QTVascular







Making the difference for Life

ANNUAL REPORT 2016



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*This Annual Report 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 Annual Report.*

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

The contact person for the Sponsor is Ms. Gillian Goh, Director, Head of Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone +65 6229 8088.

CORPORATE **PROFILE**

QT Vascular Ltd ("We", or the "Company", "QT Vascular" and together with its subsidiaries the "Group") is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") (Reuters: QT Vascular).

We are engaged in the design, assembly and distribution of advanced therapeutic solutions for the minimally invasive treatment of complex vascular diseases. We collaborate with industry specialists and physicians who are key opinion leaders to develop and offer physicians and patients new and differentiated devices to improve outcomes in complex peripheral and coronary interventions.

Coronary artery disease ("CAD") is a common form of cardiovascular disease and is primarily caused by lesions consisting of plaque in the arteries surrounding the heart. As plaque accumulates, the diameter of the arterial lumen narrows resulting in reduced or stopped blood flow. This disease is generally treated by way of percutaneous transluminal coronary angioplasty ("PTCA") and stenting.

Peripheral artery disease ("PAD") is an obstruction of the blood flow in the peripheral arteries. It occurs commonly in the arteries of the pelvis and legs. It can result from the slow accumulation of plaque over time or the sudden formation of a blood clot which leads to arterial narrowing or blockage of a vessel. PAD may be treated by percutaneous transluminal angioplasty ("PTA") or various other interventional techniques.

Angioplasty (PTCA and PTA) is the technique where a small incision is made, typically in the patient's thigh and a small catheter is inserted on a steerable "guide wire" to reach the narrowed section of the artery. A balloon catheter is pushed across the narrowed part of the artery and inflated temporarily to open up the narrowing by pushing outward on the plaque and on the wall of the vessel for improved blood flow in that part of the artery. After inflation, the balloon is deflated and removed so no part of the balloon catheter is left behind in the artery. In some cases, a stent may be inserted at the time of ballooning to ensure the vessel remains open.

CORPORATE STRUCTURE

QTVascular

- **100%** TriReme Medical, LLC.
- **100%** TriReme Medical (Singapore) Pte. Ltd.
- **100%** Quattro Vascular Pte. Ltd.

INDUSTRY SERVED

Health Care

LOCATION SITES





- Direct sales representation
- U.S.A (Pleasanton, California) - TriReme Medical, LLC
- ASIA, SINGAPORE - TriReme Medical (Singapore) Pte. Ltd.



"...our own direct sales of coronary increased by 49%."

MESSAGE FROM **THE CEO**

Dear Shareholders:

On behalf of the board of directors and management, it is my pleasure to present QT Vascular's Annual Report for the financial year ended 31 December 2016 ("**FY2016**").

FY2016 included a series of events that resolved significant elements of uncertainty relating to the Company. Management is now focused on growing sales and other major value-building initiatives.

On the legal side, we announced a major victory in the US Federal Court of Appeals regarding our ongoing litigation with a subsidiary of Spectranetics, Inc., AngioScore, Inc. ("**AngioScore**"). In the US Federal Court of Appeals, a panel of three judges unanimously reversed a previous district court decision that had awarded AngioScore damages in excess of US$20 million based on claims of breach of fiduciary duty. Furthermore, the US Federal Court of Appeals also denied AngioScore's petition for a rehearing of this ruling. Coupled with the Company's win against AngioScore in a patent lawsuit (previously announced in FY2015), these legal victories have resulted in the dismissal of those cases in favor of the Group and removed a significant liability from our books.

On the commercial side, FY2016 revenues fell by 14% compared to FY2015. This was primarily driven by the fall in orders from Cordis, Inc. ("**Cordis**"), our US distributor of Chocolate® PTA. The Group's revenues were negatively impacted due to the reduction of inventory levels as the distribution term was coming to a close. On this note, we recently announced the signing of the definitive distribution agreement with our new partner, Medtronic, Inc. ("**Medtronic**"), and are working hard to increase production in support of the new agreement. On another positive note, our own direct sales of coronary increased by 49% due to the focused efforts by our own sales team in the US which increased per sales representative efficiency by 114%.

The Company also made significant progress on several of our critical development programs. In the US, we obtained the approval from the US Food and Drug Administration ("**FDA**") to sell an improved version of Chocolate® PTCA known as Chocolate XD® and we received full approval to begin the pivotal study of the drug-coated version of Chocolate® PTA known as Chocolate Touch®. This is only the 4th such device to ever receive such approval by the FDA. In Europe, we obtained CE mark clearance for Chocolate Heart®, our coronary drug-coated balloon. And, in keeping with our commitment to proving the clinical value of our technology, we announced the 12 month outcomes of the Chocolate Heart® First-in-Human Study, the final results of the US registry of Chocolate® PTA known as Chocolate BAR, and the final results of the Chocolate Touch® First-in-Human trial known as ENDURE. The results of all of these studies added significantly to the body of evidence supporting the unique benefits of the Chocolate® platform in treating both coronary and peripheral vessels.

