QT Vascular Ltd. and its subsidiaries

Unaudited Financial Statements Announcement for the third quarter/three months ended 30/9/2018

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 3 months ended		
	30/9/2018 US$'000	30/9/2017 US$'000	Change
Revenue	2,301	3,719	(38.1)%
Cost of sales	(2,401)	(2,542)	(5.5)%
Gross (loss)/profit	(100)	1,177	NM
Sales and marketing	(369)	(1,173)	(68.5)%
Administrative expenses	(1,664)	(1,263)	31.7%
Research and development expenses	(2,272)	(992)	>100%
Other income	–	268	NM
Other expenses	(2,550)	–	NM
Results from operating activities	(6,955)	(1,983)	>100%
Finance income	4	–	NM
Finance costs	(315)	(1,743)	(81.9)%
Net finance costs	(311)	(1,743)	(82.1)%
Loss before tax	(7,266)	(3,726)	95%
Tax expense[2]	–	–	–
Loss for the period[1]	(7,266)	(3,726)	95%
Other comprehensive loss			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	(33)	344	NM
Total comprehensive loss for the period	(7,299)	(3,382)	>100%
Loss attributable to:			
Owners of the Company	(7,266)	(3,726)	95%
Loss for the period	(7,266)	(3,726)	95%
Total comprehensive loss attributable to:			
Owners of the Company	(7,299)	(3,382)	>100%
Total comprehensive loss for the period	(7,299)	(3,382)	>100%

NM denotes not meaningful

Note:

1 Included in the Group's loss for the period for the three months ended 30 September 2018 are (i) non-recurring expenses relating to organizational restructuring following the completion of the asset sale transactions with Medtronic Inc., and Teleflex, Inc. (the "**Asset Sales**") amounting to US$928,000 and (ii) write-off of intangible assets amounting to US$2.2 million due to the completion of the Asset Sales. Excluding these expenses, the Group's loss for the period would have been approximately US$4.1 million.

1(a)(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Group 9 months ended		
	30/9/2018 US$'000	30/9/2017 US$'000	Change
Revenue	8,585	10,471	(18.0)%
Cost of sales	(7,315)	(7,115)	2.8%
Gross profit	1,270	3,356	(62.2)%
Sales and marketing	(2,390)	(4,546)	(47.4)%
Administrative expenses	(4,471)	(5,347)	(16.4)%
Research and development expenses	(5,391)	(3,520)	53.2%
Other income	44,441	289	>100%
Other expenses	(102)	–	NM
Results from operating activities	33,357	(9,768)	NM
Finance income	532	–	NM
Finance costs	(1,242)	(8,366)	(85.2)%
Net finance costs	(710)	(8,366)	(91.5)%
Profit/(Loss) before tax	32,647	(18,134)	NM
Tax expense[2]	(2)	(4)	(50.0)%
Profit/(Loss) for the period	32,645	(18,138)	NM
Other comprehensive income/(loss)			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	(305)	1,315	NM
Total comprehensive income/(loss) for the period	32,340	(16,823)	NM
Profit/(Loss) attributable to:			
Owners of the Company	32,645	(18,138)	NM
Profit/(Loss) for the period	32,645	(18,138)	NM
Total comprehensive income/(loss) attributable to:			
Owners of the Company	32,340	(16,823)	NM
Total comprehensive income/(loss) for the period	32,340	(16,823)	NM

NM denotes not meaningful

Note:

2 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 (Third Quarter)			Group (Year-To-Date)		
	3 months ended			9 months ended		
	30/9/2018 US$'000	30/9/2017 US$'000	% change	30/9/2018 US$'000	30/9/2017 US$'000	% change
Depreciation of property, plant and equipment	(58)	(92)	(37.0)%	(230)	(300)	(23.3)%
Reversal of amortisation/ (Amortisation) of intangible assets	132	(242)	NM	(357)	(721)	(50.5)%
Allowance for inventory obsolescence	–	(150)	NM	–	(150)	NM
Exchange loss	(57)	(512)	(88.9)%	(265)	(1,948)	(86.4)%
Equity-settled share based payment transactions	(284)	(167)	70.1%	(454)	(1,958)	(76.8)%
Interest income	3	–	NM	4	–	NM
Interest expense	(257)	(1,231)	(79.1)%	(450)	(6,418)	(93)%

