QT Vascular Ltd. and its subsidiaries

Unaudited Financial Statements Announcement for the financial year ended 31 December 2017

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		
	31/12/2017 US$'000	31/12/2016 US$'000	Change
Revenue	14,312	10,645	34.4%
Cost of sales	(9,916)	(5,949)	66.7%
Gross profit	4,396	4,696	(6.4)%
Sales and marketing expenses	(5,329)	(10,055)	(47.0)%
Administrative expenses	(6,760)	(8,224)	(17.8)%
Research and development expenses	(5,070)	(9,274)	(45.3)%
Other income	289	23,969	(98.8)%
Other expenses	(4,288)	–	NM
Results from operating activities	(16,762)	1,112	NM
Finance income	–	1	(NM
Finance costs	(9,106)	(13,092)	(30.4)%
Net finance costs	(9,106)	(13,091)	(30.4)%
Loss before tax	(25,868)	(11,979)	>100%
Tax (expense)/income	(4)	1	NM
Loss for the year	(25,872)	(11,978)	>100%
Other comprehensive loss			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	1,654	(48)	NM
Total comprehensive loss for the year	(24,218)	(12,026)	>100%
Loss attributable to:			
Owners of the Company	(25,872)	(11,978)	>100%
Loss for the year [1]	(25,872)	(11,978)	>100%
Total comprehensive loss attributable to:			
Owners of the Company	(24,218)	(12,026)	>100%
Total comprehensive loss for the year	(24,218)	(12,026)	>100%

NM denotes not meaningful

Note:

1 For the year ended 31 December 2016, excluding the once-off reversal for legal liability provision of US$24.0 million recognised in FY2015, the Group would have recorded a loss for the period of US$35.9 million as compared to a loss for the year of US$25.9 million for the year ended 31 December 2017.

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

	Group (Year-To-Date)		
	Year ended		
	31/12/2017 US$'000	31/12/2016 US$'000	% change
Depreciation of property, plant and equipment	(422)	(434)	(2.8)%
Allowance of inventory obsolescence	(17)	(228)	(92.5)%
Reversal of allowance of inventory obsolescence	374	–	NM
Amortization of intangible assets	(953)	(995)	(4.2)%
Exchange loss	(2,199)	(150)	>100%
Grant income	270	–	100%
Equity-settled share based payment transactions	(2,072)	(2,106)	(1.6)%
Interest income	–	1	NM
Interest expense	(6,907)	(10,296)	(32.9)%
Changes in fair value of financial instruments	–	(2,646)	NM
Reversal of provision for legal liability	–	23,359	NM

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	
	31/12/2017 US$'000	31/12/2016 US$'000	31/12/2017 US$'000	31/12/2016 US$'000
Assets:				
Property, plant and equipment	414	794	–	–
Intangible assets	11,615	12,606	40	40
Investment in subsidiaries	–	–	73,169	104,283
Other non-current assets	155	225	–	–
Non-current assets	12,184	13,625	73,209	104,323
Inventories	3,362	4,046	–	–
Trade and other receivables	1,766	1,893	5	1
Cash and cash equivalents	347	328	2	28
Current assets	5,475	6,267	7	29
Total assets	17,659	19,892	73,216	104,352
Equity:				
Share capital	171,216	152,685	171,216	152,685
Reserves	6,608	2,892	(29,357)	(37,516)
Accumulated losses	(191,647)	(165,775)	(84,130)	(29,008)
Total equity	(13,823)	(10,198)	57,729	86,161
Liabilities:				
Loans and borrowings	–	–	–	–
Trade and other payables, including derivatives	66	63	–	–
Deferred income	–	76	–	–
Non-current liabilities	66	139	–	–
Loans and borrowings	10,008	17,822	7,981	16,448
Trade and other payables, including derivatives	18,823	10,520	7,506	1,743
Deferred income	2,585	1,609	–	–
Current liabilities	31,416	29,951	15,487	18,191
Total liabilities	31,482	30,090	15,487	18,191
Total equity and liabilities	17,659	19,892	73,216	104,352

