendlines Group Ltd.
The Group	-	The Company and its consolidated subsidiaries.
Subsidiaries	-	Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Associates	-	Companies in which the Company has significant influence.
Investees	-	Subsidiaries and associates.
Medical	-	Trendlines Medical - Misgav Ltd. (Formerly: Misgav Venture Accelerator Ltd.), a technological incubator - subsidiary of the Company.
Agtech	-	Trendlines Agtech - Mofet Ltd. (Formerly: Mofet B'Yehuda - Industrial Research and Development in Judea Ltd.), a technological incubator - subsidiary of the Company.
Trendlines Incubators/ Incubators	-	Two technological incubators - Medical and Agtech in which the Company exercises control and whose statements are consolidated with those of the Company (see Note 7).
Peripheral Incubator	-	Technological incubator that is situated in a national priority region. Agtech is a Peripheral Incubator.
Project/Portfolio Company	-	A company in which the Incubators invested and is not a subsidiary.
OCS	-	Office of the Chief Scientist of the Israeli Ministry of Economy (formerly the Ministry of Industry, Trade and Labor).
Directive 8.2	-	Directive 8.2 of the Director General of the Ministry of Economy effective regarding the Incubators from August 22, 2001 through August 31, 2007, when the Incubators functioned as non-profit companies.
Old Directive 8.3	-	Directive 8.3 of the Director General of the Ministry of Economy - Technology Entrepreneurship Centers - Pilot Incubators, effective regarding the Incubators from September 1, 2007 (when the Incubators started to function as for-profit companies under the control of The Trendlines Group) through December 31, 2010.
New Directive 8.3	-	Directive 8.3 of the Director General of the Ministry of Economy for Centers of Technology Innovations and Incubators; replaced the Old Directive 8.3, effective regarding the Incubators from January 1, 2011, onwards.
Related parties	-	As defined in IAS 24.
Dollar	-	US dollar.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

A. Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on the historical cost basis, except for financial assets and liabilities that are accounted for at fair value through profit or loss.

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognized in the financial statements. See Note 2(C).

Basis of consolidation

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company ("Subsidiaries"), including Portfolio Companies in which the Company can exercise control. Control is achieved when:

- The Company has power over the investee;
- The Company is exposed, or has rights, to variable returns from its involvement with the investee;
- Has the ability to affect those returns through its power over the investee.

The Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including: contractual arrangements with other vote holders of the investee, rights arising from other contractual arrangements and the Company's potential voting rights.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

A. Basis of preparation (cont.)

Basis of consolidation (cont.)

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Investments in Associates and Portfolio Companies

Associates are companies in which the Group has significant influence over the financial and operating policies without having control.

In accordance with IAS 28, when the Group has an investment in an associate, a portion of which is held indirectly through the Incubators, which are investment entities, the Group measures that portion of the investment in the associate at fair value through profit or loss in accordance with IAS 39 regardless of whether the Incubators have significant influence over that portion of the investment. The Group applies the equity method to any remaining portion of its investment in an associate that is not held through the Incubators.

Investment accounted according to Equity method

The Group's investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment in the associate is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income (loss) of the associate. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the Group and of the associate are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the associate are uniform and consistent with the policies applied in the financial statements of the Group.

Losses of an associate in amounts which exceed its equity are recognized by the Group to the extent of its investment in the associate.

The equity method is applied until the loss of significant influence in the associate or classification as held-for-sale.

On the date of loss of significant influence, the Group measures any remaining investment in the associate at fair value and recognizes in profit or loss the difference between the fair value of any remaining investment plus any proceeds from the sale of the investment in the associate and the carrying amount of the investment on that date.

The Company's investments in its subsidiaries are accounted for using the equity method of accounting in the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

B. Summary of significant accounting policies

1. Functional currency, presentation currency and foreign currency

a. Functional currency and presentation currency:

The Group's consolidated financial statements are presented in US dollars, which is also the Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group's performance and liquidity are evaluated and managed in US dollars. Therefore, the US dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

b. Foreign currency translations:

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

3. Short-term deposits

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

4. Financial instruments

a. Financial assets

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

B. Summary of significant accounting policies (cont.)

4. Financial instruments (cont.)

a. Financial assets (cont.)

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

Financial assets at fair value through profit or loss upon initial recognition:

Gains and losses of investment in Portfolio Companies at fair value through profit or loss includes changes in the fair value of financial assets and liabilities designated upon initial recognition as at fair value through profit or loss.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group includes in this category amounts relating to other short-term receivables. After initial recognition, loans are measured based on their terms at amortized cost plus directly attributable transaction costs using the effective interest method, and less any impairment losses. Short-term receivables are measured based on their terms, normally at face value.

The Group has not designated any financial asset upon initial recognition as held to maturity investments or available for sale financial assets.

b. Financial liabilities

Financial liabilities are initially recognized at fair value.

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

Financial liabilities at amortized cost less directly attributable transaction costs

After initial recognition, short term liabilities are measured based on their terms at cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include convertible debentures and loans received from the OCS designated upon initial recognition at fair value as they are evaluated by management on a fair value basis and the fair value information about them is provided to the Group's key management personnel.

Embedded derivatives in a host contract that is a financial liability measured at fair value through profit or loss is not separated from the host contract and the fair value of the embedded derivative is included in the fair value of the host contract.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

B. Summary of significant accounting policies (cont.)

4. Financial instruments (cont.)

c. Derecognition

Financial assets

A financial asset is derecognized where the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset as follows:

(a) the Group has transferred substantially all the risks and rewards of the asset, or

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

The Group derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

d. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

5. Fair value measurement

The Group measures its investments in Portfolio Companies and other interest bearing investments, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

B. Summary of significant accounting policies (cont.)

5. Fair value measurement (cont.)

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

6. Loans from the Office of the Chief Scientist

Loans received from the OCS are designated upon initial recognition at fair value through profit and loss. Fair value is calculated based on the present value of expected amounts to be repaid to the OCS, discounted at a rate reflecting the level of risk of the Portfolio Companies. Changes in fair value of these loans are included in profit or loss. These loans were received as part of Old Directive 8.3, see also Note 13(A)(4).

7. Leases

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

The Group as lessee:

<u>Operating leases:</u>

Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

B. Summary of significant accounting policies (cont.)

8. Property, plant and equipment

Property, plant and equipment are measured at cost, including direct attributable costs, less accumulated depreciation and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%	Mainly %
Leasehold improvements (according to the lease term)	10-12.5	10%
Office furniture and equipment	6-15	7%
Computers and peripheral equipment	15-33	33%

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) or the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognized.

9. Research and development expenditures

Research and development ("R&D") expenditures in respect of contracted service agreements, are recognized in profit or loss when incurred.

10. Income taxes

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

a. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

b. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

B. Summary of significant accounting policies (cont.)

10. Income taxes (cont.)

b. Deferred taxes: (cont.)

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

11. Share-based payment transactions

The Group's employees and directors are entitled to remuneration in the form of equity-settled share-based payments.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest.

12. Revenue recognition

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. When the Group acts as a principal and is exposed to the risks associated with the transaction, revenues are presented on a gross basis. When the Group acts as an agent and is not exposed to the risks and rewards associated with the transaction, revenues are presented on a net basis. Revenues are measured at the fair value of the consideration less any trade discounts, volume rebates and returns.

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

B. Summary of significant accounting policies (cont.)

12. Revenue recognition (cont.)

Following are the specific revenue recognition criteria which must be met before revenue is recognized:

a. Revenues from rendering of services

Revenues from rendering of services to Portfolio Companies and others are recognized by reference to the stage of completion at the reporting date.

b. Dividend income

Dividend income is recognized on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Group's right to receive the payment is established. Dividend income is presented in "Gain from change in fair value of investments in Portfolio Companies".

c. Income from services to Portfolio Companies

The Group, through its Incubators, provides the Portfolio Companies with services in the area of technology development, business development, capital raising, access to OCS grants and administrative support. In consideration for the Incubators' obligation pursuant to OCS Directive 8.3 to provide these services to the Portfolio Companies over the two year incubation period, the Group receives equity interests in the Portfolio Companies. The Group recognizes in its consolidated financial statements, deferred revenue in respect of the fair value of the benefit of these shares received from the OCS. Such deferred revenue is recognized over the two years of the incubation of the Portfolio Company. Under the Old Directive 8.3, upon obtaining an OCS loan, the benefit's value is computed as the difference between the amount of the loan from the OCS and its fair value, and under the New Directive 8.3, the benefit's value is computed as the difference between the fair value of the investment Portfolio Company and the supplementary funding invested by the Incubators (see Note 13(A)(3)).

In addition, in accordance with OCS regulations, the Group receives monthly capped overhead reimbursement from the Portfolio Companies.

d. Income from contracted R&D services

The Company recognizes revenues from contracted R&D services upon achievement of milestones as defined in the contracts.

13. Earnings per share

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares (options, warrants and other convertible securities) are included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

B. Summary of significant accounting policies (cont.)

14. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

C. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognized in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

1. Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Determination of control

The Group assesses whether it controls a company in which it holds the majority or less than the majority of the voting rights by reference to, among others, the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders including voting patterns at previous shareholders' meetings, its ability to direct the relevant activities of a company, including any significant operating and financial activities as well as the appointment of key management personnel, its ability to appoint the majority of the board of directors, and consideration of substantive rights of the other vote holders. See also Note 2(A) "Basis for Consolidation".

2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group utilized its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

C. Significant accounting judgments, estimates and assumptions (cont.)

2. Estimates and assumptions (cont.)

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as growth rates, operating margins, discount rates and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument when available. To assess the significance of a particular input to the entire measurement, the Group performs sensitivity analysis or stress testing techniques. See also Notes 6 and 8.

D. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements and that may have a material impact on the Group are listed below. The Group intends to adopt applicable standards when they become effective.

1. IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 ("IFRS 15"). IFRS 15 replaces IAS 18, "Revenue".

The IFRS 15 introduces a five-step model that will apply to revenue earned from contracts with customers:

Step 1: Identify the contract with a customer, including reference to contract combination and accounting for contract modifications.

Step 2: Identify the separate performance obligations in the contract

Step 3: Determine the transaction price, including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.

Step 4: Allocate the transaction price to the separate performance obligations on a relative stand-alone selling price basis using observable information, if it is available, or using estimates and assessments.

Step 5: Recognize revenue when the entity satisfies a performance obligation over time or at a point in time.

IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. IFRS 15 allows an entity to choose to apply a modified retrospective approach, according to which IFRS 15 will only be applied in the current period presented to existing contracts at the date of initial application. No restatement of the comparative periods will be required as long as the disclosures regarding prior periods required by IFRS 15 are included.

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

D. Standards issued but not yet effective (cont.)

1. IFRS 15 - Revenue from Contracts with Customers (cont.)

The Group is evaluating the possible impact of IFRS 15 but is presently unable to assess its effect, if any, on the financial statements.

