QT Vascular Ltd. and its subsidiaries

Unaudited Financial Statements Announcement for the financial year ended 31 December 2018

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

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

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

	Group Year ended 31/12/2018 US$'000	31/12/2017 US$'000	Change
Revenue	11,165	14,312	(22.0)%
Cost of sales	(9,869)	(9,920)	(0.5)%
Gross profit	1,296	4,392	(70.5)%
Sales and marketing expenses	(2,403)	(5,330)	(54.9)%
Administrative expenses	(5,688)	(6,895)	(17.5)%
Research and development expenses	(7,163)	(5,102)	40.4%
Other income	44,291	524	>100%
Other expenses	(357)	(4,288)	(91.7)%
Results from operating activities	29,976	(16,699)	NM
Finance income	7	739	(99.0)%
Finance costs	(490)	(6,907)	(92.9)%
Net finance costs	(483)	(6,168)	(92.2)%
Profit/(Loss) before tax	29,493	(22,867)	NM
Tax expense[1]	(2)	(4)	(50.0)%
Profit/(Loss) for the year	29,491	(22,871)	NM
Other comprehensive loss			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	(299)	(1,282)	(76.7)%
Total comprehensive profit/(loss) for the year	29,192	(24,153)	NM
Profit/(Loss) attributable to:			
Owners of the Company	29,491	(22,871)	NM
Profit/(Loss) for the year	29,491	(22,871)	NM
Total comprehensive profit/(loss) attributable to:			
Owners of the Company	29,192	(24,153)	NM
Total comprehensive profit/(loss) for the year	29,192	(24,153)	NM

NM denotes not meaningful

Note:

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

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

	Group (Year-To-Date)		
	Year ended		
	31/12/2018 US$'000	31/12/2017 US$'000	% change
Depreciation of property, plant and equipment	(303)	(422)	(28.2)%
Allowance of inventory obsolescence	–	(167)	NM
Reversal of allowance of inventory obsolescence	5	371	(98.7)%
Amortization of intangible assets	(414)	(964)	(57.1)%
Exchange (loss)/gain	(43)	732	NM
Grant income	–	270	NM
Equity-settled share based payment transactions	(445)	(2,072)	(78.5)%
Interest income	7	–	NM
Interest expense	(447)	(6,907)	(93.5)%

NM – Not meaningful

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

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

	Group		Company	
	31/12/2018 US$'000	31/12/2017 US$'000	31/12/2018 US$'000	31/12/2017 US$'000
Assets:				
Property, plant and equipment	176	414	–	–
Intangible assets	8,545	11,615	40	40
Investment in subsidiaries	–	–	88,789	114,096
Other non-current assets	735	155	655	–
Non-current assets	9,456	12,184	89,484	114,136
Inventories	1,200	3,362	–	–
Trade and other receivables	2,759	1,766	1,367	5
Cash and cash equivalents	10,766	347	10,335	2
Current assets	14,725	5,475	11,702	7
Total assets	24,181	17,659	101,186	114,143
Equity:				
Share capital	172,776	171,216	172,776	171,216
Reserves	3,994	3,850	(29,434)	(27,894)
Accumulated losses	(159,155)	(188,646)	(45,463)	(44,666)
Total equity	17,615	(13,580)	97,879	98,656
Liabilities:				
Trade and other payables, including derivatives	66	66	–	–
Non-current liabilities	66	66	–	–
Loans and borrowings	2,389	10,008	2,389	7,981
Trade and other payables, including derivatives	4,111	19,930	918	7,506
Deferred income	–	1,235	–	–
Current liabilities	6,500	31,173	3,307	15,487
Total liabilities	6,566	31,239	3,307	15,487
Total equity and liabilities	24,181	17,659	101,186	114,143

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

	Secured		Unsecured	
	31/12/2018 US$'000	31/12/2017 US$'000	31/12/2018 US$'000	31/12/2017 US$'000
Amount repayable within one year or less or on demand:				
Loans and borrowings	–	6,535	2,389	3,473
	–	6,535	2,389	3,473

	Secured		Unsecured	
	31/12/2018 US$'000	31/12/2017 US$'000	31/12/2018 US$'000	31/12/2017 US$'000
Amount repayable after one year:				
Loans and borrowings	–	–	–	–
	–	–	–	–

Details of any collateral

Not applicable.