The Group's financial performance was impacted in a few significant areas by the above-mentioned events. Driven by the reduction in purchases of Chocolate® PTA by our former distributor, Cordis, revenue decreased from US$12.4 million in FY2015 to US$10.6 million in

REVENUE OF
US$10.6
MILLION IN
FY2016

MESSAGE FROM THE CEO

FY2016. Despite the decrease in orders from Cordis, the Company was able to realize manufacturing efficiencies that increased our gross profit by 11%. The largest difference in FY2016 resulted from the court decision that reversed the original judgment that was in favor of AngioScore. Pursuant to this legal victory, the Company incurred a one-time line item for other income in the amount of approximately US$24.0 million in order to reverse the liability provision related to the original court decision that we had recorded in FY2015. In total, the total comprehensive loss for FY2016 was US$12.0 million compared to US$52.3 million in FY2015, an improvement of 77%.

Following the end of FY2016, as at the date of this Annual Report, the Group has reduced its bond borrowings by approximately US$7.8 million from US$19.2 million to US$11.4 million by settling certain bonds via a combination of new shares as well as cash. As most of the bonds were settled using shares, the Company was able to preserve cash for its working capital. We will continue to engage closely with our bond holders and expect to further reduce our total borrowings before the end of FY2017. Industry interest in the Company's products continues to be strong and as previously announced, we are negotiating certain business transactions and will update shareholders in due time.

FAVORABLE INDUSTRY TRENDS

Mergers and acquisitions ("**M&A**") activity in the medical technology sector ramped up in 2016. The key drivers behind this active M&A landscape include pressure on large players in mature markets to increase their top line growth and increased vendor consolidation in US hospitals which forces companies to broaden their product offerings. It is expected that 2017 will also be active as more companies look to add innovative devices to their mature product businesses.

The area of peripheral arterial disease remains very much under-treated. While stents are used to treat some of these patients, there is a growing preference for therapies such as drug-coated balloons that do not involve placing a permanent implant. Sales of drug-coated balloons are estimated to have surpassed US$300 million in 2016 in the US market[1] and the global market will surpass US$1 billion in sales by 2020[2].

QT Vascular is well positioned to benefit from the increased adoption of drug-coated balloons. Chocolate Touch® has received full FDA clearance to begin the pivotal trial. Upon approval, this would make Chocolate Touch® only the 4th such device to be approved in the US. The final results of Chocolate Touch®'s first-in-human trials are similar to the best-in-class devices.

The Company's recently announced distribution agreement with Medtronic, along with the recent launch of the Group's latest generation coronary device, Chocolate XD®, bode well for supporting our growth in FY2017.

NOTE OF APPRECIATION

I would like to thank the Board of Directors for their commitment and contributions during the year. On behalf of the Board, I would like to express our appreciation to our shareholders, investors, business partners, associates and customers for their customers for their continued support of QT Vascular. I would also like to commend our management and staff for their dedication and hard work. Let us continue to push forward and have patients around the world benefit from our innovative technologies.

DR EITAN KONSTANTINO
Chief Executive Officer

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1 *Jason Mills & Cecelia Furlong, Canaccord Genuity Inc. Analyst report on Biomedical Devices and Services industry, 23 January 2017*

2 *Jason Mills & Cecelia Furlong, Canaccord Genuity Inc. Spectranetics flash update report, 24 January 2017*

BOARD OF **DIRECTORS**



EITAN KONSTANTINO
CEO

Eitan Konstantino was a member of the board of directors of TriReme US since its inception to July 2013. He was appointed to our Board on 11 July 2013 and is responsible for the overall management and business development of our Group.

Eitan has more than 15 years of experience in the medical technology industry. He founded our Group in 2005 when he set up TriReme US as a medical device company focused on providing innovative tools to improve the success rates in challenging peripheral and coronary interventions. Prior to founding our Group, he was from 2003 to 2007, the founder, president and chief scientist of an angioplasty company, AngioScore. Eitan is one of the primary inventors of AngioScore's products. In 2002, Eitan was the chief executive officer & chief operating officer of Advanced Stent Technologies, Inc. ("AST"), a bifurcation stent company that was acquired by Boston Scientific Corporation in 2004, where he co-invented the Petal bifurcation stent. Prior to AST, he was chief technical officer of Bypass, Inc., a developer of nitinol anastomotic devices for minimally invasive heart surgery from 1999 to 2002. Eitan is also one of the founding directors of Singapore Medtech Accelerator, an appointed Biomedical Science Accelerator ("BSA") under the Singapore Government's Research, Innovation and Enterprise 2015 plan. The Singapore Medtech Accelerator and the BSA program, are designed to stimulate the growth of the medical device industry in Singapore, and involves co-funding by SPRING SEEDS Capital Pte. Ltd., a wholly-owned subsidiary of SPRING Singapore.