2. IFRS 9 Financial Instruments - Classification and Measurement

In July 2014, the IASB issued the final and complete version of IFRS 9, “Financial Instruments” (“IFRS 9”), which replaces IAS 39, “ Financial Instruments: Recognition and Measurement”. IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets should be at fair value. IFRS 9 establishes a distinction between debt instruments to be measured at fair value through profit or loss and debt instruments to be measured at fair value through other comprehensive income.

Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income (loss), in accordance with the election by the Group on an instrument-by-instrument basis. If equity instruments are held for trading, they should be measured at fair value through profit or loss.

According to IFRS 9, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected.

According to IFRS 9, changes in fair value of financial liabilities which are attributable to the change in credit risk should be presented in other comprehensive income. All other changes in fair value should be presented in profit or loss.

IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

The Company is evaluating the possible impact of IFRS 9 but is presently unable to assess its effect, if any, on the financial statements.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 2:- Significant Accounting Policies (cont.)

D. Standards issued but not yet effective (cont.)

3. Amendments to IFRS 10 and IAS 28 regarding sale or transfer of assets between an investor and its associate or joint venture

In September 2014, the IASB issued amendments to IFRS 10 and IAS 28 ("the amendments") regarding the accounting treatment of the sale or transfer of assets (an asset, a group of assets or a subsidiary) between an investor and its associate or joint venture.

According to the amendments, when the investor loses control of a subsidiary or a group of assets that are not a business in a transaction with its associate or joint venture, the gain will be partially eliminated so that the gain to be recognized is the gain from the sale to the other investors in the associate or joint venture. According to the amendments, if the remaining rights held by the investor represent a financial asset as defined in IFRS 9, the gain will be recognized in full.

If the transaction with an associate or joint venture involves loss of control of a subsidiary or a group of assets that are a business, the gain will be recognized in full.

The amendments are to be applied prospectively. A mandatory effective date has not yet been determined by the IASB but early adoption is permitted.

4. Amendments to IAS 7, "Statement of Cash Flows", regarding additional disclosures of financial liabilities:

In January 2016, the IASB issued amendments to IAS 7, "Statement of Cash Flows", ("the amendments") which require additional disclosures regarding financial liabilities. The amendments require disclosure of the changes between the opening balance and the closing balance of financial liabilities, including changes from cash flows, changes arising from obtaining or losing control of subsidiaries, the effect of changes in foreign exchange rates and changes in fair value.

The amendments are effective for annual periods beginning on or after January 1, 2017. Comparative information for periods prior to the effective date of the amendments is not required. Early application is permitted.

The Company will include the necessary disclosures in the financial statements when applicable.

5. IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

According to the new Standard, lessees are required to recognize an asset and a corresponding liability in the statement of financial position in respect of all leases (except in certain cases) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".

The new Standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted provided that IFRS 15, "Revenue from Contracts with Customers", is applied concurrently.

The Company believes that the new Standard is not expected to have a material impact on the financial statements.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 3:- Accounts and Other Receivables

	The Group		The Company	
	December 31,		December 31,	
	2015	2014	2015	2014
Trade receivables*)	140	552	140	552
Government authorities	90	128	48	75
Others	198	156	38	35
	428	836	226	662

*) Trade receivables are non-interest bearing and are generally on terms of 90 days. As of December 31, 2015, and 2014, trade receivables were neither past due or impaired.

Note 4:- Short-Term Loans to Portfolio Companies

	The Group		The Company	
	December 31,		December 31,	
	2015	2014	2015	2014
To Portfolio Companies - related parties (1)	136	246	–	–

(1) The loans bear interest of 4%-6% per annum.

Note 5:- Property, Plant and Equipment, Net

The Group

	Leasehold improvements	Office furniture and equipment	Computers and peripheral equipment	Total
Cost:				
Balance as of January 1, 2014	655	189	156	1,000
Additions	18	6	19	43
Balance as of December 31, 2014	673	195	175	1,043
Additions	43	14	57	114
Balance as of December , 2015	716	209	232	1,157
Accumulated depreciation:				
Balance as of January 1, 2014	208	37	101	346
Depreciation	62	20	23	105
Balance as of December 31, 2014	270	57	124	451
Depreciation	86	16	63	165
Balance as at December 31,2015	356	73	187	616
Depreciated cost:				
Balance as of December 31, 2015	360	136	45	541
Balance as of December 31, 2014	403	138	51	592

The Company

	Leasehold improvements	Office furniture and equipment	Computers and peripheral equipment	Total
Depreciated cost:				
Balance as of December 31, 2015	56	61	26	143
Balance as of December 31, 2014	57	64	24	145

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 6:- Fair Value Measurement

A. The following tables present the fair value measurement hierarchy for the Group's and the Company's investments, loans and debentures.

	The Group					
	December 31, 2015			December 31, 2014		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Financial assets						
Short-term investments *)	–	1,042	1,042	1,296	–	1,296
Investments in Portfolio Companies	625	83,822	84,447	517	75,106	75,623
Long-term investment	–	–	–	–	962	962
	625	84,864	85,489	1,813	76,068	77,881
Financial liabilities						
Loans from OCS	–	4,449	4,449	–	4,493	4,493
Convertible debentures and warrants	–	–	–	–	1,545	1,545
	–	4,449	4,449	–	6,038	6,038

	The Company					
	December 31, 2015			December 31, 2014		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Financial assets						
Short-term investments **)	–	–	–	1,296	–	–
	–	–	–	1,296	–	–
Financial liabilities						
Convertible debentures and warrants	–	–	–	–	1,545	1,545
	–	–	–	–	1,545	1,545

*) Excludes restricted short-term deposits and deposits in banks at amortized cost of $15,396 as of December 31, 2015 and $478 as of December 31, 2014.

**) Excludes restricted short-term deposits and deposits in banks at amortized cost of $15,038 as of December 31, 2015 and $395 as of December 31, 2014.

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 6:- Fair Value Measurement (cont.)

B. Valuation process and techniques

Valuations are the responsibility of the Group's management and the board of directors of the Company.

1. *Publicly traded investment in Associates - Level 1*

When fair values of publicly traded equity securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy.

2. *Investment in privately held Portfolio Companies - Level 3*

The valuation of significant Portfolio Companies is performed by an external independent valuator.

The valuations are also subject to quality assurance procedures performed by Group's management. The Group's management verifies the major inputs applied in the latest valuation by comparing the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the Group's management.

The Group's management considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

C. General Overview of Valuation Approaches used in the Valuation

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are four valuation methodologies available which were used in the valuation of the Portfolio Companies: income approach, market approach, cost approach and option pricing model. A brief discussion of each methodology follows.

1. Income Approach

The income approach utilizes a procedure generally known as the discounted cash flow ("DCF") method of valuation. The DCF method measures value by reference to an enterprise's expected future debt-free cash flows from business operations. This typically involves a projection of income and expense and other sources and uses of cash, the assignment of a terminal (or residual) value at the end of the projection period that is reasonably consistent with the key assumptions and long-term growth potential of the business, and a determination of an appropriate discount rate that reflects the risk of achieving the projections. Factors that form the basis for expected future financial performance include:

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 6:- Fair Value Measurement (cont.)

C. General Overview of Valuation Approaches used in the Valuation (cont.)

1. Income Approach (cont.)

- Historical and projected growth rates;
- Business plans or operating budgets for the enterprise in question;
- Prevailing relevant business conditions and industry trends, including growth expectations in light of general market growth, competitive environment and market position;
- Anticipated needs for working and fixed capital;
- Historical and expected levels and trends of operating profitability.

Typically, a five year projection period of annual free cash flows plus an estimated terminal value, which represents the value of the business enterprise beyond the projection period, are discounted to present value through the application of a discount rate that reflects the weighted average cost of capital for the enterprise.

The present value of aggregate annual free cash flows plus the terminal value represents the total capital or the net asset value of the operating entity, which equals the combined debt and equity capital or enterprise value of the company.

2. Market Comparable Approach

The market comparable approach examines either publicly traded companies or acquisitions of privately held companies within the same industry as the subject business entity. Market-derived multiples based on such measures as earnings, book value, cash flow and revenues are typically applied to the appropriate financial indicators of the subject entity to determine a range of total capital values for the business.

Companies might typically be considered comparable even though their product mixes or corporate sizes differ, so long as valuation ranges are rationalized in terms of relative financial performance and capital structure considerations such as:

- Historical and prospective growth;
- Absolute and relative profit margins and cost determinants;
- Capital structure (leverage);
- Liquidity

3. Cost Approach

The underlying premise when using the cost approach is that the book value or cost of an asset is equal to its fair value. Certain adjustments are made to assets on a case-by-case basis if this premise does not hold true. This approach is an important tool for determining the fair value of companies in a very preliminary development stage, particularly when reliable data relating to revenue forecasts are not available.

4. Option Pricing Model ("OPM")

The OPM is a generally accepted valuation model used in evaluating companies with different classes of shares. The OPM considers the various terms of the stockholder agreements that would affect the distributions to each class of equity upon a liquidity event, including the level of seniority among the securities, dividend policy, conversion ratios, and cash allocations. In addition, the method implicitly considers the effect of the liquidation preference as of the future liquidation date, not as of the valuation date. The OPM (or a related hybrid method) is the most appropriate method to use when specific future liquidity events are difficult to forecast.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 6:- Fair Value Measurement (cont.)

C. General Overview of Valuation Approaches used in the Valuation (cont.)

4. Option Pricing Model ("OPM") (cont.)

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Investments in Portfolio Companies	DCF	Long-term growth rate for cash flows for subsequent years	3% - 3% (3%)	Increase (decrease) in the growth rate would result in increase (decrease) in fair value
		Long-term operating margin	23% - 34% (29%)	Increase (decrease) in the operating margin would result in increase (decrease) in fair value
		Weighted average cost of capital (WACC)	30%	Decrease (increase) in the WACC rate would result in increase (decrease) in fair value
	Market Comparable Approach	Revenue Multiplier	0.8 - 5.74 (2.94)	Increase (decrease) in the revenue multiplier would result in increase (decrease) in fair value
		Weighted average cost of capital (WACC)	30% - 50% (37%)	Decrease (increase) in the WACC rate would result in increase (decrease) in fair value
Investments in Portfolio Companies	Cost Approach	Weighted average cost of capital (WACC)	50% - 60% (53%)	Decrease (increase) in the WACC rate would result in increase (decrease) in fair value
Loans from OCS	Black and Scholes formula for option pricing	Value of pledged shares (NIS)	0.0 -7.60 (2.24)	Increase (decrease) in the parameter would result in decrease (increase) in fair value
		Expected term(years)	2 - 4 (2.6)	
		Expected volatility (annual)	40% - 108% (99%)	
		Risk free interest rate	0.1% - 0.6% (0.4%)	
	Present value of the expected cash flows	Risk adjusted discount rate	1% - 6.2% (3.6%)	

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 6:- Fair Value Measurement (cont.)

D. Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy in financial instruments:

	The Group			
	Investment in Portfolio Companies	Long & Short Term Investment	Loans from OCS	Convertible Debentures and Warrants
As of January 1, 2014	$ 72,059	–	$ (4,955)	–
Total realized gains (losses) recognized in profit or loss *)	3,288	–	(459)	–
Total unrealized gains (losses) recognized in profit or loss *)	(1,409)	13	127	(115)
Additions	5,710	949	281	(2,126)
Conversion to shares	–	–	–	653
Disposals/repayments	(4,542)	–	513	43
As of December 31, 2014	75,106	962	(4,493)	(1,545)
Total realized losses recognized in profit or loss *)	–	–	–	(3,087)
Total unrealized gains recognized in profit or loss *)	4,479	80	44	–
Additions	4,237	–	–	(10,177)
Conversion to shares	–	–	–	14,689
Disposals/repayments	–	–	–	120
As of December 31, 2015	$ 83,822	1,042	$ (4,449)	–

	The Company
	Convertible Debentures and Warrants
As of January 1, 2014	–
Total realized gains (losses) recognized in profit or loss *)	–
Total unrealized gains (losses) recognized in profit or loss *)	(115)
Additions	(2,126)
Conversion to shares	653
Disposals/repayments	43
As of December 31, 2014	(1,545)
Total realized losses recognized in profit or loss *)	(3,087)
Total unrealized gains recognized in profit or loss *)	–
Additions	(10,177)
Conversion to shares	14,689
Disposals/repayments	120
As of December 31, 2015	–

*) Realized and unrealized gains on investments in Portfolio Companies are recorded in "gain from change in fair value of investments in Portfolio Companies" and realized and unrealized gains (losses) on loans from OCS and on convertible debentures and warrants are recorded in "Financial expenses" and in "Non-recurring, non-cash expenses related to RCL conversion discount upon IPO".

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 7:- Investment in Investees

A. Investments in subsidiaries:

	The Company December 31, 2015	The Company December 31, 2014
Investment in shares	56,630	48,806
Investment in loans	6,095	2,363
	62,725	51,169

1. Composition of the Group

The Group has the following significant investments in subsidiaries:

Name	Principal place of business	Proportion (%) of ownership interest
Trendlines Medical – Misgav Ltd.	Israel	100%
Trendlines Agtech – Mofet Ltd.	Israel	100%

2. Summarized financial data of a subsidiary with material non-controlling interests:

In 2015 the Company acquired all of the shares of Agtech (26%) – see Note 14(B) - which were held by non-controlling interests at December 31, 2014:

	December 31, 2014
Statement of financial position at reporting date (as presented in the subsidiary's financial statements):	
Current assets	281
Non-current assets	18,253
Current liabilities	(3,137)
Non-current liabilities	(4,302)
Total equity	11,095

	Year ended December 31, 2014
The subsidiary's operating results (as presented in the subsidiary's financial statements):	
Total revenues	(5,638)
Net income (loss)	(5,267)
Net cash used in operating activities	(150)
Net cash provided by investment activities	–
Net cash provided by financing activities	251
Net change in cash and cash equivalents	101

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 7:- Investment in Investees (cont.)

A. Investments in subsidiaries (cont.)

2. Summarized financial data of a subsidiary with material non-controlling interests (cont.):

	December 31, 2015	December 31, 2014
Balances of non-controlling interests	–	2,679

	Year ended December 31, 2015	Year ended December 31, 2014
Income (loss) attributable to non-controlling interests	(186)	(1,369)

3. Other information:

In 2014, the Group lost control of a subsidiary that was held by Medical. As a result, the Group ceased to consolidate this subsidiary and began recording it at fair value through profit or loss. As a result of the re-measurement to fair value, the Group recorded a gain of $1,181 which is included in "Gain from change in fair value of investments in Portfolio Companies".

B. Investments in associates

Additional information on Associates:

	Principal place of business	Company's equity and Voting Rights	Carrying amount	Fair value of publicly Traded Equity
		%	US in thousands	
December 31, 2015:				
E.T.View:	Israel	18.71%		
Shares			–	1,329 *)
Warrants			– **)	
			–	
Maryland Israel/Trendlines Fund GP LLC:	Maryland, United States	50%		
Shares			–	
			–	
December 31, 2014:				
E.T.View:	Israel	19.73%		
Shares			–	1,742 *)
Warrants			129	
			129	
Maryland Israel/Trendlines Fund GP LLC:	Maryland, United States	50%		
Shares			–	
			129	

*) The shares are listed on the Tel-Aviv Stock Exchange.

**) Represents an amount lower than $1.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 8:- Investments in Portfolio Companies

A. Information on Portfolio Companies

The following is the number of Portfolio Companies and fair value:

	December 31 , 2015		December 31, 2014	
	Number of Companies	Fair Value	Number of Companies	Fair Value
Companies in Incubation Period	14	10,746	18	14,178
Incubator Graduate Companies (1)	31	73,076	24	60,928
Public Companies	1	625	1	517
	46	84,447	43	75,623

(1) Includes one Portfolio Company whose fair value amounts to approximately $39,868 at December 31, 2015 and $36,000 at December 31, 2014 (see also Note 8(B)3).

B. Sale transactions

1. On April 17, 2014, Inspiro Medical Ltd. ("Inspiro"), a Portfolio Company held by Medical, was acquired by OPKO Health Inc. ("OPKO"), a public company traded on the New York Stock Exchange. Upon closing, Medical received approximately $358 in cash and approximately $3,974 in shares of the purchaser. Of the shares received, 20% are being held in escrow until April 2016 to secure indemnification obligations and are presented in short-term investments (at December 31, 2014 the fair value of the shares was presented in "Long-term investments"). In addition, the purchaser repaid all obligations to the OCS in connection with the transaction, including the Medical's loan to the OCS in the amount of $513 including accrued interest.

   As a result of the sale transaction, the Group recorded a gain of approximately $3,455 which is included in "Gain from change in fair value of investments in Portfolio Companies".

   On June 25, 2014, the Group sold, in an out of-market transaction, the OPKO shares, other than those held in escrow as described above, for cash consideration approximating their carrying amount of approximately $2,619, net of transaction costs.

2. On July 30, 2014, the shareholders of E.T.View Medical Ltd. ("E.T.View") approved the investment agreement between E.T.View and Medical according to which E.T.View issued to Medical 347,594 Ordinary shares in consideration of NIS 1,300,000 (approximately $380). As a result, the ownership interest of Medical and the Group in E.T.View increased to 5% and 25.61%, respectively. (see also Note 7(B)).

3. On November 6, 2014, a Portfolio Company held by Medical, signed an Asset Purchase Agreement with then a third party strategic partner, which became a shareholder upon the IPO of the Company (the "Licensee"), structured as an asset acquisition for the Portfolio Company's developed medical device product (the "Product"), for cash consideration and for royalties on future net sales. The Portfolio Company is bound to a confidentiality agreement and therefore additional details of the agreement cannot be disclosed. In February 2015, Medical received a dividend distribution from the Portfolio Company in the amount of approximately $718, representing Medical's share of a portion of the cash consideration received from the Licensee.

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 8:- Investments in Portfolio Companies (cont.)

B. Sale transactions (cont.)

The fair value of this Portfolio Company as of December 31, 2015, is approximately $39,868, which fair value is based on the DCF method. Following are certain factors that could have a significant impact on the valuation.

The Product is in a highly competitive market with significant barriers to entry. The leading manufacturers have been active in this market for a number of years and currently control over 85%-90% of the revenues in the market. The Product has distinct technical advantages over the products of competitors and initial studies have shown that a product of this type has a high preference rate among current users. Furthermore, the Product has performed as intended in clinical trials. However, there is no assurance that the Product will be accepted and perform as well with patients on a mass scale.

The Product has obtained regulatory clearance in certain major markets. In order for the Product to be successful, the patients will need to be adequately reimbursed in those markets. Although the risk of not getting adequate reimbursement is considered to be low due to the pricing strategy of parity with products of competitors, the process of arranging to ensure adequate reimbursement requires time and could delay entry into the major markets.

The Group is presently not aware of any existing product of competitors that incorporates the advantageous technological features of the Product. However, it is possible that an alternative product with such features is presently under development or could be fully developed in a period of time which could adversely affect the market share of the Product.

The ultimate success of the Product in penetrating the market and achieving market share is dependent on, among others, an investment in significant resources and management commitment by the Licensee. The Licensee is a large multinational company with financial and other resources that the Group believes will be sufficient to support the launch and commercialization of the Product. Also, the Licensee is a current player in the market with knowledge of the market and existing infrastructure to support the sales of the Product. Although there are indications that the Licensee is currently committed to invest the necessary resources, neither the Group nor the Portfolio Company have any control over the activities of the Licensee in respect of the Product and actual investments in resources could be lower than expected which could have an adverse effect on the valuation.

Due to the interrelationship of all of the above factors, it is impracticable to identify and isolate the effects of any reasonably possible change, either positive or negative, in any one of the significant inputs to the valuation. However, any such changes would likely have a material impact on the valuation with a corresponding material effect on profit or loss and equity.

4. In February and April 2015 the Company invested an amount of $194 in E.T.View Medical Ltd. ("E.T.View"), and the ownership interest of the Company in E.T.View increased to 20.75%.

5. On July 16, 2015 Medical invested an additional $345 in E.T.View Medical Ltd. As a result, the total ownership interest of the Group in E.T.View increased to 26.2%.

6. On January 27, 2016, subsequent to the reporting period Medical invested an additional $356 in E.T.View Medical Ltd. As a result, the total ownership interest of the Group in E.T.View increased to 27.7%.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 8:- Investments in Portfolio Companies (cont.)

C. Short-term investments

	The Group		The Company	
	December 31,		December 31,	
	2015	2014	2015	2014
Restricted shares in escrow (see Note 8(B)(1))	1,042	–	–	–
Restricted short-term deposits	396	228	38	145
Short-term bank deposits *)	15,000	250	15,000	250
Marketable securities	–	1,296	–	1,296
	16,438	1,774	15,038	1,691

*) Short-term bank deposits are deposits with maturities of more than three months from date of deposit. The deposits are in dollars and bear an annual interest of 0.95% - 1.13%.

Note 9:- Trade and Other Payables

	The Group		The Company	
	December 31,		December 31,	
	2015	2014	2015	2014
Trade payables	241	78	191	30
Employees and payroll accruals	316	231	221	122
Accrued vacation pay	245	205	164	115
Other payable and accrued expenses	276	856	75	63
	1,078	1,370	651	330

Note 10:- Loans from The Israeli Chief Scientist

Composition of Loans from the OCS:

	The Group		The Company	
	December 31,		December 31,	
	2015	2014	2015	2014
Old 8.3 Loans (see Note 13(A)(4))	3,471	3,145	–	–
Operation Loans (see Note 13(A)(5))	978	1,348	–	–
	4,449	4,493	–	–

Note 11:- Financial Instruments

A. Financial risk management objectives and policies:

The Group’s activities expose it to various financial risks such as market risk and liquidity risk. The Group focuses on activities that reduce to a minimum any possible adverse effect on the Group’s financial performance.

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 11:- Financial Instruments (cont.)