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	
	30/9/2018 US$'000	31/12/2017 US$'000	30/9/2018 US$'000	31/12/2017 US$'000
Assets:				
Property, plant and equipment	227	414	–	–
Intangible assets	8,888	11,615	40	40
Investment in subsidiaries	–	–	86,506	114,096
Other non-current assets	80	155	–	–
Non-current assets	9,195	12,184	86,546	114,136
Inventories	2,223	3,362	–	–
Trade and other receivables	1,519	1,766	23	5
Cash and cash equivalents	15,257	347	14,573	2
Current assets	18,999	5,475	14,596	7
Total assets	28,194	17,659	101,142	114,143
Equity:				
Share capital	172,776	171,216	172,776	171,216
Reserves	3,994	3,850	(29,727)	(27,894)
Accumulated losses	(156,001)	(188,646)	(44,916)	(44,666)
Total equity	20,769	(13,580)	98,133	98,656
Liabilities:				
Trade and other payables	66	66	–	–
Non-current liability	66	66	–	–
Loans and borrowings	2,389	10,008	2,389	7,981
Trade and other payables	4,970	19,930	620	7,506
Deferred income	–	1,235	–	–
Current liabilities	7,359	31,173	3,009	15,487
Total liabilities	7,425	31,239	3,009	15,487
Total equity and liabilities	28,194	17,659	101,142	114,143

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

	Secured		Unsecured	
	30 September 2018 US$'000	31 December 2017 US$'000	30 September 2018 US$'000	31 December 2017 US$'000
Amount repayable within one year or less or on demand:				
Loans and borrowings	–	7,535	2,389	2,473
	–	7,535	2,389	2,473

	Secured		Unsecured	
	30 September 2018 US$'000	31 December 2017 US$'000	30 September 2018 US$'000	31 December 2017 US$'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 3 months ended 30/9/2018 US$'000	Group 3 months ended 30/9/2017 US$'000
Cash flows from operating activities			
Recurring receipts and disbursements			
Cash receipts from customers		2,546	4,847
Payments to suppliers and employees		(5,971)	(5,669)
Net cash used in recurring operating activities		(3,425)	(822)
Non-recurring disbursements			
One-time payments to certain personnel due to the asset sale transactions		(509)	–
Interests and withholding taxes paid for borrowings		(285)	(11)
Payments for long outstanding royalties		(631)	–
Payments for legal expenses in relation to litigation with AngioScore, Inc.		(1,026)	–
Net cash used in non-recurring operating activities		(2,451)	(11)
Total net cash used in recurring and non-recurring operating activities		(5,876)	(833)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3)	(9)
Total net cash used in investing activities		(3)	(9)
Cash flows from financing activities			
Repayment of hire purchase creditor		–	(2)
Repayment of short-term loans		(436)	–
Proceeds from issuance of shares		–	1,040
Total net cash (used in)/from financing activities		(436)	1,038
Net (decrease)/increase in cash and cash equivalents		(6,315)	196
Effect of exchange rate changes on cash and cash equivalents		302	(3)
Cash and cash equivalents at beginning of period		21,270	184
Cash and cash equivalents at end of period	1	15,257	377

For the three months ended 30 September 2018, the Group changed the presentation of the statement of cash flows to provide more clarity on the use of the Group's funds and will continue to present its statement of cash flows in this manner going forward.

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

	Note	Group 9 months ended 30/9/2018 US$'000	30/9/2017 US$'000
Cash flows from operating activities			
Recurring receipts and disbursements			
Cash receipts from customers		6,639	11,930
Payments to suppliers and employees		(18,173)	(15,498)
Net cash used in recurring operating activities		(11,534)[1]	(3,568)
Non-recurring disbursements			
One-time payments to certain personnel due to the asset sale transactions		(509)	–
Interests and withholding taxes paid for borrowings		(2,230)	(67)
Payments for long outstanding royalties		(884)	–
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		(5,952)	–
Net cash used in non-recurring operating activities		(13,892)	(67)
Total net cash used in recurring and non-recurring operating activities		(25,426)	(3,635)
Cash flows from investing activities			
Purchase of property, plant and equipment		(79)	(20)
Proceeds from disposal of assets to Medtronic and Teleflex		47,007	–
Total net cash from/(used in) investing activities		46,928	(20)
Cash flows from financing activities			
Repayment of hire purchase creditor		–	(4)
Repayment of convertible notes		(5,331)	–
Repayment of short-term loans		(2,943)	–
Proceeds from short-term loans		453	1,117
Proceeds from long-term loan		–	1,005
Proceeds from exercise of share options		–	26
Proceeds from issuance of shares		1,456	1,558
Total net cash (used in)/from financing activities		(6,365)	3,702

[1] The net cash used in recurring operating activities for the nine months ended 30 September 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$3.3 million per quarter in 2018.