Eitan has more than 48 patents and patent applications worldwide in the field of medical devices and solar control systems. Eitan Konstantino received his PhD in Laser Surface Treatment, Optical Design, Materials Science from Technion-Machon Technologi Le'Israel in 1999. He also currently serves as the co-chairman of the F04.30.06 Cardiovascular Standards Task Group of the American Society for Testing and Materials, a globally recognised leader in the development and delivery of international voluntary consensus standards. Eitan is also a member of SPRING Singapore's Medtech Network of Advisors whose functions are to advise local medical technology business on business challenges and strategies and to advise the management of SPRING Singapore on the development and review of strategies and initiatives to address the development needs of small medium enterprises in the medical technology sector.

MARK WAN
Non-Executive Non-Independent Director

Mark Wan was a member of the board of directors for TriReme US from May 2007 to July 2013. He was appointed to our Board on 11 July 2013.

Mark is a managing member of Three Arch Management, a healthcare focused investment firm formed in 1993 that provides young companies in the healthcare industry with access to relevant clinical and business resources, as well as capital. Mark started in venture capital in 1987 with Brentwood Associates where he became a general partner. He has been a founder or seed investor in numerous healthcare companies including ePocrates, Inc., Odyssey Healthcare, Inc. and Perclose, Inc.

Mark holds a Bachelor of Science in Electrical Engineering from Yale University in 1987. Mark was conferred a Master of Business Administration from the Stanford Graduate School of Business.

AMIR BELSON
Independent Director

Amir Belson was appointed to our Board on 4 August 2016.

Amir is the founder of various medical device companies such as ZipLine Medical, a company developing and commercializing innovative tissue repair devices to address

BOARD OF **DIRECTORS**

the clinical need for rapid, non-invasive and easy-to-use skin closure and Neoguide Systems, a company that developed platform technology for minimally invasive surgical procedures that was later acquired by Intuitive Surgical in 2009. He is also the founder of Vascular Pathways, a company that developed an FDA cleared vascular intervention technology that has been chosen as one of the 10 best inventions of 2009 by Popular Science magazine, Thermocure, a minimally invasive therapeutic hypothermia technology company, Radguard Medical, a radiation protection medical device company and VasoStitch, which develops large vessel access and closure technology.

Amir graduated cum laude from the school of medicine of the Technion, Israel Institute of Technology, in Haifa, Israel. Amir did his pediatric residency at Dana Children's Hospital in Tel Aviv and his pediatric nephrology fellowship at Lucile Packard Children's Hospital at Stanford. Amir also served several years as a flight surgeon in Israel's air force rescue unit before moving to the US for a three-year Pediatric Nephrology fellowship at Stanford University Medical Center and a year as a research fellow with the Biomedical Technology Innovation Program at Stanford.

GREGORY CASCIARO

Independent Director

Gregory Casciaro was a member of the board of directors of TriReme US from May 2010 to July 2013. He was appointed to our Board on 14 August 2013.

Gregory has over 31 years of experience in the medical device industry where he has had leadership positions in both private and public companies. He was from 1995 to 1999 the president and chief executive officer of General Surgical Innovations, Inc. a medical device company. Thereafter from 2000 to 2004, he was the president and chief executive officer of Orquest, Inc., a private company manufacturing and selling bio-therapeutically products to the orthopaedic market. From 2004 to 2009, Gregory was the president and chief executive officer and a board member of XTENT Inc., a medical device company listed on the Nasdaq National Market that develops drug-eluting stents. Gregory was the president and chief executive officer of AccessClosure, Inc., a private held medical device company in the United States that develops access site management products designed to address vascular closure challenges during interventional surgery before it was acquired by Cardinal Health, Inc. in May 2014. Gregory is presently the Chief Executive Officer, President and Director of Cardiac Dimensions, Inc..

Gregory graduated from Marquette University with a Bachelor of Science in Business Administration in 1982.

SHO KIAN HIN

Independent Director

Sho Kian Hin was appointed to our Board on 25 September 2015. He is currently also an Independent Director of International Healthway Corporation Limited, a company listed on the Catalist Board of SGX-ST since July 2013.

Kian Hin has over 20 years of experience in financial reporting and regulatory compliance and was involved in various financial related activities such as equity and pre-IPO fund raising, mergers and acquisitions, restructuring and group tax optimization.