A. Financial risk management objectives and policies (cont.):

Liquidity risk:

The tables below present the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted payments:

The Group

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
As of December 31, 2015:							
Trade and other payables	1,078	–	–	–	–	–	1,078
Loans from Chief Scientist *)	–	535	2,041	1,980	3,415	1,264	9,235
	1,078	535	2,041	1,980	3,415	1,264	10,313
As of December 31, 2014:							
Trade and other payables	1,370	–	–	–	–	–	1,370
Loans from Chief Scientist *)	–	–	554	2,033	2,301	6,779	11,667
Convertible Debentures and warrants	137	137	1,510	–	–	–	1,784
	1,507	137	2,064	2,033	2,301	6,779	14,821

The Company

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
As of December 31, 2015:							
Trade and other payables	651	–	–	–	–	–	651
As of December 31, 2014:							
Trade and other payables	330	–	–	–	–	–	330
Convertible Debentures and warrants	137	137	1,510	–	–	–	1,784
	467	137	1,510	–	–	–	2,114

*) The amounts presented represent the full liability based on the principal amounts and future interest. As mentioned in Note 13(A)(5) and 13(A)(6), the loans can be settled by surrendering the pledged shares of the Portfolio Companies.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 11:- Financial Instruments (cont.)

B. Fair Value:

Management believes that the carrying amount of cash, short-term restricted deposits, short-term investments, trade receivables, trade payables and other current liabilities approximate their fair value due to the short-term maturities of these instruments.

Note 12:- Taxes on Income

A. Tax rates applicable to the Group:

The Israeli corporate tax rate is 26.5% in 2015 and 2014.

In January 2016, subsequent to the reporting period, the Israeli corporate tax rate was reduced to 25%.

B. Final tax assessments:

The Company and its Subsidiaries have not received final tax assessments since their incorporation, however, self-assessments are deemed final through the 2011 tax year.

C. Carry forward losses for tax purposes:

Carry forward operating tax losses of the Group total approximately $17,074 as of December 31, 2015. There is no expiration date for the utilization of the carry forward losses. Deferred tax assets of $ 1,954 relating to these losses were recognized in the financial statements.

Deferred tax assets of approximately $ 2,577 relating to carry forward operating losses were not recognized because their utilization in the foreseeable future is not probable.

D. Deferred taxes:

	Statements of financial position				Statements of profit or loss	
	The Group		The Company		Year ended	
	December 31,		December 31,		December 31,	
	2015	2014	2015	2014	2015	2014
Deferred tax liabilities:						
Investment in Portfolio Companies at fair value	15,786	13,542	–	–	2,244	799
Loans from OCS	2,819	3,010	–	–	(191)	(442)
Long-term investment	243	222	–	–	21	222
	18,848	16,774	–	–	2,074	579
Deferred tax assets:						
Carryforward tax losses	1,954	1,307	–	–	(647)	534
Deferred revenues due to loans from OCS	872	1,180	–	–	308	95
Employee benefits	6	22	–	–	16	-
Other	57	163	–	–	106	(133)
	2,889	2,672	–	–	(217)	496
Deferred tax expenses					1,857	1,075
Deferred tax liabilities, net	15,959	14,102	–	–		

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 12:- Taxes on Income (cont.)

D. Deferred taxes (cont.):

The deferred taxes are reflected in the statement of financial position as follows:

	The Group		The Company	
	December 31,		December 31,	
	2015	2014	2015	2014
Non-current liabilities	15,959	14,102	–	–

The deferred taxes are computed at the tax rate of 26.5% based on the tax rates that are expected to apply upon realization.

The estimated impact of the change in the corporate tax rate described in A above will be a reduction of the deferred tax liability as of January 1, 2016 of approximately $900.

E. Taxes on income included in profit or loss:

	Year ended December 31,	
	2015	2014
Deferred taxes (see also Note 12(D) above)	1,857	1,075
Taxes in respect of previous years	(63)	–
Current tax expenses	–	280
	1,794	1,355

F. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	Year ended December 31,	
	2015	2014
Loss before taxes on income	(1,774)	(2,855)
Statutory tax rate	26.5%	26.5%
Tax computed at the statutory tax rate	(470)	(757)
Increase (decrease) in taxes on income resulting from the following:		
Non-deductible expenses for tax purposes	1,402	635
Group's share of earnings (losses) of companies accounted for at equity	86	–
Income subject to special tax rates	(190)	–
Unrecognized temporary differences	(15)	232
Increase in unrecognized tax losses	765	903
Taxes in respect of previous years	(63)	–
Other	279	342
Taxes on income	1,794	1,355

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 13:- Commitments, Pledges and Contingent Liabilites

A. Medical and Agtech – Incubators operating under the OCS Regulations:

1. The Israeli Research and Development Law

The OCS is responsible for implementing the Israeli government's policy of encouraging and supporting industrial research and development in Israel through the R&D Law. Any entity receiving funding from the OCS is subject to the Israeli Law for Encouragement of Industrial Research and Development, 5744-1984 (the "R&D Law").

The OCS provides a variety of support programs within the framework of directives issued by the Director-General of the Israeli Ministry of Economy. Under the R&D Law, R&D projects that meet certain specified criteria and are approved by the OCS designated committee are eligible for grants.

In most of the OCS sponsored programs the recipient company repays the grants through royalty payments from revenues generated by the sale of products and/or services developed in the framework of the approved R&D program. Royalties are payable to the OCS in order to cover the amount of the grant, and are repaid with interest at the LIBOR rate, as prescribed under the R&D Law.

The R&D Law places strict constraints on the transfer of know-how and/or manufacturing rights, and all such transfers are subject to the absolute discretion of an OCS designated committee. Any such transfers require prior written approval of such committee and may entail additional payment at the discretion of the OCS.

2. Incubator Activity Under New Directive No. 8.3

The key material provisions of New Directive 8.3 are as follows:

Government funding is granted directly to the Portfolio Companies and not as a loan to the Incubators (as with Old Directive 8.3) in an amount equal to 85% of the approved budget.

The Incubators are required to invest the supplementary funding (15% of the approved budget), in the Project Company in exchange for shares in the Project Companies.

Repayment of the grants by the Portfolio Companies is through royalties from sales of the Portfolio Companies, according to the R&D Law and the related regulations (see Note 13(A)(1)).

Typically, the approved budget per new Project Company that operates in the Incubator program is approximately NIS 2,000 (approximately $515). Project Companies in Agtech, a Peripheral Incubator, is entitled to a higher budget of approximately NIS 2,500 (approximately $640), Medical, an Incubator that focuses on medical device projects, is entitled to higher budgets of approximately NIS 3,000 (approximately $770).

The Incubators are obligated to fund the fixed operating costs of each Incubator in an amount of approximately $330 per year (see Note 13(A)(7) below).

In exchange for its investment, for the funds brought by the Incubator from the OCS, and for support, the incubators can receive up to 50% equity in a Project Company, (and up to 85% for a Project Company based on a technology licensed from a research institution).

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 13:- Commitments, Pledges and Contingent Liabilites (cont.)

A. Medical and Agtech – Incubators operating under the OCS Regulations (cont.):

3. Incubator Obligations and Rights Related to Portfolio Companies under Old Directive No. 8.3

Under Old Directive 8.3, the OCS provided the Trendlines Incubators with a loan of up to 85% of the approved budget per Portfolio Company (the “government funding”) for investment in each Portfolio Company.

In addition, the Trendlines Incubators invested the 15% supplementary funding in each Portfolio Company.

In exchange for the government funding and for financing the Portfolio Companies, the Trendlines Incubators received 25% - 65% of the share capital of each Portfolio Company.

Additionally, in exchange for financing the overhead operation expenses of the Trendlines Incubators, the Trendlines Incubators received up to 5% of the shares of each Portfolio Company admitted into the Incubator (“Operating Shares”).

The OCS has a first lien over 50% of these operating shares as security for the operations loans received by Agtech (see Note 13(A)(6) below).

4. Return of OCS Loans for Project Companies by Trendlines Incubators Under Old Directive 8.3

The terms of the loans which were granted to the Trendlines Incubators for Portfolio Companies according to the Old Directive 8.3 are:

a) Upon sale of shares of a Portfolio Company, the Incubator Companies will repay the State of Israel the lower of 25% of the consideration received or the balance of the loan for the Portfolio Company.

b) Upon receipt of dividends from Portfolio Companies, the Incubator Companies will repay the State of Israel the lower of 25% of the dividend or the balance of the loan for the Portfolio Company.

c) The Incubator Companies shall repay the loan plus interest as set out by the “Adjudication of Interest and Linkage Law - 1961” four years following the end of the incubator period of the Portfolio Company (“Repayment Date”), except for the following:

   1. A loan Repayment Date may be extended annually by an additional year, to the later of (1) December 31, 2014 or (2) eight years following the end of the incubator period of the Portfolio Company.

   2. In consideration for prolonging the Repayment Dates of loans when their Repayment Dates are up to December 31 of a certain year, the Incubator Companies shall pay the State of Israel, until March 1 of the following year, 1% of the balance of those loans, but not to exceed NIS 200 (approximately $55) linked to the Consumer Price of July 2011.

In the event that the loans are not repaid as mentioned above, the OCS will have the right to exercise the lien on the pledged shares of the Portfolio Company in order to settle the balance of the Government Funding for the Portfolio Company (see Note 13(A)(7) below).

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 13:- Commitments, Pledges and Contingent Liabilites (cont.)

A. Medical and Agtech – Incubators operating under the OCS Regulations (cont.):

5. Return of Loans for Incubator Operations Under Directive 8.3

Agtech, which is situated in a national priority region, benefits from its status of Peripheral Incubator. For the purpose of operating the incubator, Agtech is entitled to a loan for each year of activity in an amount not to exceed approximately $176.

The Operations Loans will be returned to the State as follows:

a) Operations Loans that were granted under New Directive 8.3 – Agtech will repay 25% of the proceeds from the sale of shares of a Portfolio Company or dividend received from the portfolio companies, until the Operations Loan is repaid in full, including interest.

b) Operations Loans that were granted under Old Directive 8.3:

1. Operations Loans received during the period of September 1, 2007 until August 30, 2010 - the State may exercise its lien on the Operating Shares to receive shares in the project company. See Note 13(A)(6) for description of the liens.

2. Operations Loans received after September 1, 2010 - Agtech will repay the loans to the OCS upon the earlier of the following dates:

a. After seven years from the start of the agreement period (i.e., September 1, 2017).

b. Upon the sale of shares of a Portfolio Company that was established during the agreement period, Agtech will repay the Operations Loan from proceeds from the sale of the Operating Shares of such sale, until full repayment of the Operations Loan, including interest.

c. In the case where Agtech does not return the Operations Loan within the period specified by the State, the State may exercise its lien on the Operating Shares to receive shares in the project company. See Note 13(A)(7) for description of the liens.