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

	Note	Group 9 months ended 30/9/2018 US$'000	Group 9 months ended 30/9/2017 US$'000
Net increase/(decrease) in cash and cash equivalents		15,137	47
Effect of exchange rate changes on cash and cash equivalents		(227)	2
Cash and cash equivalents at beginning of period		347	328
Cash and cash equivalents at end of period	1	15,257	377

Note:

(1) Cash and cash equivalents are derived from:

	Group 30 September 2018 US$'000	Group 30 September 2017 US$'000
Bank balances	13,445	333
Restricted cash	1,805	–
Deposits pledged	7	44
Total cash and cash equivalents	15,257	377

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

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

	Attributable to owners of the Company						
	Ordinary shares US$'000	Other reserve US$'000	Reserve for own shares US$'000	Translation reserve US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total equity US$'000
Group							
At 1 July 2017	163,200	(1,385)	(77)	(1,187)	8,320	(180,187)	(11,316)
Total comprehensive loss for the period							
Loss for the period	–	–	–	–	–	(3,726)	(3,726)
Other comprehensive income							
Foreign currency translation differences	–	–	–	344	–	–	344
Total comprehensive loss for the period	–	–	–	344	–	(3,726)	(3,382)
Contributions by and distributions to owners							
Shares issued pursuant to capital commitment agreement with GEM Global	1,040	–	–	–	–	–	1,040
Shares issued pursuant to settlement of short-term loans and trade payables	507	–	–	–	–	–	507
Shares issued pursuant to settlement of convertible notes	5,188	–			–	–	5,188
Share-based payment transactions	–	–	–	–	–	–	170
Total contributions by and distributions to owners	6,735	–	–	–	170	–	6,905
At 30 September 2017	163,200	(1,385)	(77)	(1,187)	8,320	(180,187)	(11,316)
At 1 July 2018	172,776	(1,385)	(77)	(3,712)	8,921	(148,735)	27,788
Total comprehensive loss for the period							
Loss for the period	–	–	–	–	–	(7,266)	(7,266)
Other comprehensive income							
Foreign currency translation differences	–	–	–	(33)	–	–	(33)
Total comprehensive loss for the period	–	–	–	(33)	–	(7,266)	(7,299)
Contributions by and distributions to owners							
Share-based payment transactions	–	–	–	–	280	–	280
Total contributions by and distributions to owners	–	–	–	–	280	–	280
At 30 September 2018	172,776	(1,385)	(77)	(3,745)	9,201	(156,001)	20,769

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

	Attributable to owners of the Company						
	Ordinary shares US$'000	Other reserve US$'000	Reserve for own shares US$'000	Translation reserve US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total equity US$'000
Company							
At 1 July 2017	163,200	(32,390)	(77)	(7,102)	8,320	(36,804)	95,147
Total comprehensive loss for the period							
Loss for the period	–	–	–	–	–	(2,136)	(2,136)
Other comprehensive income							
Foreign currency translation differences	–	–	–	1,434	–	–	1,434
Total comprehensive loss for the period	–	–	–	1,434	–	(2,136)	(702)
Contributions by and distributions to owners							
Shares issued pursuant to capital commitment agreement with GEM Global	1,040	–	–	–	–	–	1,040
Shares issued pursuant to settlement of short-term loans and trade payables	507	–	–	–	–	–	507
Shares issued pursuant to settlement of convertible notes	5,188						5,188
Share-based payment transactions	–	–	–	–	170	–	170
Total contributions by and distributions to owners	6,735	–	–	–	170	–	6,905
At 30 September 2017	169,935	(32,390)	(77)	(5,668)	8,490	(38,940)	101,350
At 1 July 2018	172,776	(32,390)	(77)	(6,211)	8,921	(44,528)	98,491
Total comprehensive loss for the period							
Loss for the period	–	–	–	–	–	(388)	(388)
Other comprehensive income							
Foreign currency translation differences	–	–	–	(250)	–	–	(250)
Total comprehensive loss for the period	–	–	–	(250)	–	(388)	(638)
Contributions by and distributions to owners							
Share-based payment transactions	–	–	–	–	280	–	280
Total contributions by and distributions to owners	–	–	–	–	280	–	280
At 30 September 2018	172,776	(32,390)	(77)	(6,461)	9,201	(44,916)	98,133