Kian Hin is a fellow member of the Association of Chartered Certified Accountants.

GARY NG SIN TONG

Executive Director

Gary Ng Sin Tong was appointed to our Board on 6 August 2015. He is the Company's Director of Strategy and Capital Markets since February 2015.

Gary has over 14 years of experience as an equity analyst with Solomon Smith Barney, Deustche Bank and CIMB with primary focus on healthcare. During his time as an equity analyst, Gary was involved in various fundraising activities for capital market deals and is a ranked analyst in various broker polls such as Asiamoney Brokers Poll and Thomson Reuters StarMine Analyst Awards.

Gary graduated from University of London with a Bachelor of Business.

KEY MANAGEMENT



RANDAL FARWELL

CFO

Randal Farwell joined our Group in August 2013 and is responsible for overseeing all accounting and finance functions of our Group.

Prior to joining the Group, Randal was a partner at KPMG from 1992 until his retirement in September 2012. Randal's career with KPMG began in 1983. He was seconded to KPMG's Singapore office for 2 years from April 1988 to December 1989. During his tenure with KPMG. Randal advised global multinational organisations in the financial services, power generation and distribution, manufacturing, consumer goods and technology sectors on their business tax planning and tax compliance needs, risk management, supply chain optimization, international and domestic compliance, transfer pricing compliance, intangible asset planning, international financing and foreign tax credit planning.

Randal holds a Master of Taxation from the Portland State University, as well as a Bachelor of Science degree in Business Management from Corban University. He is a Certified Public Accountant licensed by the American Institute of Certified Public Accountants and California Board of Accountancy since 1989 and 1993, respectively.

MARIA PIZZARO

Executive Vice President, Vice President of Research and Development

Maria Pizzaro joined our group in January 2007 and is presently in charge of research and development and certain general management functions of our Group.

Maria has over 25 years of industry experience developing and manufacturing high technology products as well as medical devices. Maria spent 10 years from 1996 at Boston Scientific Corporation, Neurovascular Division, where she led neurovascular minimally invasive device research (intracranial implantable devices) and development projects from concept to commercialization. Prior to joining our Group in 2007, Maria was Director of Research and Development at an angioplasty company, AngioScore, where she led the development of cardiovascular and peripheral devices. Additionally, she had served on the board of directors and was the national president and chairperson of the board of the Society of Mexican American Engineers and Scientists (MAES), a professional engineering society focusing on the development of science, technology, engineering and math (STEM) education, awareness and leadership.

Maria obtained the credentials of a project management professional from the Project Management Institute in 2005 and her Bachelor of Science degree in Industrial Engineering from Texas A&M University in 1984.

MOMI BROSH

General Manager of our Singapore operations

Momi Brosh joined our Group in March 2011 and oversees all operational related matters in Singapore, including infrastructure, human resource and marketing matters.

Momi has over 15 years of management experience. From 2001 to 2005, he was a member of the Secretariat of Kibbutz Shefayim Corporation and is Chairman of the Economic Development Board from December 2004 to September 2006, a collective community in Israel. From 2003 to 2005, he was also the Vice President of marketing and sales in Polycad Industries, a leading plastic manufacturer in Israel. Thereafter, from 2005 to 2007, Momi was the Vice President of marketing and sales in Tlaton Ltd, a company that specialises in missile and satellite packages for the aeronautics industry. Prior to joining our Group, from 2008 to 2010, Momi was a freelance marketing consultant in the defence industry.

Momi earned a Diploma in Industrial & Management Engineering and in Marketing from the Ruppin Academy Centre in Israel in 1997. Momi also graduated from the Marketing and Sales Management Program at the Israeli Management Centre in Tel Aviv, Israel in 2004.

FINANCIAL AND OPERATIONS REVIEW

In FY2016, QT Vascular's revenue declined by 14.4% to US$10.6 million, from US$12.4 million a year ago. This was mainly due to a decrease in the sales of its Chocolate® PTA Balloon Catheter ("Chocolate PTA") to Cordis, Inc. ("Cordis"). The distribution agreement with Cordis has been terminated and the distribution of the Group's Chocolate PTA product in the United States ("US") has transitioned over to Medtronic plc ("Medtronic") since 1 March 2017. The decrease in sales was partially offset by improved sales by the Group's direct sales team. Sales of Chocolate® PTCA Balloon Catheter ("Chocolate PTCA") and Glider PTCA by the direct sales team improved, with a 114.11% increase in average sales per sales representative of US$367,290 in FY2016 which reflects the healthy demand for the Group's products.

The US remained the Group's largest market, accounting for 86.9% of total revenue. Sales to Europe improved during the year. Europe accounted for 5.8% of total revenue with US$620,000 in sales, compared with US$426,000 a year ago.