6. Pledges and Liens According to Directive 8.3

a. In the framework of the Incubator Program, the Trendlines Incubators are obligated to fund annual operating expenses of approximately $330 for each incubator. In order to secure this commitment, the Trendlines Incubators provided a bank guarantee for the benefit of the State of Israel in an amount equal to 100% of the investment amount (approximately $330) in Medical and 51% (approximately $168) of the investment amount in Agtech. This guarantee is in effect until the end of the three months following the termination of the agreement.

b. As security for the government funding, the Portfolio Companies, and the fixed expenses for operation of Agtech under Old Directive 8.3, the State of Israel has first lien over the shares in the Portfolio Companies held by the Trendlines Incubators. This lien does not include the supplementary funding shares held by the Trendlines Incubators, 50% of the operational shares held by Agtech and 100% of the Medical operational shares. Accordingly, in the case where the investment in a Portfolio Company is written-off, the Government Funding for the Portfolio Company will be written-off as well and the pledged shares of the Portfolio Company will be available to the State of Israel.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 13:- Commitments, Pledges and Contingent Liabilites (cont.)

A. Medical and Agtech – Incubators operating under the OCS Regulations (cont.):

7. Incubator Activity Under Directive No. 8.2

The Trendlines Incubators functioned as non-profit entities until August 31, 2007. Under Directive 8.2 the OCS committed a grant of up to 100% of the approved budgetary finance for the operation of each Incubator.

In the event that the Incubator sells its shares in the Project Companies (admitted under Directive 8.2), the Incubator will refund 25% of its consideration from the sale of the said Project Company shares to the Israeli government, not to exceed the amount of the Israeli government Grant for each Incubator.

The balance of the proceeds of the sale must be invested in the Incubator for the purpose of increasing its operating budget, including investments in Project Companies.

As of December 31, 2015 there are three active Project Companies in Medical that were admitted under Directive 8.2.

B. Operating lease agreements:

The Company and the Incubators lease their premises for various periods, the latest of which ends in 2018.

The total lease costs amounted to approximately $ 355 for the year ended December 31, 2015 and $380 for the year ended December 31, 2014.

The future minimum lease payments as of December 31, 2015, are as follows:

First year	$ 300
Second year	125
Third year	114
	$ 539

C. Other:

1. The Company holds 50% in Maryland Israel/Trendlines Fund GP LLC ("GP"), which is the general partner of Maryland Israel/Trendlines Fund LP ("MITF"), a venture capital fund of approximately $4,300 of committed capital raised from various limited partners. The GP is entitled to receive 20% of MITF's net profit, to be paid only after the limited partners' capital is paid back by way of distributions by MITF to its limited partners. To date, MITF has not yet made distributions.

   As part of MITF's formation in 2011, the Company entered into a management agreement with the GP according to which the GP assigned it rights to management fees in the amount of 2% of the aggregate capital commitments to the Company.

   The total management fees amounted to approximately $86 for the year ended December 31, 2015 and $86 for the years ended December 31, 2014.

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 13:- Commitments, Pledges and Contingent Liabilites (cont.)

C. Other (cont.):

2. On December 2015, a contractor filed a claim against the Company and two other parties claiming that the Company and the other parties are responsible for the outstanding payment for cetain construction work.

   The amount of the claim is for NIS 617,653 (approximately $158). In the opinion of the Company's legal counsel, based on preliminary review of the claim, it is more likely than not that the claim against the Company will be dismissed without any material unfavorable effect on the Company's financial position or results of operations. However, since the claim is in a preliminary stage, the outcome could be different from the preliminary assessment.

3. The Company received a notice that in January 2016 a claim was filed against an investee company of Trendlines, naming also Trendlines for alleged patent infringement. An arbitration process has begun between the investee and the plaintiff. In the opinion of legal counsel, Trendlines is improperly joined in this claim. Accordingly, management of the Company believes that the outcome of this claim will not have a material effect on the Company's financial position or results of operations.

Note 14:- Equity

A. Composition of Equity:

	December 31, 2015		December 31, 2014	
	Authorized	Issued	Authorized	Issued
	Number of shares			
Ordinary shares NIS 0.01 par value	1,500,000,000	508,657,824	800,000,000	317,939,616

B. Movement in share capital:

a. In 2015, the Company issued 190,718,208 Ordinary shares as follows:

   1. In 2014 the Company received $1,398 (net of issuance expenses of approximately $34), as receipts on account of shares. In 2015, the Company issued 7,600,544 Ordinary shares in consideration of the above mentioned receipts.

   2. During 2015, the Company issued 11,139,024 Ordinary shares to new and existing investors for a total consideration of $2,118 (net of issuance expenses of approximately $72). In addition, the Company issued 99,440 warrants, as issuance costs to an advisor, which were exercised to 99,440 Ordinary shares immediately.

   3. Following a dividend distribution in February 2015 and a change in the Debenture conditions in June 2015, as further described in Note 16, several Debenture holders decided to convert their Debentures into Ordinary shares of the Company and other Debenture holders decided to receive cash as a repayment for part of the Debentures. As a result, Debentures with a par value of CND $862 (approximately $700) were converted into 4,048,400 Ordinary shares of the Company and an amount of approximately CND $146 (approximately $117) was paid by the Company to the Debentures holders. See also Note 1(A).

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 14:- Equity (cont.)

B. Movement in share capital (cont.):

4. In June 2015, the Company signed an agreement with the non-controlling shareholders of Trendlines Agtech ("Share Exchange Agreement"), following which, the Company purchased substantially all of the shares held by the Trendlines Agtech non-controlling shareholders (excluding shares, representing 4% of Agtech's total Ordinary shares, held by an employee share trust on behalf of 4 employees), in exchange for 14,485,312 Ordinary shares of the Company.

   In addition, subject to the consummation of an initial public offering (an "IPO"), within a period of 12 months from the date of the Share Exchange Agreement and the fulfillment of certain other conditions (the "Other Conditions"), the Company shall purchase all of the shares held by the employee share trust in exchange for 2,623,088 Ordinary shares of the Company after which the Company holds 100% of issued share capital of Trendlines Agtech. The Other Conditions include obtaining a certain tax ruling from the Israeli Tax Authority. On November 26, 2015, following the IPO and the achievement of the tax ruling, the Company issued 2,623,088

   Ordinary shares in consideration for all of the shares held by the employee share trust in exchange.

5. In July 2015, two officers and one former employee of the Company exercised 1,247,432 options into 1,247,432 Ordinary shares of the Company for no consideration.

6. On November 26, 2015, as part of the Company's IPO on the Catalist Board of the Singapore Stock Exchange ("SGX-ST"), the Company issued 75,760,000 Ordinary shares in a total consideration of $13,500 (net of issuance expenses of approximately $4,200). See also Note 1(A).

   In addition, the Company issued 2,651,600 Ordinary shares to PrimePartners Corporate Finance Pte Ltd (the "placement agent") in consideration of services totaling $875 which were recorded in the equity as issuance costs.

7. Upon the IPO on the Catalist, the RCL (including an amount of approximately CND $177, or approximately $145, which were converted from Convertible Debentures into RCL – see also Note 16(A)) and the remaining Convertible Debentures with a total par value, including accrued interest, of CND $396 (approximately $286), were automatically converted into 66,379,800 Ordinary shares of the Company. See also Note 16.

8. In November 2015, the Company issued 4,683,568 Ordinary shares in an exercise of warrants as part of a Put/Call agreement signed in July 2007 between the Company and certain shareholders of a Subsidiary.

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 14:- Equity (cont.)

B. Movement in share capital (cont.):

b. Issued and outstanding shares:

	Number of shares
Balance at January 1, 2014	303,535,664
Exercise of warrants	210,192
Exercise of employees' options	10,460,448
Conversion of convertible debentures	3,733,312
Balance at December 31, 2014	317,939,616
Issuance of shares	97,151,168
Acquisition of non-controlling interest by issuance of shares	21,791,968
Exercise of warrants	99,440
Exercise of employees' options	1,247,432
Conversion of convertible debentures	70,428,200
Balance at December 31, 2015	508,657,824

C. Warrants:

As of December 31, 2015, the Company has 429,301 warrants outstanding:

1. A grant, for no consideration, of a warrant to purchase 375,168 Ordinary shares of the Company to “Tmura”, the Israeli public service venture fund (a not-for-profit organization which receives donations of equity from Israeli companies), at an exercise price of $0.1845 per share. This warrant may be exercised, in whole or in part, at any time during the period ending 3 years from the date of grant (June 2, 2014).

   The grant date fair value of the warrant in the amount of $22 was determined using the binomial option pricing model.

   The Company recorded share-based payment expense in the amount of $4 for the year ended December 31, 2015.

   On January 4, 2016, subsequent to the reporting period, the Board of Directors approved the issuance of 83,925 new Ordinary shares, pursuant to a cashless exercise by Tmura of the warrant granted to Tmura in June 2014.

2. Following the issuance of shares to new and existing investors during 2014, as further described in Note 14(B) above, on October 27, 2014, the Company granted the private placement agent 54,136 compensation warrants (“October 2014 Compensation Warrants”). Each of the October 2014 Compensation Warrants is exercisable only once to acquire one (1) Share at a price of $0.1875 per share until 27 October 2016.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 14:- Equity (cont.)

D. On September 19, 2014, the Company's board of directors approved the purchase of 999 shares of Medical in consideration for $55 from a non-controlling shareholder. As a result of the purchase, the Company holds 100% in Medical.

E. On November 2, 2015, a Special General Meeting of Shareholders, approved the increase of the Company's authorized (registered) capital from NIS 1,000,000 to NIS 15,000,000. Following such increase, the authorized share capital of the Company shall be as follows: NIS 15,000,000 divided into 1,500,000,000 Ordinary shares with a par value of NIS 0.01 per share (the "Share Increase").

F. Bonus shares:

On November 12, 2015, the Board of Directors of the Company approved and authorized the allotment and issuance of 311,989,797 Ordinary shares of the Company of NIS 0.01 par value eash as bonus shares to the current Shareholders of the Company (without consideration paid by the Shareholders) (the "Bonus Shares"), in the amount of 7 Ordinary shares per each Ordinary share in the issued share capital of the Company, such that following the issuance of the Bonus Shares. Each shareholder shall hold 8 times the number of Ordinary shares hel by such shareholder prio to the issuance of the Bonus Shares.

All share, option, and per share information presented in the accompanying financial statements have been adjusted to reflect the issuance of the Bonus Shares on a retroactive basis for all periods presented.

G. Capital management:

The Company's objectives for managing capital are:

- To preserve the Group's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.
- To maintain risk-free financial leverage.

Note 15:- Share-Based Payment

A. Expenses recognized in the financial statements:

The expense in respect of equity-settled share-based payment plans recognized in the financial statements is shown in the following table:

	Year ended December 31,	
	2015	**2014**
Operating, general and administrative expenses	1,388	2,241
R&D expenses	68	82
	1,453	2,323

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 15:- Share-Based Payment (cont.)

B. Employees Stock Option Plan:

In 2011 the Company adopted the Trendlines Group Ltd. 2011 Global Incentive Option Plan (the "2011 Plan").

Under the 2011 Plan, options may be granted to the Group's officers, directors, employees and consultants. The number of Ordinary shares authorized for issuance under the 2011 Plan amount to 53,125,664. In addition, following the adoption of the 2015 Plan, no new options shall be granted under the 2011 Plan, and no additional Ordinary shares shall be reserved for issuance under the 2011 Plan.