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

	Secured		Unsecured	
	31/12/2017 US$'000	31/12/2016 US$'000	31/12/2017 US$'000	31/12/2016 US$'000
Amount repayable within one year or less or on demand:				
Loans and borrowings	7,535	14,995	2,473	2,824
	7,535	14,995	2,473	2,824

	Secured		Unsecured	
	31/12/2017 US$'000	31/12/2016 US$'000	31/12/2017 US$'000	31/12/2016 US$'000
Amount repayable after one year:				
Loans and borrowings	–	3	–	–
	–	3	–	–

Details of any collateral

The secured loans and borrowings are secured by certain patents of the Group.

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 31/12/2017 US$'000	Group Year ended 31/12/2016 US$'000
Cash flows from operating activities			
Net loss		(25,872)	(11,978)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property, plant and equipment		422	434
Amortisation of intangible assets		953	995
Interest income		–	(1)
Interest expense		6,907	10,296
Exchange loss		2,199	150
Equity-settled share-based payment transactions		2,072	2,106
Change in fair value of financial instruments		–	2,646
		(13,319)	4,648
Changes in working capital:			
- Trade and other receivables		127	1,737
- Inventories		684	1,904
- Other assets		70	(78)
- Trade and other payables, including derivatives		7,378	(1,120)
- Deferred income		900	1,320
- Provision for legal liability		–	(23,359)
Net cash used in operating activities		(4,160)	(14,948)
Cash flows from investing activities			
Purchase of property, plant and equipment		(20)	(322)
Proceeds from disposal of plant and equipment		–	7
Additions to intangible assets		–	(739)
Net cash used in investing activities		(20)	(1,054)
Cash flows from financing activities			
Repayment of hire purchase creditor		(3)	(4)
Proceeds from short-term loans		2,147	4,190
Proceeds from issuance of convertible and exchangeable notes		–	8,250
Proceeds from exercise of share options		26	46
Proceeds from issuance of shares		2,022	–
Net cash from financing activities		4,192	12,482
Net increase/(decrease) in cash and cash equivalents		12	(3,520)
Effect of exchange rate changes on cash and cash equivalents		7	(2)
Cash and cash equivalents at beginning of year		328	3,850
Cash and cash equivalents at end of year	1	347	328

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

Note:

(1) Cash and cash equivalents are derived from:

	Group	
	31/12/2017 US$'000	31/12/2016 US$'000
Bank balances	302	286
Deposits pledged	45	42
Total cash and cash equivalents	347	328

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 2016	139,202	(1,385)	(77)	(2,110)	4,481	(153,797)	(13,686)
Total comprehensive loss for the year							
Loss for the year	–	–	–	–	–	(11,978)	(11,978)
Other comprehensive income							
Foreign currency translation differences	–	–	–	(48)	–	–	(48)
Total comprehensive loss for the year	–	–	–	(48)	–	(11,978)	(12,026)
Contributions by and distributions to owners							
Shares issued pursuant to exercise of options embedded in convertible and exchangeable notes	11,729	–	–	–	–	–	11,729
Shares issued pursuant to settlement of short-term loans	1,707	–	–	–	–	–	1,708
Share options exercised	47	–	–	–	–	–	46
Share-based payment transactions	–	–	–	–	2,031	–	2,031
Total contributions by and distributions to owners	13,483	–	–	–	2,031	–	15,514
At 31 December 2016	152,685	(1,385)	(77)	(2,158)	6,512	(165,775)	(10,198)

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
Group							
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	–	–	–	–	–	(25,872)	(25,872)
Other comprehensive income							
Foreign currency translation differences	–	–	–	1,654	–	–	1,654
Total comprehensive loss for the year	–	–	–	1,654	–	(25,872)	(24,218)
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	–	–	–	–	2,062	–	2,062
Total contributions by and distributions to owners	18,531	–	–	–	2,062	–	20,593
At 31 December 2017	171,216	(1,385)	(77)	(504)	8,574	(191,647)	(13,823)