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	Group Year ended 31/12/2018 US$'000	Group Year ended 31/12/2017 US$'000
Cash flows from operating activities			
Recurring receipts and disbursements			
Cash receipts from customers		9,075	15,905
Payments to suppliers and employees		(24,565)	(19,985)
Net cash used in recurring operating activities		(15,490)[1]	(4,080)
Non-recurring disbursements			
One-time payments to certain personnel due to the asset sale transactions		(509)	–
Interests and withholding taxes paid for borrowings		(2,231)	(80)
Payments for long outstanding royalties		(883)	–
Payments for legal expenses in relation to litigation with AngioScore, Inc.		(4,317)	–
Payments for expenses incurred in relation to the Medtronic asset sale transaction		(4,250)	–
Refund of advance receipts from Century Medical, Inc.		(1,355)	–
Payments to Cordis, Inc. for re-purchase of inventory		(347)	–
Net cash used in non-recurring operating activities		(13,892)	(80)
Total net cash used in recurring and non-recurring operating activities		(29,382)	(4,160)
Cash flows from investing activities			
Purchase of property, plant and equipment		(97)	(20)
Cash receipts from disposal of assets to Medtronic, Inc.		27,200	–
Cash receipts from disposal of assets to Teleflex, Inc.		19,168	–
Total net cash from/(used in) investing activities		46,271	(20)
Cash flows from financing activities			
Repayment of hire purchase creditor		–	(3)
Proceeds from short-term loans		453	2,147
Repayment of convertible notes		(5,331)	–
Repayment of loans		(2,943)	–
Proceeds from exercise of share options		–	26
Proceeds from issuance of shares		1,455	2,022
Total net cash (used in)/from financing activities		(6,366)	4,192
Net increase in cash and cash equivalents		10,523	12
Effect of exchange rate changes on cash and cash equivalents		(104)	7
Cash and cash equivalents at beginning of year		347	328
Cash and cash equivalents at end of year	1	10,766	347

[1] The net cash used in recurring operating activities for the financial year ended 31 December 2018 includes settlement of long outstanding balances due to key suppliers in Q12018 of approximately US$1.7 million following the completion of the sale of asset to Medtronic, Inc. in January 2018. Excluding the settlement of the long outstanding balances, the Group's average net cash used in recurring operating activities would have been approximately US$13.8 million in FY2018.

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

Note:

(1) Cash and cash equivalents are derived from:

	Group	
	31/12/2018 US$'000	31/12/2017 US$'000
Bank balances	10,759	302
Deposits pledged	7	45
Total cash and cash equivalents	10,766	347

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

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

	Attributable to owners of the Company						
Group	**Ordinary shares US$'000**	**Other reserve US$'000**	**Reserve for own shares US$'000**	**Translation reserve US$'000**	**Share-based payment reserve US$'000**	**Accumulated losses US$'000**	**Total equity US$'000**
At 1 January 2017	152,685	(1,385)	(77)	(2,158)	6,512	(165,775)	(10,198)
Total comprehensive loss for the year							
Loss for the year	–	–	–	–	–	(22,871)	(22,871)
Other comprehensive income							
Foreign currency translation differences	–	–	–	(1,282)	–	–	(1,282)
Total comprehensive loss for the year	–	–	–	(1,282)	–	(22,871)	(24,153)
Contributions by and distributions to owners							
Shares issued pursuant to capital commitment agreement with GEM Global	2,022	–	–	–	–	–	2,022
Shares issued pursuant to settlement of short-term loans and trade payables	2,624	–	–	–	–	–	2,624
Shares issued pursuant to settlement of convertible notes	13,859	–	–	–	–	–	13,859
Share options exercised	26	–	–	–	–	–	26
Share-based payment transactions	–	–	–	–	2,240	–	2,240
Total contributions by and distributions to owners	18,531	–	–	–	2,240	–	20,771
At 31 December 2017	171,216	(1,385)	(77)	(3,440)	8,752	(188,646)	(13,580)