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 increased by 30,305,384 shares from 2,062,327,062 as at 30 June 2018 to 2,092,632,446 shares as at 30 September 2018 due to the following:

	Number of ordinary shares	Issued and paid-up share capital US$'000
At 30 June 2018	2,062,327,062	172,776
Shares issued pursuant to vesting of share awards	30,305,384	-
At 30 September 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 30 September 2018 and 30 September 2017.

Outstanding Options

The Group was formed following the restructuring exercise pursuant to which TriReme Medical, LLC ("**TriReme US**") and Quattro Vascular Pte. Ltd. ("**Quattro**") became wholly owned subsidiaries of the Group ("Restructuring Exercise"). Pursuant to the Restructuring Exercise, the Company had on 9 April 2014, assumed the options under the TriReme US's 2005 Stock Plan and Quattro's 2010 Equity Incentive Plan. The Company had in 2013, adopted the QTV 2013 Share Plan and on 9 April 2014, adopted the 2014 QTV Employee Share Option Scheme.

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

For the three months ended 30 September 2018, no ordinary shares were issued in respect of the options under the Three Share Plans and 2014 QTV Employee Share Option Scheme following the exercise of options during the period.

A reconciliation of outstanding share options from 30 June 2018 to 30 September 2018 is as follows:

Outstanding Options	**Number of Options**
At 30 June 2018	103,269,867
Forfeited during the period	(5,909,864)
At 30 September 2018	97,360,003

As of 30 September 2018, there are 97,360,003 outstanding options convertible into 97,360,003 ordinary shares, representing approximately 4.7% of the existing ordinary share capital as at 30 September 2018 (30 September 2017: 105,001,225 options (representing approximately 6.1% of the then existing issued share capital of the Company comprising 1,733,206,826 Shares)).

For further details on the Three Share Plans and 2014 QTV Employee Share Option Scheme, please refer to the Company's Offer Document dated 16 April 2014 and the Company's appendices dated 15 April 2015 and 13 April 2016.

Share awards

At the annual general meeting of the Company held on 30 April 2015, the Shareholders of the Company adopted the QT Vascular Restricted Share Plan 2015. As at 30 September 2018, the Company has granted a total of 117,443,378 share awards to its employees and directors which will vest accordingly based on a prescribed set of milestones set by the Board of Directors of the Company.

A reconciliation of outstanding share awards from 30 June 2018 to 30 September 2018 is as follows:

Outstanding Share Awards	**Number of Shares**
At 30 June 2018	7,692,767
Granted during the period	30,305,384
Issued during the period	(30,305,384)
At 30 September 2018	7,692,767

As at 30 September 2018, the 7,692,767 outstanding share awards in issue are convertible into 7,692,767 Shares (30 September 2017: 22,927,168 Shares). 30,305,384 share awards, which were vested on an immediate basis, was issued during the three months ended 30 September 2018 in recognition of the employees' satisfaction of the relevant performance target and/or service conditions set by the Board. For further details on the QT Vascular Restricted Share Plan 2015, please refer to the Appendix of the Company's 2014 Annual Report.

Warrants

The Company had on 4 May 2017 issued 35,000,000 unlisted warrants ("**Warrants**") to GEM Global Yield Fund LLC SCS ("**GEM Global**"), each carrying the right to subscribe for 1 new Share at an exercise price of S$0.10 for each new Share **("Warrant Shares").** As at 30 September 2018, no Warrants have been exercised and converted into new Shares. Accordingly, as at 30 September 2018, there are 35,000,000 outstanding Warrants (30 September 2017: 35,000,000 outstanding Warrants) and the total number of new Shares that may be issued on conversion of all outstanding Warrants is 35,000,000 (30 September 2017: 35,000,000).

Based on the foregoing, the total number of Shares that may be issued (including Share Awards) as at 30 September 2018 is 140,052,770 Shares, representing approximately 6.7% of the existing issued share capital of the Company comprising 2,092,632,446 Shares as at 30 September 2018 (30 September 2017: 162,928,393 Shares, representing approximately 9.4% of the then existing issued share capital of the Company comprising 1,733,206,826 Shares).