Under the 2011 Plan, the grantee may exercise its options to acquire Ordinary shares at an exercise price as determined by the board of directors at the grant date.

Options generally vest on a monthly basis over a period of between 33 and 44 months (vesting period) from the "commencement date" as determined in each grant. The term of the options is ten (10) years.

On November 11, 2015, a Special General Meeting of Shareholders approved adoption of The Trendlines 2015 Share Option Plan and the Sub-Plan (the "2015 Plan").

Under this plan at all times until the expiration or termination of the Plan the company should keep reserved a sufficient number of Shares to meet the requirements of the Plan (the "Option Pool"). Any of such Shares which, as of the expiration or termination of the Plan, remain unissued and not subject to outstanding Options, shall at such time cease to be reserved for the purposes of the Plan. Should any Option for any reason expire or be cancelled prior to its exercise or relinquishment in full, such Option may be returned to the pool of Options and may again be granted under the Plan. The aggregate number of Shares reserved as Option Pool in respect of all Options granted under the Plan available to Plan Controlling Shareholders or Associates of the Company's Plan Controlling Shareholders (including adjustments made in accordance with Section 12 of the Plan) shall not exceed 5.0% of the Shares available under the Plan. The number of Shares reserved as Option Pool in respect of all Options granted under the Plan available to each Plan Controlling Shareholder or Associate of our Plan Controlling Shareholder (including adjustments made in accordance with Section 12 of the Plan) shall also not exceed 1.0% of the Shares available under the Plan.

The Exercise Price for each Grantee shall be as determined by Committee appointed by the Board (the "Committee") . The Commitee and specified in the applicable Option Agreement; provided, however, that: (i) unless otherwise determined by the Committee (which determination shall not require shareholder approval, unless so required in order to comply with the provisions of applicable Mandatory Law (including, for the avoidance of doubt, the Listing Manual)), the Exercise Price shall be the Fair Market Value of the Shares on the Date of Grant ("Fair Market Value Option"); and (ii) where the Exercise Price is set at a discount to the Fair Market Value of the Shares, the maximum discount shall not exceed 20.0% of the Fair Market Value of the Shares (or such other percentage or amount as may be determined by the Committee and permitted by the Sponsor or (if required) any other stock exchange on which the Shares are quoted ("Discounted Option").

Fair Market Value Options may be exercised after the first anniversary of the Date of Grant of that Option while Discounted Options may only be exercised after the second anniversary from the Date of Grant of the Option ("Cliff Period"). Unless otherwise determined by the Committee with respect to any specific Grantee and/or to any specific grant following the Cliff Period, the options shall vest upon the lapse of each full additional one (1) month thereafter of the Grantee's continuous Service thereafter, until all the Options vested (that is, 100% of the grant will be vested after three (3) years). Unexercised Options shall expire and terminate and become null and void upon the lapse of 10 years from the Date of Grant.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 15:- Share-Based Payment (cont.)

B. Employees Stock Option Plan (cont.):

On January 6, 2014, the Company's board of directors approved a grant of 3,503,016 options to purchase Ordinary shares of the Company to three employees of the Company at an exercise price of $0.13625. The options vest over a period of 3 years on a monthly basis.

The grant date fair value of the options in the amount of $363 was determined using the binomial option pricing model.

In March 2014, two officers of the Company exercised 10,460,448 options into 10,460,448 Ordinary shares of the Company for a total consideration of approximately $3.

On June 2, 2014, the Company's board of directors approved a grant of 38,910,400 options to purchase 38,910,400 Ordinary shares of the Company to employees of the Company and the Trendlines Incubators at an exercise price of $0.1845 per share. The options vest over a period of 3 years. The grant includes 26,545,856 options to two officers of the Company, the Co-Chairmen and Co-Chief Executive officers, which grant was subject to further approval of the shareholders of the Company, which approval was obtained on July 24, 2014.

The grant date fair value of the options in the amount of $4,047 ($2,787 in respect of the options granted to two officers of the Company) was determined using the binomial option pricing model.

In July 2015, two officers and one former employee of the Company exercised 1,247,432 options into 1,247,432 Ordinary shares of the Company for a consideration of less than 1$.

On August 2, 2015, the Company's board of directors approved the grant of 1,600,000 options to purchase 1,600,000 Ordinary shares of the Company to employees of the Company at an exercise price of $0.2011 per share. The options vest over a period of 3 years.

The grant date fair value of the options in the amount of $144 was determined using the binomial option pricing model.

The fair value for options granted during 2015 was estimated using the binomial option pricing model with the following assumptions:

Dividend yield (%)	0
Expected volatility of the share prices (%)	40
Risk-free interest rate (%)	0.3 - 2.2
Expected life of share options (years)	10

The Company recorded share-based payment expense in the amount of $1,453 for the year ended December 31, 2015.

On December 30, 2015, the Company's board of directors approved the grant of 320,000 options to the Company's advisory board. The grant date fair value of the options in the amount of $46 was determined using the binomial option pricing model. The Group didn't recorded any share-based payment expenses in respect of these options for the year ended December 31, 2015.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 15:- Share-Based Payment (cont.)

C. Movement during the Year:

The following table lists the number of share options, the weighted average exercise prices of share options and modification in employee option plans:

	December 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		U.S dollars		U.S dollars
Options outstanding at beginning of year	53,554,968	0.17	21,602,000	0.5
Issuance of options during the year	1,600,000	0.2	42,413,416	1.44
Options exercised during the year	(1,247,431)	–	(10,460,448)	0.003
Options forfeited during the period	(781,873)	0.18	–	–
Options outstanding at end of year	53,125,664	0.17	53,554,968	1.35
Options exercisable at end of year	26,933,836	0.157	18,059,432	1.224

D. The weighted average remaining contractual life for the share options outstanding as of December 31, 2015 was 8.5 years (as of December 31, 2014 - 9 years; as of December 31, 2013 - 8 years).

E. The range of exercise prices for share options outstanding as of Decmber 31, 2015 and December 31, 2014, was $0.0004 - $0.1845.

Note 16:- Convertible Debentures and Warrants

A. Convertible debentures

On April 30, 2014, the Company issued an aggregate of Canadian dollar (“CND”) CND $2,316 (approximately $2,100) principal amount of 10% unsecured convertible debentures (the “Debentures”).

The Debentures bear interest at a rate of 10% per annum which accrues daily and is compounded on a quarterly basis (the “Interest Rate”).

The Debentures and outstanding accrued interest will automatically convert into Ordinary shares upon completion of an initial public offering ("IPO") and listing on a “recognized exchange” (as such term is defined in the Debentures agreement) pursuant to which at least CND $10 million is raised on such IPO at a conversion price equal to a 20% discount from the price of the IPO (the “IPO Price”).

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 16:- Convertible Debentures and Warrants (cont.)

A. Convertible debentures (cont.)

In the event the Group has an Exit (which, as defined in the Debentures agreement, includes all cash distributions made to the Company and its subsidiaries, including from share or asset sales of Portfolio Companies and all dividends, distributions and returns of capital from Portfolio Companies), each of the Debentures holders will be required to elect one of three options within ten (10) Business Days of receiving the Exit Notice by providing notice of such election to the Company: (i) convert the principal amount of debentures and accrued interest into Ordinary shares at a share price based on the Group's net asset value ("NAV") as of December 31, 2013; (ii) receive pro rata 25% of the cash received from the Exit as a return on part of the Debentures; (iii) retain the Debentures (not available after the "Liquidity Target Date" which was September 30, 2014). In the event the holder has not provided its election notice to the Company within ten (10) Business Days of the date of the Exit Notice, the holder shall be deemed to have elected the third (iii) option, provided the option is available. If the third (iii) option is unavailable, the holder shall be deemed to have elected the second (ii) option.

Interest accrues on the Debentures from the date of issuance of the Debentures until the earlier of (i) the IPO; or (ii) the Liquidity Target Date. If an IPO has not occurred on or prior to the Liquidity Target Date, the Company shall make a payment on the Liquidity Target Date of all accrued and unpaid interest in cash. From and after the Liquidity Target Date, interest on the outstanding Debentures shall accrue and will be paid in cash quarterly in arrears at the Interest Rate.

In the event that no IPO occurs on or prior to the date that is 14 days prior to April 30, 2017 (the "Maturity Date"), the principal amount of the Debenture shall by increased by 10% of the then-outstanding balance of the Debentures up to a maximum of CND $1,100 per Debenture (with a par value of CND $1,000) if there have been no prepayments, and paid to holders thereof in cash on the Maturity Date, together with any accrued and unpaid interest.

The Debentures include a conversion component which is an embedded derivative. The combined instrument is designated upon initial recognition at fair value through profit and loss. After initial recognition the Company re-measures the Debentures at fair value each period.

Upon the issuance of the Debentures, the Company recorded a liability in the amount of $2,095. Issuance expenses in the amount of $47 were recorded in profit or loss.

Following the sale of Inspiro Medical Ltd., as described in Note 8(b)(3), (the "First Exit"), on July 9, 2014, several Debenture holders decided to convert their Debentures into Ordinary shares of the Company. As a result, Debentures with a par value of CND $354 (approximately $338) were converted into 239,375 Ordinary shares of the Company.

As further described in Note 8(B)(3), following the sale of OPKO shares (the "Second Exit"), in August 2014, several Debenture holders decided to convert their Debentures into Ordinary shares of the Company and other additional Debenture holders decided to receive pro rata 25% of the cash received from the Exit as a return on part of the Debentures. As a result, Debentures with a par value of CND $335 (approximately $318) were converted into 227,289 Ordinary shares of the Company and an amount of approximately CND $52 (approximately $43) was repaid by the Company to the Debentures holders.

As part of the issuance of the Debentures, the Company granted the private placement agent and selling group members an aggregate of 117.58 compensation warrants. Each compensation warrant is exercisable to acquire one Debenture at a purchase price equal to CND $1,000 per Debenture until April 30, 2016.

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 16:- Convertible Debentures and Warrants (cont.)

A. Convertible debentures (cont.)

The compensation warrants are in the scope of IFRS 2, and constitute cash settled share based payment transaction which is measured at fair value. Upon initial recognition, given the Debentures were designated at "fair value through profit and loss", the Company recognized the compensation warrants as issuance expenses of the Debentures, also in profit or loss. The liability is re-measured at each reporting date until settlement, with any changes in fair value recognized in profit or loss. For the year ended December 31, 2015, the Company recorded financial income in the amount of $6. As of December 31, 2015 the fair value of the compensation warrants is approximately $10.

In February 2015, following the Asset Purchase Agreement with the Licensee, as further described in Note 8(B)(5), several Debenture holders decided to convert their Debentures into Ordinary shares of the Company and other additional Debentures holders decided to receive pro rata 25% of the cash received from the Exit as a return on part of the Debentures. As a result, Debentures with a par value of CND $164 (approximately $131) were converted into 96,911 Ordinary shares of the Company and an amount of approximately CND $66 (approximately $53) was repaid by the Company to the Debentures holders.