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

	Attributable to owners of the Company						
Group	**Ordinary shares US$'000**	**Other reserve US$'000**	**Reserve for own shares US$'000**	**Translation reserve US$'000**	**Share-based payment reserve US$'000**	**Accumulated losses US$'000**	**Total equity US$'000**
At 1 January 2018	171,216	(1,385)	(77)	(3,440)	8,752	(188,646)	(13,580)
Total comprehensive profit for the year							
Profit for the year	–	–	–	–	–	29,491	29,491
Other comprehensive income							
Foreign currency translation differences	–	–	–	(299)	–	–	(299)
Total comprehensive profit for the year	–	–	–	(299)	–	29,491	29,192
Contributions by and distributions to owners							
Shares issued pursuant to capital commitment agreement with GEM Global	1,455	–	–	–	–	–	1,455
Shares issued pursuant to settlement of short-term loans and trade payables	105	–	–	–	–	–	105
Share-based payment transactions	–	–	–	–	443	–	443
Total contributions by and distributions to owners	1,560	–	–	–	443	–	2,003
At 31 December 2018	172,776	(1,385)	(77)	(3,739)	9,195	(159,155)	17,615

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

	Attributable to owners of the Company						
Company	**Ordinary shares US$'000**	**Other reserve US$'000**	**Reserve for own shares US$'000**	**Translation reserve US$'000**	**Share-based payment reserve US$'000**	**Accumulated losses US$'000**	**Total equity US$'000**
At 1 January 2017	152,685	(32,390)	(77)	(11,561)	6,512	(29,008)	86,161
Total comprehensive loss for the year							
Loss for the year	–	–	–	–	–	(15,658)	(15,658)
Other comprehensive income							
Foreign currency translation differences	–	–	–	7,382	–	–	7,382
Total comprehensive loss for the year	–	–	–	7,382	–	(15,658)	(8,276)
Contributions by and distributions to owners							
Shares issued pursuant to capital commitment agreement with GEM Global	2,022	–	–	–	–	–	2,022
Shares issued pursuant to settlement of short-term loans and trade payables	2,624	–	–	–	–	–	2,624
Shares issued pursuant to settlement of convertible notes	13,859	–	–	–	–	–	13,859
Share options exercised	26	–	–	–	–	–	26
Share-based payment transactions	–	–	–	–	2,240	–	2,240
Total contributions by and distributions to owners	18,531	–	–	–	2,240	–	20,771
At 31 December 2017	171,216	(32,390)	(77)	(4,179)	8,752	(44,666)	98,656

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

	Attributable to owners of the Company						
Company	**Ordinary shares US$'000**	**Other reserve US$'000**	**Reserve for own shares US$'000**	**Translation reserve US$'000**	**Share-based payment reserve US$'000**	**Accumulated losses US$'000**	**Total equity US$'000**
At 1 January 2018	171,216	(32,390)	(77)	(4,179)	8,752	(44,666)	98,656
Total comprehensive loss for the year							
Loss for the year	–	–	–	–	–	(797)	(797)
Other comprehensive income							
Foreign currency translation differences	–	–	–	(1,983)	–	–	(1,983)
Total comprehensive loss for the year	–	–	–	(1,983)	–	(797)	(2,780)
Contributions by and distributions to owners							
Shares issued pursuant to capital commitment agreement with GEM Global	1,455	–	–	–	–	–	1,455
Shares issued pursuant to settlement of short-term loans and trade payables	105	–	–	–	–	–	105
Share-based payment transactions	–	–	–	–	443	–	443
Total contributions by and distributions to owners	1,560	–	–	–	443	–	2,003
At 31 December 2018	172,776	(32,390)	(77)	(6,162)	9,195	(45,463)	97,879

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

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

Ordinary Share Capital

The Company's issued and fully paid-up ordinary share capital as at 31 December 2018 are as follows:

	Number of ordinary shares	Issued and paid-up share capital US$'000
Balance at 30 September 2018 and 31 December 2018	2,092,632,446	172,776

Treasury Shares and Subsidiary Holdings

The Company did not have any treasury shares and there were no subsidiary holdings as at 31 December 2018 and 31 December 2017.