Save as disclosed above, there were no outstanding convertibles held by the Company as at 30 September 2018 and 30 September 2017.

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 30 September 2018 and 1,894,250,996 as at 31 December 2017.

The Company held no treasury shares as at 30 September 2018 and 31 December 2017.

1(d)(iv) TREASURY SHARES

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

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

1(d)(v) SUBSIDIARY HOLDINGS

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

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

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

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

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

Not applicable.

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

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 three months ended 30 September 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	3 months ended 30/9/2018 Basic and diluted (1)	3 months ended 30/9/2017 Basic and diluted (1)
Loss for the period attributable to owners of the Company **(US$'000)**	(7,266)	(3,726)
Weighted average number of ordinary shares used to compute loss per share **('000)**	2,123,309	1,612,252
Loss per share **(US$)**	(0.003)	(0.002)

Note:

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

7. NET ASSET VALUE FOR ISSUER AND GROUP

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

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

	Group		Company	
	30/9/2018 US$	31/12/2017 US$	30/9/2018 US$	31/12/2017 US$
Net asset/(liability) value per ordinary share [(1), (2)]	0.010	(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$20.8 million as at 30 September 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$98.1 million as at 30 September 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 ordinary shares in issue as at 30 September 2018 and 1,894,250,996 as at 31 December 2017.

8. REVIEW OF PERFORMANCE OF THE GROUP

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

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months ended 30 September 2018 compared to the three months ended 30 September 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 three months ended 30 September 2018 ("**3Q2018**") and for the three months ended 30 September 2017 ("**3Q2017**") are presented below:

	Three Months Ended 3Q2018		Three Months Ended 3Q2017	
	US$'000	**%**	**US$'000**	**%**
United States	2,272	98.7	3,689	99.2
Europe	29	1.3	27	0.7
Asia	–	–	3	0.1
	2,301	100.0	3,719	100.0

	Three Months Ended 3Q2017	**Three Months Ended 4Q2017**	**Three Months Ended 1Q2018**	**Three Months Ended 2Q2018**	**Three Months Ended 3Q2018**
Units sold	8,133	8,454	7,670	10,330	9,164

Our revenue decreased by US$1.4 million, or 38.1%, from US$3.7 million in 3Q2017 to US$2.3 million in 3Q2018, mainly due to (i) no direct sales in 3Q2018 (3Q2017: US$1.3m) following the completion of the asset sale to Teleflex Incorporated ("**Teleflex**") in 2Q2018 and (ii) no sale of any non-drug coated coronary products to Teleflex in 3Q2018 as Teleflex had sufficient inventory in stock from the inventory purchase at the end of 2Q2018.

Cost of sales decreased by US$0.1 million, or 5.5%, from US$2.5 million in 3Q2017 to US$2.4 million in 3Q2018 mainly due to an improvement in the efficiency of the Group's manufacturing process.

Our Group recorded a gross loss of US$0.1 million or 4.3% of revenue in 3Q2018 as compared to a gross profit of US$1.2 million or 31.6% of revenue in 3Q2017 mainly due to the post-Sale inventory adjustment of the non-drug coated peripheral product, Chocolate® PTA with Medtronic.

In 3Q2018, the Group's loss before taxation was US$7.3 million as compared to a loss before tax of US$3.7 million in 3Q2017. The analysis of the loss before taxation are as follows:

- Our sales and marketing expenses decreased by US$0.8 million in 3Q2018 mainly due to the cessation of the sale and marketing team in 3Q2018 following the completion of the Teleflex asset sale transaction in late 2Q2018.

- Our administrative expenses increased by US$0.4 million in 3Q2018 mainly due to one-off bonuses given in employees in relation to the completion of the Medtronic and Teleflex transactions.

- Our research and development expenses increased by US$1.3 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 decreased by US$0.3 million in 3Q2018 as there was no grant income recorded in 3Q2018 as a result of the cessation of the grant in 2Q2018.

- Other operating expenses in 3Q2018 relate mainly to the write-off of the remaining book values of the intangible assets amounting to US$2.2 million in relation to the completed asset sale transactions with Medtronic and Teleflex. There were no such write-downs in 3Q2017.