With improvements in the Group's overall production efficiency, coupled with the lower sales to Cordis, cost of sales decreased by 28.9% to US$5.9 million in FY2016. As a result, the Group achieved gross profit of US$4.7 million with a gross margin of 44.1% in FY2016, compared with a gross profit of US$4.1 million and gross margin of 32.8% in FY2015.

Sales and marketing expenses remain relatively stable at US$10.1 million in FY2016. However, administrative expenses decreased 35.5% to US$8.2 million in FY2016 mainly due to the decrease in professional fees relating to the litigation with AngioScore, Inc. ("AngioScore").

Research and development expenses increased by 17.3% to US$9.3 million due to research and development expenses due to further development cost incurred on Chocolate Touch®, the Group's peripheral drug-coated balloon, which was expensed off in FY2016 in line with the Group's accounting policies for capitalisation of development costs in relation to its intangible assets.

The Group's net finance costs of US$13.1 million in FY2016 mainly relates to interest expenses of US$10.3 million, fair value loss in relation to the convertible notes of US$2.6 million, and foreign exchange loss of US$0.2 million due to exchange rate fluctuations between the Singapore dollar and the US dollar.

The decrease in other expenses by US$23.9 million in FY2016 and the presence of other income amounting to 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 following the reversal of the judgement on the State Law claims by the Appeal Court in its ruling on 21 July 2016.

As a result of the above, the Group recorded a net loss attributable to shareholders of US$12.0 million in FY2016, compared with US$53.1 million in FY2015.

FINANCIAL POSITION

The Group had negative working capital of US$23.7 million as at 31 December 2016 due to the

convertible and exchangeable notes and short-term loans amounting to US$17.8 million and current trade and other payables of US$10.5 million. To address the negative working capital of the Group, management has taken various steps to address it such as the S$10 million capital commitment with GEM Global, the settlement of convertible notes and short-term loans using shares as well as the worldwide distribution agreement with Medtronic for its Chocolate PTA product.

Non-current assets decreased by US$0.3 million to US$13.6 million as at 31 December 2016, mainly due to the increase in amortisation of the Group's tangible assets and depreciation of property, plant and equipment. Current assets decreased by US$7.1 million to US$6.3 million as at 31 December 2016 due to the utilisation of funds for research and development and general working capital requirements. The overall decrease in current asset was also due to the decrease in inventory balances following the utilisation of existing raw materials on hand for production purposes, and trade and other receivables of US$1.7 million in line with lower sales during the year.

Non-current liabilities decreased by US$3.5 million to US$0.1 million as at 31 December 2016 due to the reclassification of loans and borrowings arising from the convertible notes issued in August and December 2015 amounting to US$3.5 million to current liabilities. Current liabilities decreased by US$7.5 million to US$29.9 million as at 31 December 2016 mainly due to the reversal of the provision for legal liability of US$23.4 million following the ruling by the Appeal Court to reverse the district court's judgement on the State Law claims and decrease in trade and other payables (including derivatives) of US$3.1 million mainly due to the settlement of derivatives in relation to the convertible and exchangeable notes and balances due to suppliers. The decrease in current liabilities was offset by the increase in loans and borrowings arising from the convertible and exchangeable notes issued in August and December 2015 (reclassified from non-current liabilities), March 2016 and May 2016 of US$15.0 million and short-term loans undertaken in FY2016 of US$2.8 million and deferred income by US$1.2 million arising from funds we received in advance from our customers.