Outstanding Convertibles

Save as disclosed below, there were no outstanding convertibles held by the Company as at 31 December 2018 and 31 December 2017.

	As at 31/12/2018	As at 31/12/2017
(A) Options[1]		
Number of unexercised Options	97,360,003	102,258,348
Maximum number of shares that may be issued on exercise of all unexercised Options ("**Maximum Issuable Option Shares**")	97,360,003	102,258,348
Maximum Issuable Option Shares as a % of Company's issued share capital as at the end of the respective financial periods	4.65%	5.40%

	As at 31/12/2018	As at 31/12/2017
(B) Share Awards[2]		
Number of Share Awards granted but not yet vested ("**Unvested Share Awards**")	7,692,767	21,304,544
Total number of shares which are the subject of Unvested Share Awards ("**Maximum Issuable Awards Shares**")	7,692,767	21,304,544
Maximum Issuable Awards Shares as a % of Company's issued share capital as at the end of the respective financial periods	0.37%	1.12%
(C) Warrants[3]		
Number of unexercised Warrants	35,000,000	35,000,000
Maximum number of shares that may be issued on exercise of all unexercised Warrants ("**Maximum Issuable Warrants Shares**")	35,000,000	35,000,000
Maximum Issuable Warrants Shares as a % of Company's issued share capital as at the end of the respective financial periods	1.67%	1.85%
Maximum number of Shares that may be issued on conversion of all Outstanding Convertibles ("Maximum Issuable Shares")	**140,052,770**	**158,562,892**
Maximum Issuable Shares as a % of Company's issued share capital as at the end of the respective financial periods	**6.69%**	**8.37%**

Notes:

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

   The Company had ceased the issuance of options under the 2005 Stock Plan, 2010 Equity Incentive Plan and QTV 2013 Share Plan (collectively, the "**Three Share Plans**") after the close of placement of shares in relation to its IPO on 25 April 2014.

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

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

1(d)(iii) NUMBER OF ISSUED SHARES

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

The total number of issued ordinary shares was 2,092,632,446 as at 31 December 2018 and 1,894,250,996 as at 31 December 2017.

The Company held no treasury shares as at 31 December 2018 and 31 December 2017.

1(d)(iv) TREASURY SHARES

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

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

1(d)(v) SUBSIDIARY HOLDINGS

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

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

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

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

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

Not applicable.

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

Except for the adoption of the new financial reporting framework as discussed in the paragraph below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current period compared to the Group's most recently audited financial statements for the year ended 31 December 2017.

On 1 January 2018, the Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s) and has prepared its financial information under SFRS(I)s for the year ended 31 December 2018. In adopting

SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). The adoption of the new financial reporting framework has no material impact to the Group's accounting policies and financial statements.

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

Please refer to paragraph 4.

6. EARNINGS PER SHARE

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

Group	Year ended 31/12/2018	Year ended 31/12/2017
Profit/(Loss) for the year attributable to owners of the Company **(US$'000)** used to compute:		
- Basic earnings/(loss) per share	29,491	(22,871)
- Diluted earnings/(loss) per share	29,491	(22,871)
Weighted average number of ordinary shares **('000)** used to compute:		
- Basic earnings/(loss) per share	2,040,891	1,466,690[2]
- Diluted earnings/(loss) per share	2,045,224[1]	1,466,690[2]
Earnings/(Loss) per share **(US$)**		
- Basic earnings/(loss) per share	0.014	(0.016)
- Diluted earnings/(loss) per share	0.014	(0.016)

Notes:

(1) For the year ended 31 December 2018, there were 12,200,000 share options which are available for conversion to ordinary shares which are deemed to be dilutive and are included in the weighted average number of ordinary shares for the purposes of computing diluted earnings per share.