- We were in a net finance cost position of US$0.3 million in 3Q2018, as compared to a net finance cost position of US$1.7 million in 3Q2017 mainly due to (i) a decrease in interest expenses to US$257,000 in 3Q2018 (2Q2017: US$1.2 million) mainly due to the settlement of a majority of the convertible and exchangeable notes as well as short term loans and (ii) a decrease in foreign exchange loss suffered of US$57,000 in 3Q2018 (3Q2017: US$0.5 million foreign exchange loss) pursuant to exchange rate changes between the Singapore dollar and United States dollar.

- In 3Q2018, the Group recorded a reversal of US$132,000 in relation to the Group's amortisation costs for its intangible assets following a review of its useful life as well as the reduction in amortisation costs following 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.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 September 2018 US$'000	As at 31 December 2017 US$'000	Change %
Non-current assets	9,195	12,184	(24.5)%
Current assets	18,999	5,475	>100%
Total assets	28,194	17,659	59.7%
Total equity	20,769	(13,580)	NM
Non-current liabilities	66	66	–
Current liabilities	7,359	31,173	(76.4)%
Total liabilities	7,425	31,239	(76.2)%

The Group had a positive working capital of US$11.6 million as at 30 September 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$15.0 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 write-off of intangible assets amounting to US$2.2 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.

Our current assets increased by US$13.5 million mainly due to the increase cash and cash equivalents of US$14.9 million as a result of the completion of the sale of Chocolate® PTA to Medtronic and non-drug coated coronary assets to Teleflex. The increase is partially offset by the decrease in inventories of US$1.1 million due to utilisation of inventories for production, and trade and other receivables of US$0.2 million mainly due to collection of sales proceeds from customers.

Our current liabilities decreased by US$23.8 million mainly due to the decrease in (i) trade payables and accrued expenses of US$19.25 million following the payment of legal and professional fees as well as the final settlement to AngioScore, Inc.; and (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. 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 Sale.

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash Flow Analysis 3Q2018

The Group recorded cash outflows from non-recurring and recurring operating activities of US$5.9 million for 3Q2018 are mainly due to payments of non-recurring disbursements in 3Q2018 of approximately US$2.5 million for settlement of long outstanding legal expenses and royalties of US$1.0 million and US$0.6 million respectively; and one-time employee 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$3.4 million.

Net cash outflow from financing activities for 3Q2018 was US$0.4 million which was mainly due to repayment of short-term loans of US$0.4 million.

9. FORECAST AND PROSPECT STATEMENT

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

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

10. SIGNIFICANT TRENDS AND COMPETITIVE CONDITIONS OF THE INDUSTRY

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

Mergers and acquisition activity in the medical technology sector continues to ramp up. Major strategic players in the space have completed or are in the process of completing acquisition/merger activities. These activities are expected to continue throughout 2018 with Medtronic starting off the year with the acquisition of the Group's Chocolate® PTA balloon catheter asset in January 2018 and Teleflex completing the acquisition of the Group's non-coated coronary products in June 2018.

Both the coronary and peripheral vascular markets continue to offer significant opportunity for new devices that will better treat complex disease than existing therapies. These are the segments which offer the greatest value potential for Chocolate Touch®, Chocolate XD® and Chocolate Heart™ technologies.

As was evidenced repeatedly through lectures and live cases at two of the recent, most prestigious interventional physician conferences - the TCT 2017 Conference, held in Denver, Colorado, USA and LINC 2018, held in Leipzig, Germany, the coronary and peripheral intervention markets share one common clinical challenge that can negatively affect patient outcomes which is the increasing incidence of arterial calcium[2] due in part to the advanced age of patients undergoing procedures and the increase in diabetes.

In coronary procedures, the presence of arterial calcium creates challenges for clinicians to properly deliver drug eluting stents ("**DES**") (the standard of care for Coronary PCIs), negatively impacting the uptake of the drug and clinical outcomes[1]. As presented by Dr. Ehtisham Mahmud of University of California, San Diego, there is a clinical need for "Vessel Preparation" in the presence of calcium prior to stenting. As a potential, highly effective solution to this need, Dr. Mahmud presented the use of Chocolate XD® balloon[1]. The need for Vessel Preparation prior to use of DES when facing arterial calcium was a consistent theme at TCT.