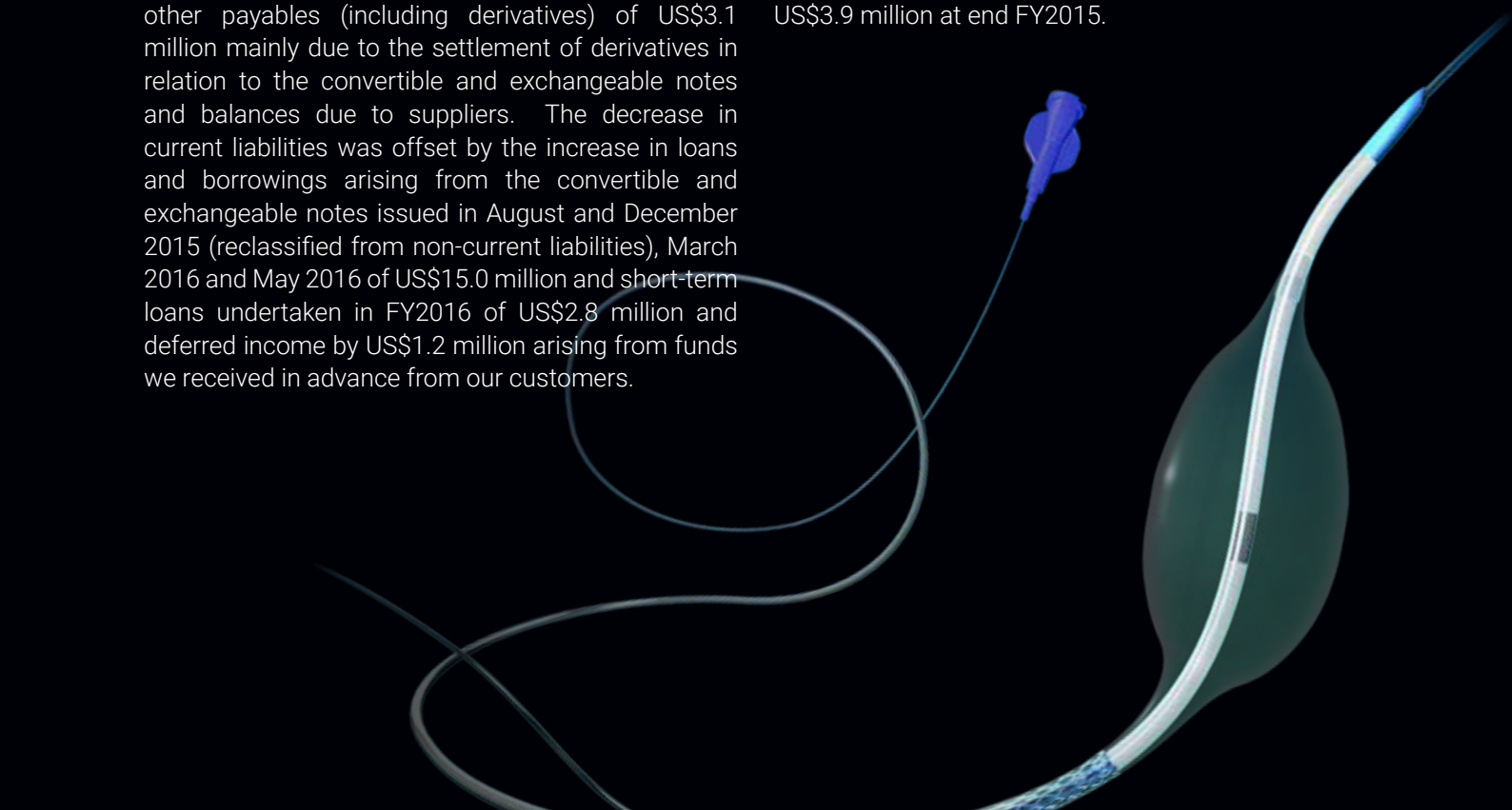
CASH FLOW ANALYSIS

The Group recorded cash outflows from operating activities of US$14.9 million for FY2016 which was a result of an operating profit before working capital changes of US$4.6 million and a net cash outflow as a result of changes in working capital of US$19.6 million. The decrease in working capital was mainly due to the reversal of the US$23.4 million arising from the AngioScore judgement liability provision recorded in the Group's books in FY2016 and decrease in trade and other payables, including derivatives of US$1.1 million. The decrease in working capital is partially offset by the decreases in trade and other receivables and inventories of US$1.7 million and US$1.9 million respectively during the year. The increase in deferred income of US$1.3 million also offset the decrease in working capital.

Cash used in investing activities for FY2016 was approximately US$1.1 million which was mainly due to purchases of plant and equipment of approximately US$0.3 million and intangible assets pertaining to capitalization of expenses on developed technology of approximately US$0.7 million.

In FY2016, net cash inflow from financing activities was US$12.5 million which was mainly due to receipt of funds of US$4.2 million from short-term loans from certain employees and directors of the Group and third parties for working capital purposes as well as US$8.3 million from the issuance of convertible and exchangeable notes.

As a result, the Group's cash and cash equivalents decreased to US$0.3 million at end FY2016, from US$3.9 million at end FY2015.





CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Non-Executive:

Mark Wan
Non-Independent Non-Executive Director

Amir Belson
Independent Director

Gregory Casciaro
Independent Director

Sho Kian Hin
Independent Director

Executive:

Eitan Konstantino
Chief Executive Officer

Gary Ng Sin Tong
Director, Capital and Strategic Markets

AUDIT COMMITEE

Sho Kian Hin (Chairman)
Amir Belson
Gregory Casciaro

NOMINATING COMMITTEE

Gregory Casciaro (Chairman)
Eitan Konstantino
Amir Belson

REMUNERATION COMMITTEE

Amir Belson (Chairman)
Gregory Casciaro
Mark Wan

COMPANY SECRETARY

Lee Pih Peng

REGISTERED OFFICE

3A International Business Park
#09-10/11/12 ICON @ IBP Tower B
Singapore 609935
Tel: (65) 6430 0288
Fax: (65) 6659 8187