Pursuant to Amendment No. 1 to the Debenture Certificates dated May 25, 2015 (“Amendment No. 1”), the following changes were made in the Debentures: (i) the term “recognized exchange” was amended to include the Catalist Board of the Singapore Exchange Securities Trading Limited; (ii) the indebtedness incurred by the Company in connection with the Pre-IPO Investment was permitted – see Note 16(B) below; (iii) the holders of outstanding Debentures were afforded the right to elect, within a period of 14 days after the Company provides notice with respect to completion of the Pre-IPO indebtness (“Option Notice”) , the following:

(i) Convert the principal amount of CND Debentures and accrued interest into ordinary shares of the Company at a share price based on the December 31, 2013 NAV;

(ii) Further amend the CND Debentures to the terms of the debentures issued on the Pre-IPO Financing (the “RCL”);

(iii) Obtain full repayment of the CND Debentures after at least US $5,000 is raised by the Company in equity and/or debt including on the Pre-IPO Financing; or

(iv) Continue to hold the Canadian $ Debentures in accordance with their existing terms.

In June 2015, following Amendment No. 1 and the issuance of the Option Notice, several Debentures holders decided to convert their Debentures into Ordinary shares of the Company, other additional Debentures holders decided to obtain full repayment of the Debenture, subject to the conditions as defined in Amendment No. 1 and other additional Debenture holders decided to convert their respective principal amounts and accrued interest as of the June 24, 2015, into Redeemable Convertible Loans denominated in Singapore dollars at the same terms of the Pre-IPO Redeemable Convertible Loans and are accordingly bound by the terms and provisions of the Pre-IPO Redeemable Convertible Loan Agreement as of June 24, 2015. As a result, Debentures with a par value of CND $698 (approximately $569) were converted into 409,139 Ordinary shares of the Company, an amount of approximately CND $81 (approximately $65) was repaid, subject to the conditions as defined in Amendment No.1 and an amount of approximately CND $177 (approximately $145) were converted into Redeemable Convertible Loans in Singapore dollars.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 16:- Convertible Debentures and Warrants (cont.)

A. Convertible debentures (cont.)

Following the Company's IPO on the SGX-ST on November 26, 2015, the remaining Debentures with a total par value, including accrued interest, of CND $396 (approximately $286), were converted into 1,599,800 Ordinary shares of the Company.

The Convertible Debenture's change in fair value of approximately $240 as of November 26, 2015, related to the Convertible Debentures conversion discount upon IPO conversion was recorded as "Financial expense".

B. Pre-IPO Redeemable convertible loans ("RCL")

In June 2015, the Company raised an aggregate amount of Singapore Dollar ("SGD") $13,700,000 (approximately $10,200 after issuance expenses of $100) from the issuance of redeemable convertible loans ("RCL") to certain Pre-IPO investors, based on the terms and conditions set out in the Redeemable Convertible Loan Agreement ("RCL Agreement"). The proceeds from the RCL are to be used for investments, activities related to supporting Portfolio Companies and general working capital purposes. The RCL bear annual interest of 8% (or 10% if the NAV of the Group is lower than $57,611). The principal and interest were repayable upon maturity in two years after issuance, if not converted earlier.

Upon the IPO on the Catalist, the RCL (including an amount of approximately CND $177, or approximately $145, which were converted from Convertible Debentures into RCL (see also Note 16(A)) were automatically converted, in accordance with the RCL Agreement, to 64,780,000 Ordinary shares of the Company. Pursuant to the RCL Agreement, the conversion was at a 35% discount to the Listing price of S$0.33 per share. Half of the Ordinary shares are subject to a "lock up" period of six months and the remaining half are subject to a "lock up" period of 12 months from the date of issuance.

The RCL which included a conversion component (an embedded derivative) was designated upon initial recognition at fair value through profit or loss. Upon the issuance of the RCL at the end of June 2015, the Company recorded a liability in the amount of $10,322 (including an amount of approximately CND $177, or approximately $145, which were converted from Convertible Debentures into RCL – see also Note 16(A)) . Issuance expenses in the amount of $520 were recorded in profit or loss. The fair value of the RCL immediately prior to conversion was calculated by an independent 3rd party valuation specialist by estimating the FV of the Ordinary shares issued upon the conversion of the RCL following the IPO, including a discount for illiquidity due to the "lock up" periods. The discount factor on the IPO price was calculated using the Finnerty model. The FV was determined at S$19,203 or approximately $13,648 (including the fair value of the Convertible Debentures of S$270 or approximately $192 which were converted into RCL). The change in fair value from the date of issuance to the date of conversion in the amount of $3,775 is recorded in profit or loss as a non-recurring, non-cash expense.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 17:- Selected Statements of Operations Data

A. Operating general and administrative expenses

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries and related expenses (including share-based payment)	4,303	5,196
Professional services	126	30
Rent and maintenance	378	469
Aborted IPO costs	–	1,540
Consulting	924	352
Communications and offices	203	289
Vehicle maintenance	219	222
Travel abroad	149	248
Depreciation	165	120
Miscellaneous	243	619
	6,710	9,085

B. R&D expenses, net

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries and related expenses (including share-based payment)	523	551
Subcontractors and materials	46	462
Others	64	52
	633	1,065

C. Financial expenses

	Year ended December 31, 2015	Year ended December 31, 2014
Interest and revaluation of convertible debentures and warrants	–	194
Debenture issuance expenses	520	–
Commissions and interest, net	29	173
Interest and revaluation expense (income) on loans from the OCS	(5)	332
Write-off of loan to Portfolio Company	54	–
Revaluation of convertible debentures expenses	(240)	–
Exchange rate differences, net	(6)	239
	352	938

NOTES TO FINANCIAL STATEMENTS
U.S. dollars in thousands, except share data

Note 17:- Selected Statements of Operations Data (cont.)

D. Financial income

	Year ended December 31, 2015	Year ended December 31, 2014
Interest on deposits and loans	–	5
Gain from long and short-term investment	188	155
	188	160

Note 18:- Net Earnings (Loss) per Share

A. Details of the number of shares and income used in the computation of earnings per share:

	Year ended December 31,			
	2015		2014	
	Weighted number of shares	Net loss attributable to equity holders of the Company	Weighted number of shares	Net loss attributable to equity holders of the Company
	In thousands	U.S in thousands	In thousands	U.S in thousands
For the computation of basic net earnings	365,634	(3,299)	315,952	(2,814)
Effect of potential dilutive Ordinary shares	–	–	–	–
For the computation of diluted net earnings	365,634	(3,299)	315,952	(2,814)

B. To compute diluted net earnings per share for the year 2015 and 2014, options to employees under share-based payment plan and warrants have not been taken into account since their conversion decreases the basic loss per share (anti-dilutive effect).

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 19:- Related Parties Transactions

A. Balances and transactions:

1. The following table summarizes balances with related parties in the statements of financial position:

	The Group			
	December 31, 2015		December 31, 2014	
	Portfolio Companies	Associates	Portfolio Companies	Associates
Trade receivables	111	–	78	–
Short-term loans	136	–	246	–

	The Company			
	December 31, 2015		December 31, 2014	
	Portfolio Companies	Associates	Portfolio Companies	Associates
Trade receivables	–	–	–	–
Short-term loans	–	–	–	–

2. The following table summarizes the transactions with related parties in the consolidated statements of profit or loss and other comprehensive income:

	Year ended December 31,			
	2015		2014	
	Portfolio Companies	Associates and other related parties	Portfolio Companies	Associates and other related parties
Income from services to Portfolio Companies	4,274	–	4,433	–
Other income	–	175	–	177
Operating, general and administrative expenses	–	(65)	–	(64)

3. The Group rendered services to Associate companies, which include rent, local taxes, receptionist services, communications services, utilities, computer system, office insurance and chairmanship.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars in thousands, except share data

Note 19:- Related Parties Transactions (cont.)

B. Compensation of key management personnel of the Group:

	Year ended December 31,	
	2015	2014
Salaries and related expenses	1,648	1,618
Share based payment	1,269	1,735
	2,917	3,353

C. On November 2, 2015, a Special General Meeting of Shareholders, approved the entry into and execution by the Company of a new employment agreement effective as of the date of the Proposed Listing, between the Company and each of Mr. Dollinger and Mr. Rhodes, the Chairmen and Chief Executive Officers (each the “Executive” or collectively: the “Executives”). The term of the Executive’s employment shall continue for a period of three years from the date of the Proposed Listing (“Initial Term”), provided however, that each of the parties shall be entitled to bring the Executives’ employment to an end, at any time, including during the Initial Term, for any reason by providing a written notice 6 months prior to the termination of the Employment Agreement. Upon termination of Executive’s employment by the Company other than in circumstances of Termination for Cause or upon resignation of the Executive for Good Reason (as set forth in the Employment Agreement), the Executive shall be entitled (in addition to the prior notice and any statutory payment) to receive from the Company a termination adjustment payment equal to an amount representing his then current monthly Salary multiplied by 6. After the Initial Term, the Executive’s employment shall be automatically renewed for successive 12 month periods under the same terms of employment, unless terminated in accordance with the terms contained in the Employment Agreement. Under the terms of the respective Employment Agreements (which are identical), each of the Executives is entitled to a gross monthly salary of NIS 85,500, or approximately $22.5 (“Salary”), an increase of approximately $8.5 in relation to the current salary, as well as an annual bonus in accordance with the provisions of the compensation policy (as shall be adopted and determined, from time to time, by the Company’s Remuneration Committee).

STATISTICS OF SHAREHOLDINGS
As at 15 February 2016

Issued and fully paid-up capital:	US$56,167,257
Number of issued shares:	508,741,749
Number of treasury shares:	Nil
Class of shares:	Ordinary Shares of equal voting right
Voting rights:	One vote per Ordinary Share with par value of NIS0.01

Shareholding Held in the Hands of the Public

Based on the information available to the Company as at 15 February 2016, approximately 68.60% of the issued ordinary shares of the Company were held by the public and therefore, Rule 723 of the Listing Manual, Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, is complied with.