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 January 2016	139,202	(32,390)	(77)	(9,098)	4,481	(41,097)	61,021
Total comprehensive loss for the year							
Profit for the year	–	–	–	–	–	12,089	12,089
Other comprehensive income							
Foreign currency translation differences	–	–	–	(2,463)	–	–	(2,463)
Total comprehensive loss for the year	–	–	–	(2,463)	–	12,089	9,626
Contributions by and distributions to owners							
Shares issued pursuant to exercise of options embedded in convertible notes	11,729	–	–	–	–	–	11,729
Shares issued pursuant to settlement of short-term loans	1,707	–	–	–	–	–	1,707
Share options exercised	47	–	–	–	–	–	47
Share-based payment transactions	–	–	–	–	2,031	–	2,031
Total contributions by and distributions to owners	13,483	–	–	–	2,031	–	15,514
At 31 December 2016	152,685	(32,390)	(77)	(11,561)	6,512	(29,008)	86,161

(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 January 2017	152,685	(32,390)	(77)	(11,561)	6,512	(29,008)	86,161
Total comprehensive loss for the year							
Profit for the year	–	–	–	–	–	(55,122)	(55,122)
Other comprehensive income							
Foreign currency translation differences	–	–	–	6,097	–	–	6,097
Total comprehensive loss for the year	–	–	–	6,097	–	(55,122)	(49,025)
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	–	–	–	–	2,062	–	2,062
Total contributions by and distributions to owners	18,531	–	–	–	2,062	–	20,593
At 31 December 2017	171,216	(32,390)	(77)	(5,464)	8,574	(84,130)	57,729

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 161,044,170 shares from 1,733,206,826 as at 30 September 2017 to 1,894,250,996 shares as at 31 December 2017 due to the following:

	Number of ordinary shares	Issued and paid-up share capital US$'000
Balance at 30 September 2017	1,733,206,826	169,935
Shares issued pursuant to capital commitment with GEM Global	76,635,000	464
Shares issued pursuant to settlement of short-term loans and convertible bonds	84,409,170	817
Balance at 31 December 2017	1,894,250,996	171,216

Treasury Shares and Subsidiary Holdings

The Company did not have any treasury shares and there were no subsidiary holdings as at 31 December 2017 and 31 December 2016.

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 31 December 2017, 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 1 October 2017 to 31 December 2017 is as follows:

Outstanding Options	**Number of Options**
At 1 October 2017	105,001,225
Forfeited during the period	(2,742,877)
At 31 December 2017	102,258,348

As of 31 December 2017, there are 102,258,348 outstanding options convertible into 102,258,348 ordinary shares, representing approximately 5.40% of the existing ordinary share capital as at 31 December 2017 (31 December 2016: 113,767,834 options (representing approximately 11.0% of the then existing issued share capital of the Company comprising 1,038,006,350 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.

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 31 December 2017, the Company has granted a total of 84,957,994 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 1 October 2017 to 31 December 2017 is as follows:

Outstanding Share Awards	**Number of Shares**
At 30 September 2017	22,927,168
Forfeited during the period	(1,622,624)
At 31 December 2017	21,304,544

As at 31 December 2017, the 21,304,544 outstanding share awards in issue are convertible into 21,304,544 Shares (31 December 2016: 28,729,914). No share awards was issued during the three months ended 31 December 2017. 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 31 December 2017, no Warrants have been exercised and converted into new Shares. Accordingly, as at 31 December 2017, there are 35,000,000 outstanding Warrants (31 December 2016: Nil) and the total number of new Shares that may be issued on conversion of all outstanding Warrants is 35,000,000 (31 December 2016: Nil.)

Based on the foregoing, the total number of Shares that may be issued (including Share Awards) as at 31 December 2017 is 158,562,892 Shares, representing approximately 8.4% of the existing issued share capital of the Company comprising 1,894,250,996 Shares as at 31 December 2017 (31 December 2016: 142,497,748 Shares, representing approximately 13.7% of the then existing issued share capital of the Company comprising 1,038,006,350 Shares).

Save as disclosed above, there were no outstanding convertibles held by the Company as at 31 December 2017 and 31 December 2016.