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00
Singapore 068898

AUDITORS

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Audit Partner-in-charge
Chu Sook Fun
Since Financial Year 2013

SPONSOR

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

PRINCIPAL BANKER

Citibank Singapore Limited
8 Marina View
#21-01 Asia Square Tower 1
Singapore 018960

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Proxy Form

CORPORATE **GOVERNANCE**

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2012 AND CATALIST RULES

The Board of Directors (the "**Board**") of QT Vascular Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2016 ("**FY2016**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td rowspan="2">General</td><td>(a) Has the Company complied with all the principles and guidelines of the Code?

If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</td><td>The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.

Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.</td></tr>
<tr><td>(a) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?</td><td>Not applicable. The Company did not adopt any alternative corporate governance practices in FY2016.</td></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3"><u>The Board's Conduct of Affairs</u></td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>The Board has 6 members and comprises the following:

<table>
<tr><th colspan="2">Composition of the Board</th><th colspan="3">Composition of the Board Committees
• C – Chairman
• M - Member</th></tr>
<tr><th>Name of Director</th><th>Designation</th><th>AC (1)</th><th>NC (2)</th><th>RC (3)</th></tr>
<tr><td>Eitan Konstantino</td><td>Chief Executive Officer</td><td>-</td><td>M</td><td>-</td></tr>
<tr><td>Mark Allen Wan</td><td>Non-Independent Non-Executive Director</td><td>-</td><td>-</td><td>M</td></tr>
<tr><td>Amir Belson</td><td>Independent Director</td><td>M</td><td>M</td><td>C</td></tr>
<tr><td>Gregory David Casciaro</td><td>Independent Director</td><td>M</td><td>C</td><td>M</td></tr>
<tr><td>Eric Sho Kian Hin</td><td>Independent Director</td><td>C</td><td>-</td><td>-</td></tr>
<tr><td>Gary Ng Sin Tong</td><td>Executive Director</td><td>-</td><td>-</td><td>-</td></tr>
</table>
Notes:
(1) The AC comprises 3 members, all of whom are independent.
(2) The NC comprises 3 members, the majority of whom, including the Chairman, are independent.
(3) The RC comprises 3 members, the majority of whom, including the Chairman, are independent. All the members of the RC are non-executive Directors.</td></tr>
</table>

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board's principal functions are, inter alia:

• overseeing the Company, including its control and accountability systems;
• monitoring and reviewing senior management's performance and implementation of strategy;
• satisfying itself that senior management has developed and implemented a sound system of risk management and internal controls in relation to financial reporting risks and has reviewed the effectiveness of the operation of that system;
• assessing the effectiveness of senior management's implementation of systems for managing material business risks, including the making of additional enquiries and to request assurances regarding the management of material business risks, as appropriate;
• ensuring compliance with all laws and regulations as may be relevant to the business; and
• providing overall corporate governance of the Company.</td></tr>
<tr><td>1.3</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td>The Board has delegated certain responsibilities to the Audit Committee (the "AC"), the Nominating Committee (the "RC") and the Remuneration Committee (the "NC") (collectively, the "Board Committees"). The compositions of the Board Committees have been set out in Section 1.1 of this report.</td></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board meets at least four (4) times a year, and as and when circumstances require. During the financial year ended 31 December 2016, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below:

<table>
<tr><td colspan="5">Table 1.4 - Directors' Attendance</td></tr>
<tr><td></td><td>Board</td><td>AC</td><td>NC</td><td>RC</td></tr>
<tr><td>Number of Meetings Held</td><td>5</td><td>4</td><td>2</td><td>4</td></tr>
<tr><td>Name of Director</td><td colspan="4">Number of Meetings Attended</td></tr>
<tr><td>Mark Allen Wan</td><td>5</td><td>4</td><td>2</td><td>4</td></tr>
<tr><td>Eitan Konstantino</td><td>5</td><td>4</td><td>2</td><td>-</td></tr>
<tr><td>Robert Michael Kleine (1)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Gregory David Casciaro</td><td>5</td><td>4</td><td>2</td><td>4</td></tr>
<tr><td>Toe Teow Heng (2)</td><td>1</td><td>1</td><td>-</td><td>-</td></tr>
<tr><td>Gary Ng Sin Tong</td><td>5</td><td>3</td><td>-</td><td>-</td></tr>
<tr><td>Eric Sho Kian Hin</td><td>5</td><td>4</td><td>-</td><td>-</td></tr>
<tr><td>Amir Belson (3)</td><td>1</td><td>1</td><td>-</td><td>2</td></tr>
</table>
Notes:
(1) Robert Michael Kleine retired as a Director of the Company on 28 April 2016.
(2) Toe Teow Heng resigned as a Director of the Company on 3 June 2016.
(3) Amir Belson was appointed as a Director of the Company on 4 August 2016.