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	% of Shares
1 - 99	0	0.00	0	0.00
100 - 1,000	13	2.00	10,700	0.00
1,001 - 10,000	104	15.95	797,927	0.16
10,001 - 1,000,000	460	70.55	71,618,119	14.08
1,000,001 and above	75	11.50	436,315,003	85.76
Total	**652**	**100.00**	**508,741,749**	**100.00**

Twenty Largest Shareholders

No.	Name of Shareholder	No. of Shares	% of Shares
1	Zeev Bronfeld	72,732,416	14.30
2	Amos and Daughter Investments and Properties Ltd.	39,182,452	7.70
3	Raffles Nominees (Pte) Limited	33,693,702	6.62
4	B. Braun Melsungen AG	21,515,000	4.23
5	AVZTIM LLC	19,695,416	3.87
6	Jeremy Lee Sheng Poh	15,253,000	3.00
7	Uob Kay Hian Private Limited	14,217,001	2.79
8	David Todd Dollinger	13,367,040	2.63
9	Stephen Louis Rhodes	13,367,040	2.63
10	Lachman Family Limited Partnership	12,970,656	2.55
11	Emerald Global Fund Spc - Platinum 18 SP	11,655,000	2.29
12	DBS Nominees (Private) Limited	10,249,300	2.01
13	Trendlines Israel Fund, L.P.	9,411,768	1.85
14	Incubators II, LLC	8,680,504	1.71
15	Tommie Goh Thiam Poh	7,293,000	1.43
16	Mofet b'Yehuda - Industrial Research & Development in Judea (Registered Association)	6,787,184	1.33
17	Meitav Dash Trust Ltd. FBO David Todd Dollinger	5,838,384	1.15
18	Meitav Dash Trust Ltd. FBO Stephen Louis Rhodes	5,838,384	1.15
19	Hangzhou North America Sheng Yin Investment Partnership (LP)	4,972,032	0.98
20	Lim Tiong Kheng Steven	4,129,600	0.81
	Total	**330,848,879**	**65.03**

STATISTICS OF SHAREHOLDINGS

As at 15 February 2016

Substantial Shareholders

Name	Direct interest	%(1)	Deemed Interest	%(1)	Total Interest	%(1)
Zeev Bronfeld	72,732,416	14.30	-	-	72,732,416	14.30
Amos And Daughter Investments And Properties Ltd.	39,182,452	7.70	-	-	39,182,452	7.70
David Todd Dollinger	13,367,040	2.63	15,250,152(2)	3.00	28,617,192	5.63
Stephen Louis Rhodes	13,367,040	2.63	15,250,152(3)	3.00	28,617,192	5.63

Notes:

(1) Percentage is calculated based on total issued shares of the Company less treasury shares, if any (i.e. 508,741,749).

(2) David Todd Dollinger (i) is a beneficiary of 5,838,384 shares held in trust by the Meitav Dash Trust Ltd.; and (ii) holds 250 ordinary shares in Trendlines International Ltd ("TIL"). TIL holds approximately 99.8% of the shareholding interest in Trendlines Venture Management Ltd, which is the general partner of Trendlines Venture Partners L.P., which, in turn, is the general partner of the Trendlines Israel Fund L.P., which is a fully-invested venture fund that holds 9,411,768 Shares (as adjusted for the Bonus Shares Issue) ("TIF Shares"). In this connection, David Todd Dollinger is indirectly interested in the Shares held by Trendlines Israel Fund L.P. because Todd Dollinger is a director and shareholder of Trendlines Venture Management Ltd, which is the general partner of Trendlines Venture Partners L.P., which, in turn, is the general partner of Trendlines Israel Fund L.P., and Trendlines Venture Partners L.P. (as the general partner of Trendlines Israel Fund L.P.) has the exclusive right and power to manage the business and affairs of Trendlines Israel Fund L.P., which includes the authority to dispose of, or to exercise control over the disposal of, the TIF Shares.

(3) Stephen Louis Rhodes (i) is a beneficiary of 5,838,384 Shares (as adjusted for the Bonus Shares Issue) held in trust by the Meitav Dash Trust Ltd.; and (ii) holds 45.0% (on an as converted basis1) of the shareholding interest in TIL. TIL holds approximately 99.8% of the shareholding interest in Trendlines Venture Management Ltd, which is the general partner of Trendlines Venture Partners L.P., which, in turn, is the general partner of the Trendlines Israel Fund L.P., which is a fully-invested venture fund that holds the TIF Shares. In this connection, Stephen Louis Rhodes is indirectly interested in the Shares held by the Trendlines Israel Fund L.P. because Stephen Louis Rhodes is a director and shareholder of Trendlines Venture Management Ltd, which is the general partner of Trendlines Venture Partners L.P., which, in turn, is the general partner of Trendlines Israel Fund L.P., and Trendlines Venture Partners L.P. (as the general partner of Trendlines Israel Fund L.P.) has the exclusive right and power to manage the business and affairs of Trendlines Israel Fund L.P., which includes the authority to dispose of, or to exercise control over the disposal of, the TIF Shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The Trendlines Group Ltd. (the "**Company**") for the financial year ended 31 December 2015 (the "**AGM**") will be held at Suntec International Convention & Exhibition Centre, Level 3, Meeting Room 330, 1 Raffles Boulevard, Suntec City, Singapore 039593, at 2.00 p.m. (Singapore time) on Tuesday, 19 April 2016 for purpose of considering and, if thought fit, approving the following:

As Ordinary Resolutions

Ordinary Business

1. To receive the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2015 together with the Auditors' Report thereon.

2. To re-elect Mr. Stephen Philip Haslett as a Director of the Company who is retiring pursuant to Article 40(c) and (d) of the Company's Articles of Association.

   Mr. Haslett will, if re-elected as a Director of the Company, remain as Chairman of the Nominating Committee and as a member of the Audit and Remuneration Committees and will be considered independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). **[Resolution 1]**

3. To re-appoint Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global as external independent auditors and to authorize the Directors to fix their remuneration. **[Resolution 2]**

4. To transact any other ordinary business which may properly be transacted at an annual general meeting.

Special Business

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

5. **Authority To Issue Shares**

   That pursuant to Rule 806 of the Catalist Rules of the SGX-ST, that authority be given to our Directors to (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; (ii) make or grant offers, agreements or options including under The Trendlines 2015 Share Option Plan (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may in their absolute discretion deem fit; and (iii) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force, provided that:

   (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) and Instruments to be issued pursuant to this resolution shall not exceed 50.0% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro-rata basis to existing Shareholders shall not exceed 25.0% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued pursuant to the Instruments) that may be issued under sub-paragraph (1) above, the percentage of Shares that may be issued shall be based on the total number of issued Shares of the Company (excluding treasury shares) at the time this authority is given, after adjusting for: (a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities outstanding at the time this authority is given; (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this authority, provided that the share options or share awards were granted in compliance with the Catalist Rules; and (c) any subsequent bonus issue, consolidation or sub-division of Shares;

(3) in exercising such authority, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), the provisions of Israeli Companies Law for the time being in force, the Articles of Association for the time being of the Company and The Trendlines 2015 Share Option Plan; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until (a) the conclusion of the next annual general meeting of the Company or (b) the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. **[Resolution 3]**
[See Explanatory Note (i)]

BY ORDER OF THE BOARD OF
THE TRENDLINES GROUP LTD.

Lynn Wan Tiew Leng
Yosef Ron
Joint Company Secretaries

3 March 2016

Explanatory Note(s)

i. The Ordinary Resolution 3 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such time when the authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 25.0% may be issued other than on a pro-rata basis to shareholders.

   For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

ii. Resolutions 1, 2, 3 shall be deemed adopted if approved by the holders of a majority of the voting power represented at the meeting in person or by proxy and voting thereon. **Only shareholders of record at the close of business on 13 April 2016, being the record date for determining those shareholders eligible to vote at the AGM, are entitled to notice of and to vote at the AGM and any postponements or adjournments thereof.**

NOTICE OF ANNUAL GENERAL MEETING

iii. All shareholders are cordially invited to attend the AGM in person. A shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in the shareholder's stead. A proxy need not be a shareholder of the Company.

iv. Any shareholder who holds more than one share shall be entitled to appoint a proxy with respect to all or some of its shares or appoint more than one proxy, provided that the instrument appointing a proxy shall include the number of shares with respect to which it was issued and only one proxy shall be appointed with respect to any one share.

v. Form of an instrument appointing a proxy, which may be used to vote at the AGM is enclosed.

vi. The instrument appointing a proxy (and the power of attorney or other authority, if any, under which such instrument has been signed) shall be delivered to the Company's registered office at P.O. Box 499, Karmiel, 2161401, Israel or the Company's Singapore Share Registrar and Share Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or by e-mail to Mr. Yosef Ron, Joint Company Secretary, at companysecretary@trendlines.com not less than forty eight (48) hours before the time fixed for the AGM at which the person named in the instrument proposes to vote. Notwithstanding the above, the chair of the AGM shall have the right to waive the time requirement provided above with respect to all instruments of proxies and to accept any and all instruments of proxy until the beginning of the AGM.

vii. For information relating to the compensation of our five most highly compensated office holders with respect to the year ended December 31, 2015, please see principle 9 in the Corporate Governance Report in our Annual Report for 2015, which was filed on 3 March, 2016.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("**AGM**") and/or any adjournment thereof, a member of the Company or a Depositor, as the case may be (i) consents to the collection, use and disclosure of the member or Depositor's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member or a Depositor discloses the personal data of the member or Depositor's proxy(ies) and/or representative(s) to the Company (or its agents), the member or Depositor has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member or Depositor's breach of warranty.

THE TRENDLINES GROUP LTD.

(Incorporated in Israel)
(Company Registration No. 513970947)

PROXY FORM

I/We ______________________ NRIC/Passport no ______________________ Of ______________________

being a shareholder/shareholders of THE TRENDLINES GROUP LTD., hereby appoint

Name	Address	NRIC/Passport No	No. of Shares

and/or (delete as appropriate)

Name	Address	NRIC/Passport No	No. of Shares

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Suntec International Convention & Exhibition Centre Level 3, Meeting Room 330, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Tuesday, 19 April 2016 at 2.00 p.m., Singapore time and at any adjournment thereof.

(Please indicate with an "√" in the spaces provided whether you wish your vote(s) to be cast for or against or abstain the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matters arising at the Annual General Meeting.)

No.	Resolution	For[1]	Against[1]	Abstain[1]
1.	Re-election of Mr. Stephen Philip Haslett as a Director			
2.	Re-appointment of Kost Forer Gabbay & Kasierer as independent External Auditors and to authorize the Directors to fix their remuneration			
3.	Authority to issue new shares			

1 *If you wish to exercise all your votes "For" or "Against" or "Abstain", please tick "√" within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ____________ day of ____________________ 2016

Total Number of Shares Held

____

Signature(s) of Shareholder(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register, you should insert that number. If you have shares registered in your name in the Shareholders Register of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Shareholders Register, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. The instrument of proxy shall be duly signed by the appointer or his duly authorised attorney or, if such appointer is a company or other corporate body, under its common seal or stamp or the hand of its duly authorised signatory(ies), agent(s) or attorney(s). The Board may demand that the Company be provided with written confirmation, to its satisfaction, that the signatory(ies), agent(s) or attorney(s) have the authority to bind the corporate body of the appointing Shareholder.

3. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the Shareholder, being the appointor, is not shown to have shares entered against his name in the Depository Register **as at 13 April 2016, the record date for determining those Shareholders eligible to vote at the Annual General Meeting**, as certified by the Depositor.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Direct Account Holder or Depository Agent accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 March 2016.

GENERAL

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on this Proxy Form. Notwithstanding the above, the Chairman of the Annual General Meeting shall have the right to waive the time requirement provided above with respect to all instruments of proxies and to accept any and all instruments of proxy until the beginning of the Annual General Meeting.

THE TRENDLINES GROUP ANNUAL REPORT 2015

CREATING AND DEVELOPING COMPANIES TO IMPROVE THE HUMAN CONDITION

Trendlines

Medical • Agtech • Labs

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