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 1,894,250,996 as at 31 December 2017 and 1,038,006,350 as at 31 December 2016.

The Company held no treasury shares as at 31 December 2017 and 31 December 2016.

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.

Save as disclosed in Paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as compared to those used in the most recently audited annual financial statements for the financial year ended 31 December 2016.

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.

The Group has applied the same accounting policies and methods of computation in the preparation of financial statements for the current financial period compared with the most recently audited financial statements for the financial year ended 31 December 2016, except for the adoption of the Financial Reporting Standards ("**FRSs**") and Interpretation of FRS ("**INT FRS**") that are mandatory for financial years beginning on or after 1 January 2017. The adoption of these new FRS and INT FRS has no material impact to the results of the Group and of the Company for the current period reported on.

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 31/12/2017	Year ended 31/12/2016
	Basic and diluted [(1)]	Basic and diluted [(1)]
Loss for the year attributable to owners of the Company **(US$'000)**	(25,872)	(11,978)
Weighted average number of ordinary shares used to compute loss per share **('000)**	1,466,690	935,454
Loss per share **(US$)**	(0.018)	(0.013)

Notes:

(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	
	31/12/2017 US$	31/12/2016 US$	31/12/2017 US$	31/12/2016 US$
Net (liability)/asset value per ordinary share [(1), (2)]	(0.007)	(0.01)	0.03	0.08

Notes:

(1) The net liability value per ordinary share of the Group is calculated based on net liabilities of US$13.9 million as at 31 December 2017 (31 December 2016: net liabilities of US$10.2 million). The net asset value per ordinary share of the Company is calculated based on net assets of US$57.7 million as at 31 December 2017 (31 December 2016: US$86.2 million).

(2) For both the Group and the Company, the net (liability)/asset value per ordinary share were calculated based on 1,894,250,996 ordinary shares in issue as at 31 December 2017 and 1,038,006,350 as at 31 December 2016.

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 2017 compared to the Year ended 31 December 2016

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 2017 ("**FY2017**") and for the financial year ended 31 December 2016 ("**FY2016**") are presented below:

	FY2017		FY2016	
	US$'000	**%**	**US$'000**	**%**
United States	14,115	98.6	9,245	86.9
Europe	184	1.3	620	5.8
Asia Pacific	13	0.1	780	7.3
	14,312	100.0	10,645	100.0

	Year ended 31 December 2017	**Year ended 31 December 2016**
Units sold	29,935	19,425

Our revenue increased by approximately US$3.7 million, or 34.4%, from US$10.6 million in FY2016 to US$14.3 million in FY2017 mainly due to the increase in sales of our Chocolate® PTA Balloon Catheter ("**Chocolate PTA**") to Medtronic, Inc. ("**Medtronic**"). The increase in our sales was also due to the increase in sales of Chocolate XD® Balloon Catheter ("**Chocolate XD**") by our direct sales team as they continue to improve following a 19.3% increase in average sales per sales representative of US$438,193 in FY2017 as compared to US$367,290 in FY2016.

Cost of sales increased by approximately US$4.0 million to US$9.9 million in FY2017 mainly due to the increase production of Chocolate PTA and Chocolate XD as a result of the increase in sales for both products during the year.

As a result of the above, our Group recorded a gross profit of US$4.4 million or 30.7% of revenue in FY2017 as compared to a gross profit of US$4.7 million or 44.1% of revenue in FY2016. The decrease in gross profit is mainly due to significantly higher sales of Chocolate PTA to Medtronic which generates lower gross margins as it is based on a distributor pricing as compared to sales of Chocolate PTA in FY2016 which was mainly based on direct sales to customers which generally generates higher margins.

We recorded a loss before taxation of US$25.9 million in FY2017 as compared to a loss before taxation of US$12.0 million in FY2016. This is mainly due to:

- Our sales and marketing expenses decreased to US$5.3 million in FY2017 mainly due to lower direct sales personnel costs in FY2017 as a result of lower sales commissions and a decrease in headcount.