(2) For the year ended 31 December 2017, the basic and diluted loss per share were the same as the outstanding options and warrants are anti-dilutive as the effect of the share conversions for any outstanding options and warrants would be to decrease the loss per share.

7. NET ASSET VALUE FOR ISSUER AND GROUP

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

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

	Group		Company	
	31/12/2018 US$	31/12/2017 US$	31/12/2018 US$	31/12/2017 US$
Net asset/(liability) value per ordinary share [(1), (2)]	0.008	(0.007)	0.047	0.052

Notes:

(1) The net asset value per ordinary share of the Group is calculated based on net assets of US$17.6 million as at 31 December 2018 (31 December 2017: net liabilities of US$13.6 million). The net asset value per ordinary share of the Company is calculated based on net assets of US$97.9 million as at 31 December 2018 (31 December 2017: US$98.7 million).

(2) For both the Group and the Company, the net asset/(liability) value per ordinary share were calculated based on 2,092,632,446 and 1,894,250,996 ordinary shares in issue as at 31 December 2018 and 31 December 2017 respectively.

8. REVIEW OF PERFORMANCE OF THE GROUP

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

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018 compared to the Year ended 31 December 2017

The breakdown of our revenue derived from the sale of our products to the various geographical regions and by the number of units sold for the financial year ended 31 December 2018 ("**FY2018**") and for the financial year ended 31 December 2017 ("**FY2017**") are presented below:

	FY2018		FY2017	
	US$'000	**%**	**US$'000**	**%**
United States	10,867	97.3	14,115	98.6
Europe	295	2.6	184	1.3
Asia Pacific	3	0.1	13	0.1
	11,165	100.0	14,312	100.0

	FY2018	**FY2017**
Units sold	36,657	29,935

Our revenue decreased by approximately US$3.1 million, or 22.0%, from US$14.3 million in FY2017 to US$11.2 million in FY2018 mainly due to (i) the decrease in revenue generated from per unit of our non-drug coated peripheral product, Chocolate® PTA, sold to Medtronic, Inc. ("**Medtronic**") following the completion of the sale of Chocolate® PTA in January 2018, (ii) decrease in revenue generated per unit of non-drug coated coronary product, Chocolate XD™, sold to Teleflex, Inc. ("**Teleflex**") following the completion of the sale of Chocolate XD™ in June 2018 and (iii) no direct sales of non-drug coated peripheral products in most of FY2018 following the completion of the asset sale to Medtronic and coronary products in the second half of FY2018 following the completion of the asset sale to Teleflex. Such revenue generated from Medtronic and Teleflex in FY2018 is in relation to the product manufacturing and supply agreement, which forms part of the respective asset sales. In FY2017, the sale of Chocolate® PTA to Medtronic was pursuant to a distribution agreement.

Cost of sales decreased by approximately US$0.05 million to US$9.87 million in FY2018 mainly due to the decrease in the amortisation expenses on the Group's intangible assets recorded in cost of goods sold during the financial year.

As a result of the above, our Group recorded a gross profit of US$1.3 million or 11.6% of revenue in FY2018 as compared to a gross profit of US$4.4 million or 30.7% of revenue in FY2017. The decrease in gross profit is mainly due to significantly higher sales of Chocolate® PTA to Medtronic and Chocolate XD™ to Teleflex under the respective product manufacturing and supply agreements which generate lower gross margins as compared to distribution sales of Chocolate® PTA to Medtronic and direct sales of non-drug coated coronary product to customers in FY2017.

In FY2018, the Group's profit before taxation was US$29.5 million as compared to a loss before taxation of US$22.9 million in FY2017. The analysis of the profit before taxation are as follows:

- Our sales and marketing expenses decreased by US$2.9 million in FY2018 mainly due to the cessation of the sale and marketing team since July 2018 following the completion of the Teleflex asset sale transaction in June 2018.

- Our administrative expenses decreased by US$1.2 million in FY2018 mainly due to lower headcount and reduction in overall spending due to on-going cost cutting measures implemented since last year.

