QT VASCULAR LTD.
(Company Registration No. 201305911K)
(Incorporated in Singapore)

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY WITHIN THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Board of Directors (the "**Board**") of QT Vascular Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Moore Stephens LLP, have included a disclaimer of opinion in the independent auditors' report ("**Independent Auditors' Report**") in respect of the Company's consolidated financial statements for the financial year ended 31 December 2020 ("**FY2020**") (the "**Annual Report Financial Statements**").

The Annual Report Financial Statements and the Independent Auditors' Report can also be found in the Company's annual report for FY2020, which will be released via the SGXNET today.

Relevant extracts from the Annual Report Financial Statements are as follows:

Disclaimer of opinion

1 We were engaged to audit the financial statements of QT Vascular Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

2 We do not express an opinion on the financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

3 The consolidated financial statements for the financial year ended 31 December 2019 were audited by another firm of auditors who expressed a disclaimer opinion on those financial statements in their report dated 15 July 2020 as they were not able to obtain sufficient appropriate audit evidence to determine whether an impairment amount should have been recognised for the Group's intangible assets and the Company's investment in subsidiaries; and the existence of multiple material uncertainties which may cast significant doubt about the Group's and Company's ability to continue as going concerns. An update of these matters that gave rise to the disclaimer opinion in respect of the financial statements for the financial year ended 31 December 2019 is set out below.

<u>Recoverability of Intangible Assets</u>

4 As disclosed in Note 12(b) to the financial statements, the Group has intangible assets relating to the Chocolate Heart® product line amounting to US$1,424,000 as at 31 December 2020. As at the end of the reporting period, recoverability of these intangible assets is measured by comparing the carrying amount of the intangible assets to the recoverable amount. Based on the assessment performed by management, the recoverable amount of the intangible assets relating to the Chocolate Heart® product line was

determined to be in excess of the carrying amount at the reporting date.

5 *We were however unable to obtain sufficient appropriate audit evidence regarding the methodology, assumptions and estimates applied in the management's assessment to arrive at the recoverable amount of the intangible assets relating to the Chocolate Heart® product line. Accordingly, we were unable to satisfy ourselves as to the carrying amount of these intangible assets and to determine whether any adjustments might be necessary in respect of the carrying amount of the intangible assets relating to the Chocolate Heart® product line of US$1,424,000 as at 31 December 2020.*

Recoverability of Investment in Subsidiaries

6 *As disclosed in Note 13(b) to the financial statements, the carrying amount of the investment in subsidiaries shown in the statement of financial position of the Company of US$12,624,000 as at 31 December 2020 is supported by the value of the underlying intangible assets held by the relevant subsidiaries. We were however unable to satisfy ourselves as to the recoverability of the intangible assets as discussed in paragraph 4 above. We were similarly unable to satisfy ourselves as to the carrying amount of the investment in subsidiaries and to determine whether any adjustments might be necessary in respect of the carrying amount of the investment in subsidiaries shown in the statement of financial position of the Company of US$12,624,000 as at 31 December 2020.*

Materiality Uncertainty Related to Going Concern

7 *We draw attention to Note 3(b)[1] to the financial statements which indicates that for the financial year ended 31 December 2020, the Group incurred a net loss and a total comprehensive loss of US$7,577,000 and US$7,700,000, respectively, and has net cash used in operating activities of US$5,995,000. As at 31 December 2020, the Group and the Company have net current liabilities of US$1,100,000 and US$1,483,000, respectively.*

8 *The above conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group and the Company to continue as going concerns and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business. Our opinion is not further modified in respect of this matter.*

9 *Notwithstanding the above, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2020 is appropriate after taking into account the following consideration:*

i. *Management is of the view that the Group will have sufficient working capital for at least the next 12 months from the date of these financial statements and will be able to meet its obligations as and when they fall due based on a cash flow forecast prepared;*
ii. *Management will continue to implement comprehensive cost-containment measures and does not expect the Group to have any significant commitments that will require significant cash outflow in the next 12 months;*
iii. *Management is intending to obtain shareholders' approval at the upcoming annual general meeting for an interested party transactions mandate which will allow the Group to enter into a cost sharing arrangement with a company related to the executive director and chief executive officer of the Company which will help reduce the Group's current operating costs;*

[1] Note 3(b) is not presented as it is similar to paragraphs 7 to 10 of the Independent Auditor's Report

iv. *Management is of the view that the Group will continue to receive support from the short-term loan lender (although the Group continued to be in non-compliance with the loan covenant as disclosed in Note 23(a)). Subsequent to the financial year end, in February 2021, the lender agreed in writing not to seek or demand repayment for the short-term loan in the next 18 months. Further, the lender agreed to grant an indulgence to the Group for the non-compliance of the loan covenant;*

v. *Management has obtained letters of commitment from certain third party lenders for additional new loans of up to US$2.0 million that can be drawn down by the Group in the next 18 months, if required; and*

vi. *Management is exploring the possibility of corporate actions involving entering into new business opportunities to generate new sources of revenue and/or fund raising exercises.*

10 *The above consideration is premised on future events which are inherently uncertain. In the event that the Group and the Company are unable to continue as going concerns, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statement of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.*

Note 12 of the Annual Report Financial Statements

Intangible Assets

(b) Recoverability of intangible assets

Chocolate Heart™ product line

2020

As at the end of the reporting period, the recoverability of the intangible assets relating to the Chocolate Heart™ product line amounting to US$1,424,000 is measured by comparing the carrying amount of the intangible assets to the recoverable amount.

Based on the assessment performed by management, management concluded that there is no impairment loss to be recognised for the intangible assets relating to the Chocolate Heart™ product line as the recoverable amount was determined to be in excess of the carrying amount at the reporting date.

Notwithstanding the above, the methodology, assumptions and estimates used to determine the future values of the intangible assets are complex and subjective, and may be affected by various factors such as the Group's ability to complete the development and to use or sell the intangible assets.

Note 13 of the Annual Report Financial Statements

Investment in Subsidiaries

(b) Recoverability of investment in subsidiaries

As at the end of the reporting period, management assessed the recoverable amounts of certain subsidiaries that had indicators of impairment. Management estimated the recoverable amounts based on the fair value less cost to sell of these investment in subsidiaries.

The fair value less cost to sell for these investment in subsidiaries were estimated based on the value of the underlying intangible assets held by the respective subsidiaries, the value of which was based on the assessment performed by management as disclosed in Note12(b).

Based on the assessment performed by management, an additional impairment loss of US$8,688,000 (2019: US$110,251,000) was recognised in profit or loss of the Company during the financial year. The impairment loss has no impact on the consolidated financial statements of the Group.

Movements in the allowance for impairment loss during the financial year are as follows:

	2020	*2019*
	US$'000	*US$'000*
At 1 January	*110,251*	*-*
Impairment loss recognised during the year	*8,688*	*110,251*
At 31 December	*118,939*	*110,251*

Notwithstanding the above, the Board is of the opinion that the Group will continue as a going concern for, *inter alia*, the reasons indicated above in paragraph 9 of the Independent Auditor's report.

The Board is in the opinion that (i) the Group has sufficient financial resources to fulfil its liabilities as and when they fall due; and (ii) confirmed that all material disclosures have been provided for trading of the Company's shares to continue in an orderly manner.

Shareholders of the Company are advised to read the Annual Report Financial Statements, which will be available on SGXNet and the Company's corporate website in due course.

By Order of the Board
QT VASCULAR LTD.

Eitan Konstantino
Chief Executive Officer
15 April 2021

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

The contact person for the Sponsor is Ms Lim Hui Ling, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.