- Our administrative expenses decreased to US$6.8 million in FY2017 mainly due to lower headcount and reduction in overall spending due to cost cutting measures implemented during the year as well as the decrease in legal expenses.

- Our research and development expenses decreased to US$5.1 million in FY2017 mainly due to lower development costs incurred on the Group's products during the year.

- In FY2017, other income was mainly due to US$0.3 million of grant income received from the Economic Development Board. The US$24.0 million in FY2016 was mainly due to the reversal of the provision for legal liability in relation to the litigation with AngioScore, Inc. ("**AngioScore**") following the reversal of the judgement on the State Law claims by the Appeal Court in its ruling on 21 July 2016.

- Our other expenses of US$4.3 million in FY2017 is mainly due to the agreed settlement with AngioScore which will fully and finally resolve all past, present and future disputes concerning all litigation matters between the Group and AngioScore, as announced on 15 November 2017.

- We were in a lower net finance cost position of US$9.1 million in FY2017, as compared to a net finance cost position of US$13.1 million in FY2016 mainly due to a decrease in interest expenses to US$6.9 million in FY2017 (FY2016: US$10.3 million) mainly due to the accretion of the costs of the convertible and exchangeable notes. The decrease in net finance cost was partially offset by the increase in foreign exchange losses of US$2.2 million in FY2017 (FY2016: US$0.2 million) pursuant to exchange rate changes between the Singapore dollar and United States dollar.

- The reversal of inventory obsolescence allowance of US$0.4 million in FY2017 was mainly due to excess amount of allowance recorded in the Group's books following a reassessment of the inventory obsolescence allowance required as at 31 December 2017.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December 2017 US$'000	As at 31 December 2016 US$'000	Change %
Non-current assets	12,184	13,625	(10.6)%
Current assets	5,475	6,267	(12.6)%
Total assets	17,659	19,892	(11.3)%
Total equity	(13,823)	(10,198)	35.5%
Non-current liabilities	66	139	(52.5)%
Current liabilities	31,416	29,951	4.9%
Total liabilities	31,482	30,090	4.6%

The Group had negative working capital of US$25.9 million as at 31 December 2017 mainly due to the convertible and exchangeable notes and loans amounting to US$10.0 million and current trade and other payables of US$18.8 million.

Notwithstanding the negative working capital, the Company had on 30 January 2018 announced that it had completed the sale of the Group's Chocolate PTA assets to Medtronic for US$28 million. The net proceeds of US$26.8 million, after taking into account the retention sum of US$1.2 million, will be used to for working capital purposes as well as the settlement of the Group's existing debt and trade payables obligations.

In addition, on 5 February 2018, the Company announced that it had entered into a non-binding term sheet with a multinational corporate for the potential transaction for the Company's coronary products.

Our non-current assets decreased by US$1.5 million mainly due to the depreciation of our fixed assets of US$0.4 million and amortisation of intangible assets of US$1.0 million in relation to our developed intellectual properties such as Chocolate® PTA and Chocolate XD®.

Our current assets decreased by US$0.8 million mainly due to the decrease in inventory balances of approximately US$0.7 million following the utilisation of existing raw materials on hand for production purposes, and trade and other receivables of US$0.1 million following an improvement in the collection of receivables from our customers.

Our non-current liabilities decreased by US$0.1 million as at 31 December 2017 mainly due to the reduction of deferred income recorded.

Our current liabilities of increased by US$1.5 million due to the increase in (i) trade and other payables of US$8.3 million mainly due to increase in production activities as a result of the supply of Chocolate PTA to Medtronic and the accrual of the AngioScore settlement expenses and (ii) increase in deferred income due to prepayment from Medtronic in relation to the supply of Chocolate PTA of US$1.0 million. The increase in current liabilities was offset by the decrease in loans and borrowings of US$7.8 million as at 31 December 2017 following the settlement of certain bonds and short-term loans with the Company's shares during the financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Group recorded cash outflows from operating activities of US$4.2 million for FY2017 which was a result of an operating loss before working capital changes of US$13.3 million and a decrease in working capital changes of US$9.1 million. The decrease in working capital changes was mainly due to the increase in deferred income of US$0.9 million, and trade and other payables of US$7.4 million. The decrease of trade and other receivables of US$0.1 million and inventories of US$0.7 million also attributed to the decrease in working capital changes.