- Our research and development expenses increased by US$2.1 million mainly due to the (i) increase in clinical sites and number of patients enrolled for the clinical trials of the Group's drug-coated peripheral Chocolate® (i.e. Chocolate Touch®) and (ii) preparation for the United States Food and Drug Administration ("**FDA**") Investigational Device Exemption submission for Chocolate Heart™.

- Other income increased by US$43.8 million in FY2018 due to the recorded one-off gains arising from the asset sale transactions with Medtronic and Teleflex which were completed during the year.

- Other operating expenses in FY2017 of US$4.3 million relate mainly to the agreed settlement with AngioScore, Inc. ("**AngioScore**"). There were no such expenses in FY2018.

- We were in a net finance cost position of US$0.5 million in FY2018, as compared to a net finance cost position of US$6.2 million in FY2017 mainly due to (i) a decrease in interest expenses to US$447,000 in FY2018 (FY2017: US$6.9 million) mainly due to the settlement of a majority of the convertible and exchangeable notes as well as short term loans and (ii) foreign exchange loss suffered of US$43,000 in FY2018 (FY2017: US$0.7 million foreign exchange gain) pursuant to exchange rate changes between the Singapore dollar and United States dollar.

- Amortisation of intangible assets decreased by US$550,000, or 57.1% from US$964,000 in FY2017 to US$414,000 in FY2018 following a review of its useful life as well as the reduction in amortisation costs due to the write-off of the remaining book values of the intangible assets as indicated above following the completion of the asset sale transaction with Medtronic and Teleflex.

- Depreciation of plant and equipment decreased by US$119,000, or 28.2% from US$422,000 in FY2017 to US$303,000 in FY2018 as more of the Group's assets were fully depreciated in the prior year.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December 2018 US$'000	As at 31 December 2017 US$'000	Change %
Non-current assets	9,456	12,184	(22.4)%
Current assets	14,725	5,475	>100%
Total assets	24,181	17,659	36.9%
Total equity	17,615	(13,580)	NM
Non-current liabilities	66	66	–
Current liabilities	6,500	31,173	(79.1)%
Total liabilities	6,566	31,239	(79.0)%

NM – Not meaningful

The Group had a positive working capital of US$8.2 million as at 31 December 2018 mainly due to the settlement of certain convertible and exchangeable notes and loans and payables amounting to US$7.6 million and current trade and other payables of US$26.5 million following the receipt of proceeds from the completion of the sales of Chocolate® PTA to Medtronic in January 2018 and the non-drug coated coronary assets to Teleflex in June 2018.

Our non-current assets decreased by US$2.7 million mainly due to the reduction of intangible assets balances amounting to US$3.1 million following the completion of the sale of our non-drug coated peripheral and coronary assets to Medtronic and Teleflex respectively; and depreciation of property, plant and equipment of US$0.2 million. The decrease in non-current assets is partially offset by the increase in other non-current assets of US$ 0.6 million mainly due to the Group's investment in Sano V Pte. Ltd. of approximately US$ 0.2 million as announced on 19 December 2018 and the non-current receivables from Medtronic of US$0.4 million following the completion of the asset sale.

Our current assets increased by US$9.3 million mainly due to the increase cash and cash equivalents of US$10.4 million as a result of the completion of the sale of Chocolate® PTA to Medtronic and non-drug coated coronary assets to Teleflex and the increase in trade and other receivables of US1.0 million mainly due to collection of sales proceeds from customers as well as the receivables due from the Medtronic and Teleflex following the completion of the asset sales. The increase is partially offset by the decrease in inventories of US$2.2 million due to utilisation of inventories for production.