At LINC-2018, with a focus on peripheral interventions, there was an interesting parallel where Drug Coated balloons ("**DCBs**") are becoming the standard of care in this market, yet, DCBs also face the same challenge with regards to arterial calcium. Physician thought leaders delivered a consistent message about the need for "Vessel Preparation" to treat arterial calcium prior to DCB[3]. Dr. Christopher Metzger, an interventional cardiology physician thought leader from Kingsport, Tennessee, USA, shared with the audience during

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[2] Ehtisham Mahmud, MD, FACC, FSCAI – Division Chief, Cardiovascular Medicine, University of California, San Diego – TCT 2017; Presentation: "Cutting, Scoring, and Chocolate Balloons for Calcified and Resistant Lesions: When is Atherectomy not Needed? Comments to slide titled: "Increasing Complexity and Calcification of PCI Patients"

[3] Dr. Mark Bosiers, LINC2018, Leipzig; Presentation: "DCB from a clinical perspective: What is proven and where are the open questions and limitations?" Also: Juan Granada, MD, President and CEO, Cardiovascular Research Foundation, Columbia Medical Center, New York City, NY, USA; Presentation: "Vascular Calcium: New Pre-clinical Models and New Treatment Solutions" (Presented at TCT 2017 and LINC 2018)

his presentation that one of the major limitations of endovascular treatment, especially with Below the Knee (BTK) disease, is arterial calcium. As stated, "Calcium is a potential barrier to optimal drug absorption" (by DCBs)[4]. He also shared while leading a physician panel: "With the Chocolate® technology, I consistently get what I'm looking for with these complex lesions: large lumens with minimal dissection and rarely the need for bail-out stenting and I often use Chocolate® for Vessel Preparation prior to DCB."[3]

The Group is well positioned with the highly differentiated Chocolate® technology to benefit from the increasing needs for Vessel Preparation and better DCB technology in the Peripheral Vascular and Coronary markets. The Group's drug-coated peripheral balloon, Chocolate Touch®, had its first enrollment in the FDA approved pivotal clinical trial in 2017 and continues to increase the number of patients enrolled under the pivotal clinical trial program. Upon completion of the trial and subsequent approval, this would make Chocolate Touch® the fourth such device to be approved in the US and the first with a differentiated platform and a clinical trial versus a commercially available drug-coated balloon. The final results of Chocolate Touch®'s first-in-human trials were announced in 2016 and demonstrate data that are similar to the best-in-class devices. Lastly, the Group's drug-coated coronary balloon, Chocolate Heart™, completed two year angiographic follow up for its first-in-man (FIM) study in the Dominican Republic. The results of this follow up exceeded expectations, showing a negative late lumen loss at 24 month which even the best drug eluting stents are not able to show. The Group anticipates commencing a safety and feasibility study in 2018, and following which, FDA approval will be sought for Chocolate Heart™ to be the first drug-coated balloon approved for broad coronary use in the US.

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

As mentioned previously, 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.

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[4] Christopher Metzger, MD, FACC, Kingsport, TN, USA; at LINC2018,Leipzig, Germany, During panel discussions, session: "Leave Nothing Behind 2.0" , while observing live PTA case transmission with Dr. Prakash Krishnan of Mt. Sinai Medical Center, New York City, NY, where he used a Chocolate® PTA balloon. Also, during presentation by Dr. Metzger: "From Chocolate® to Hawk; Vessel Preparation for improved outcomes". Tuesday of LINC 2018 - 14:05pm (live case panel discussion) and, 14:25pm (presentation).

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

Not applicable.

(b) (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

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

13. INTERESTED PERSONS TRANSACTIONS

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

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

14. QUARTERLY UPDATES TO GEM GLOBAL CAPITAL COMMITMENT AGREEMENT

(A) USE OF GEM GLOBAL PROCEEDS

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

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

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

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

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

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

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

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

The above utilisation is in accordance with the intended use of the Net Proceeds, as stated in the Company's announcement dated 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 30 September 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.

15. NEGATIVE CONFIRMATION PURSUANT TO RULE 705(5) OF LISTING MANUAL

The Board of Directors of the Company ("Board") confirms that to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results for the 3 months ended 30 September 2018 to be false or misleading in any material aspect.

16. CONFIRMATION OF UNDERTAKINGS FROM DIRECTORS AND EXECUTIVE OFFICERS UNDER RULE 720(1)

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

BY ORDER OF THE BOARD
Eitan Konstantino
Chief Executive Officer
14 November 2018

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

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

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