In FY2017, net cash inflow from financing activities of US$4.2 million was mainly due to proceeds received from the issuance of ordinary shares to GEM Global under the Capital Commitment Agreement of US$2.0 million and short-term loans from third parties and Medtronic of US$2.1 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 ("**M&A**") 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.

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[1] 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

[1] 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"

calcium prior to DCB[2]. Dr. Christopher Metzger, an interventional cardiology physician thought leader from Kingsport, Tennessee, USA, shared with the audience during 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)[3]. 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 trial during the year. 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. On a related note, the clinical success of the Group's latest generation coronary device in the US, Chocolate XD®, bode well for supporting robust sales growth in 2018 and beyond. 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 continues to explore various strategic options including, mergers, acquisitions, disposals, joint ventures and fund raising activities to optimise and/or unlock value for shareholders. The Company had recently completed the sale of the Group's non-drug coated peripheral balloon, Chocolate® PTA to Medtronic for a sum of US$28 million and on 5 February 2018, the Company announced that it has entered into a non-binding term sheet in relation to the sale of the Company's coronary products to a multinational corporation. The Company will update shareholders via SGXNET as and when there are any material developments on the aforementioned.

[2] 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)

[3] 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).

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

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 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$4,215,301 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$3,990,301 ("**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)(2)]	9,725	3,990	(3,990)	5,735
Total	9,725[(A)]	3,990	(3,990)	5,735

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

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

	S$'000
Payment of salaries and wages	1,831
Payment to suppliers	2,159
Total	3,990

(2) On 22 November 2017, the Company announced that it will re-allocate 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".

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 up to the date of this announcement, the Company has issued the following Shares pursuant to the Capital Commitment Agreement:

Issuance Date	**Number of Drawdown Shares at settlement date**	**Volume Weighted Average share price on the date of the Sales Notice S$**	**Sales Price per Share in Sales Notice S$**	**Issue Price per Share S$**	**Amount Raised S$**
23 November 2017	21,566,780	0.01100	0.00990[(1)]	0.01080[(1)]	232,792
15 January 2018	55,512,000	0.01100	0.00990[(2)]	0.01125[(2)]	624,510

Notes:

(1) The sales price indicated in the Sales Notice represents a 10% discount to the volume weighted average price for the shares traded on SGX-ST for the full market day on 13 October 2017, the date of the Sales Notice. The Issue Price was arrived at based on a 10% discount to the average daily VWAP of S$0.01200 per Share during the Evaluation Period, which is higher than the Sales Price, in accordance with the terms of the Capital Commitment Agreement.

(2) The sales price indicated in the Sales Notice represents a 10% discount to the volume weighted average price for the shares traded on SGX-ST for the full market day on 28 November 2017, the date of the Sales Notice. The Issue Price was arrived at based on a 10% discount to the average daily VWAP of S$0.0125 per Share during the Evaluation Period, which is higher than the Sales Price, in accordance with the terms of the Capital Commitment Agreement.

(C) ISSUANCE OF WARRANT SHARES

As at 31 December 2017, 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 FY2017, as contributed by the medical devices segment.

The medical devices segment recorded a loss before income tax of US$25.9 million in FY2017 as compared to US$12.0 million in FY2016 due to the reasons highlighted in Paragraph 8.

17. A breakdown of sales

	Group		
	Year ended		
	31 December 2017	31 December 2016	Increase/(Decrease)
	US$'000	US$'000	%
(a) Sales reported for the first half year	6,752	5,912	14.2%
(b) Operating (loss)/profit after tax before deducting minority interests reported for first half year	(14,412)	8,411	NM
(c) Sales reported for the second half year	7,560	4,733	59.7%
(d) Operating loss after tax before deducting minority interests reported for second half year	(11,460)	(20,389)	(43.8)%

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 2017 and 31 December 2016.

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 2018