Our current liabilities decreased by US$24.7 million mainly due to the decrease in (i) trade payables and accrued expenses of US$15.8 million following the payment of legal and professional fees in relation to the AngioScore litigation as well as the Medtronic and Teleflex asset sale transactions, (ii) loans and borrowings of US$7.6 million due to settlement of these obligations via the use of the proceeds received from the sale of Chocolate® PTA to Medtronic and non-drug coated coronary assets to Teleflex; and (iii) payment of US$4.25 million final settlement to AngioScore. The decrease is also due to the reduction in deferred income of US$1.2 million which was also repaid during the period following the cancellation of a contract pursuant to the asset sale to Medtronic.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Group recorded cash outflows from non-recurring and recurring operating activities of US$29.4 million in FY2018 due mainly to payments of non-recurring disbursements in of approximately US$13.9 million for settlement of (i) long outstanding legal expenses and royalties of US$4.3 million and US$0.9 million respectively; (ii) related expenses in relation to the Medtronic asset sale transaction of US$4.3 million, (iii) payments made to suppliers in relation to the Medtronic asset sale of US$1.7 million, (iv) interest payments made upon settlement of borrowings of US$1.9 million and (v) one-time employee compensation related expenses of US$0.5 million. Excluding the non-recurring disbursements, the Group's net cash used in recurring operating activities is approximately US$15.5 million.

Net cash inflow from investing activities for FY2018 of US$46.2 million is mainly due to the cash received from the asset sale transactions to both Medtronic and Teleflex totalling US$46.4 million. The increase is partially offset by US$0.1 million due to purchase of plant and equipment.

Net cash outflow from financing activities for FY2018 was US$6.4 million which was mainly due to repayment of the Group's borrowings of US$8.3 million. The cash outflow is partially offset by the receipts from issuance of shares under the Capital Commitment Agreement with GEM Global (as elaborated in Section 14 below) and short-term loans totalling US$1.9 million for working capital purposes.

9. FORECAST AND PROSPECT STATEMENT

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

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

10. SIGNIFICANT TRENDS AND COMPETITIVE CONDITIONS OF THE INDUSTRY

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

It was a busy 2018 for the industry. The Group started the year with the Medtronic acquisition of the Group's Chocolate® PTA balloon catheter product line in January and Teleflex completing the acquisition of the Group's non-coated coronary products in June 2018 and obtaining an option for the drug coated coronary product line. The Group continued to enroll patients in the US pivotal study for the drug coated peripheral balloon (i.e. Chocolate Touch®) and has recently expanded the available lesion preparation options in the Chocolate Touch® pivotal study to include atherectomy. Following the Teleflex transaction, the Group prioritized the coronary program and is working closely with FDA and prominent clinical experts to finalize the coronary clinical program.

Elsewhere, Abbott Laboratories secured the commercialization rights to Surmodics, Inc.'s ("**Surmodics**") drug-coated balloon ("**DCB**") technology in Q12018. The Surmodics product is currently enrolling in a US pivotal study for the treatment of above-the-knee

peripheral artery disease. Lutonix, Inc. ("**Lutonix**") completed the enrolment in its below-the-knee peripheral artery disease pivotal trial in Q12018 with results presented at the VIVA conference in Q42018. The primary safety endpoint of freedom from major adverse limb events and all-cause perioperative death at 30 days was met. A Kaplan-Meier analysis showed "no significant difference" in safety between the Lutonix DCB and the plain, non-drug coated balloon arms of the study. It is currently under FDA review.

At the end of 2018 Katsanos et al[2] published a review and meta-analysis of paclitaxel-coated balloons and stents, suggesting an increased risk of mortality due to paclitaxel exposure. In response, FDA issued a January 2019 letter[3] stating that "the FDA believes that the benefits continue to outweigh the risks for approved paclitaxel-coated balloons". Experts from professional societies concluded that there is no mechanistic explanation for the findings and that patient-level data is required. Patient-level data analysis showed no impact on mortality rates due to paclitaxel exposure. These findings by leading key opinion leaders are reflected in a recent publication by Schneider et al[4].

Both the coronary and peripheral vascular markets continue to offer significant opportunity for new devices that will treat complex disease better than existing therapies. These are the segments which offer the greatest value potential for Chocolate Touch® and Chocolate Heart™ technologies. Specifically, recent market research report suggests that the DCB market will continue to grow at an annual rate of 18.2% in the next seven years overtaking other traditional therapies[5]. This report suggests that Medtronic is the global market share leader in the peripheral DCB market followed by BDX-Lutonix who has 25% to 30% market share. The Group clinical study is a randomized, head-to-head study comparing Chocolate Touch® to Lutonix.

The Group continues to make steady progress and meet enrollment goals in the Chocolate Touch® study. The Group believes that the addition of atherectomy to the study will be beneficial to the study and has important implications on the use of the device after FDA approval. Dr. Mehdi Shishehbor of the University Hospitals Harrington Heart and Vascular Institute in Cleveland, co-principal investigator of the study stated that "the inclusion of atherectomy in the study is a unique element that expands the potential use of Chocolate Touch®, both in hospitals and Outpatients Based Labs ("OBL"). The study will provide an important data set that is consistent with real world practice, especially at OBL, where more and more patients are getting treated."

The Company had on 25 June 2018 completed the sale of the Group's non-coated coronary products for S$26.3 million to Teleflex under the asset purchase and option agreement ("**APOA**") dated 28 May 2018. Under the APOA, Teleflex has an option to acquire Chocolate Heart™ for S$65.6 million which is exercisable upon the receipt of a

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

[3] https://www.fda.gov/MedicalDevices/Safety/LetterstoHealthCareProviders/ucm629589.htm, accessed 25 January 2019.

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

[5] Transparency Market Research, Drug Coated Balloons Market, October 2018

premarket approval from the FDA. The Company is currently in the early stages of submitting an application to the FDA for the commencement of the pivotal clinical trial for Chocolate Heart™. The Company will update shareholders via SGXNET as and when there are any material developments on the aforementioned.

The Company plans to, *inter alia*, create a pipeline of new product initiatives to be developed and sold. The Company continues to actively explore various strategic options including, investments, mergers, acquisitions, disposals, joint ventures and fund-raising activities to optimise and/or unlock value for shareholders.

11. IF A DECISION REGARDING DIVIDEND HAS BEEN MADE:

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

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

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

Not applicable.

(ii) Previous corresponding period (cents)

Not applicable

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

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) Books closure date

Not applicable.

12. IF NO DIVIDEND HAS BEEN DECLARED/RECOMMENDED, A STATEMENT TO THAT EFFECT AND THE REASON(S) FOR THE DECISION

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

13. INTERESTED PERSONS TRANSACTIONS

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

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

14. QUARTERLY UPDATES TO GEM GLOBAL CAPITAL COMMITMENT AGREEMENT

(A) USE OF GEM GLOBAL PROCEEDS

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

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

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

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

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

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

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

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

The above utilisation is in accordance with the intended use of the Net Proceeds, as stated in the Company's announcement dated 21 March 2017 and 22 November 2017.

(B) ISSUANCE OF DRAWDOWN SHARES

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

(C) ISSUANCE OF WARRANT SHARES

As at 31 December 2018, GEM Global has not exercised any Warrants, and accordingly the Company has not issued any Warrant Shares. The exercise price of each Warrant is fixed at S$0.10 per Share.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

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

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

Please refer to Paragraph 8 for analysis of revenue for FY2018, as contributed by the medical devices segment.

The medical devices segment recorded a profit before income tax of US$29.5 million in FY2018 as compared to a loss before income tax of US$22.9 million in FY2017 due to the reasons highlighted in Paragraph 8.

17. A breakdown of sales

	Group		
	Year ended		
	31 December 2018	31 December 2017	Increase / (Decrease)
	US$'000	US$'000	%
(a) Sales reported for the first half year	6,284	6,752	(6.9)%
(b) Operating profit/(loss) after tax before deducting minority interests reported for first half year	39,911	(14,412)	NM
(c) Sales reported for the second half year	4,881	7,560	(35.4)%
(d) Operating loss after tax before deducting minority interests reported for second half year	(10,420)	(8,459)	23.2%

NM – Not meaningful

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

Not applicable. No dividend has been declared or recommended for the financial years ended 31 December 2018 and 31 December 2017.

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

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

20. Confirmation of undertakings from directors and executive officers under Rule 720(1)

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

BY ORDER OF THE BOARD
Eitan Konstantino
Chief Executive Officer
1 March 2019

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

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

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).