The Board is also briefed periodically by senior management on the Group's strategy and performance.

The Company's Constitution allows for meetings to be held through teleconferencing and/or videoconferencing.</td></tr>
<tr><td>1.5</td><td>What are the types of material transactions which require approval from the Board?</td><td>Matters and transactions that require the Board's approval include, amongst others, the following:

• major capital expenditure, capital management and acquisitions and divestitures;
• Chapter 9 and Chapter 10 transactions in the SGX-ST Listing Manual Section B: Rules of Catalist (the "Catalist Rules");
• the Company's control and accountability systems;
• share issuance, dividend release or changes in capital;
• the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance;
• the Company's financial statements, financial results announcements, budgets; and
• all matters which crosses the Materiality Threshold*.

Note:
* The Board will establish materiality thresholds from time to time which will reflect the stage of development of the Company and takes into consideration the guidelines provided in the Catalist Rules.</td></tr>
</table>

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1.6</td><td>(a) Are new Directors given formal training? If not, please explain why.</td><td>Newly appointed Directors will receive comprehensive and tailored induction upon joining the Board, including their duties as directors and how to discharge those duties. An orientation program including site visits to the Group's operations will be held where required to ensure that the Directors are familiar with the Group's business, organisation structure, corporate strategies and policies, and governance practices. The Company will also provide training for first-time Directors in areas such as accounting, legal and industry specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company.</td></tr>
<tr><td></td><td>(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?</td><td>The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on and contribute to the Board. The Board will consider adopting a policy on continuous professional development for Directors.

To ensure Directors can fulfil their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development during the term of their appointment. Professional development may relate to a particular subject area, committee membership, or key developments in the Company's environment, market or operations which may be provided by accredited training providers such as the Singapore Institute of Directors. Directors are encouraged to consult the Chairman if they consider that they personally, or the Board as a whole, would benefit from specific education or training regarding matters that fall within the responsibility of the Board or relate to the Company's business. Such trainings costs are borne by the Company.

The table below shows the trainings attended by Directors in FY2016:

<table>
<tr><td colspan="3">Table 1.6(b) – Trainings attended by Directors in FY2016:</td></tr>
<tr><td>Name of Director</td><td>Course</td><td>Training Provider</td></tr>
<tr><td>Amir Belson</td><td>Duties of directors of Singapore listed companies</td><td>Rajah and Tann</td></tr>
</table>
In addition, briefings and updates for the Directors in FY2016 include:

• the external auditors ("EA") had briefed the AC on changes or amendments to accounting standards; and
• the Company Secretary had briefed the Board on regulatory changes, such as changes to the Companies Act and/or the SGX-ST Listing Manual Section B: Rules of Catalist.</td></tr>
<tr><td colspan="3"><u>Board Composition and Guidance</u></td></tr>
<tr><td>2.1
2.2
3.3</td><td>Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.</td><td>Guideline 2.1 is met as more than one-third of the Board is independent.

Guideline 2.2 of the Code is met as the Independent Directors make up half of the Board.

As set out in Section 3.1 of this report, the Company currently does not have a Chairman of the Board, and accordingly, Guideline 3.3 of the Code is not applicable.</td></tr>
<tr><td>2.3
4.3</td><td>Has the independence of the Independent Directors been reviewed in the last financial year?</td><td>The Board takes into account the existence of relationships or circumstances, including those identified by the Code, that are relevant in its determination as to whether a Director is independent. In addition, the NC reviews the individual directors' declaration in their assessment of independence.

The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code.</td></tr>
<tr><td></td><td>(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.

(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</td><td>There is no Director who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.</td></tr>
</table>

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>2.4</td><td>Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.</td><td>There is no Independent Director who has served beyond nine years since the date of his first appointment.</td></tr>
<tr><td>2.5</td><td>What are the steps taken by the Board to progressively renew the Board composition?</td><td>The Board is of the opinion that it would be most effective to draw on the wealth of experience from the longer serving directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required.

To meet the changing challenges in the industry and countries which the Group operates in, such reviews, which includes considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies would be done on a regular basis to ensure that the Board dynamics remain optimal.</td></tr>
<tr><td rowspan="2">2.6</td><td>(a) What is the Board's policy with regard to diversity in identifying director nominees?</td><td>The Board and board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company. The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.</td></tr>
<tr><td>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:

Table 2.6 – Balance and Diversity of the Board
<table><tr><th></th><th>Number of Directors</th><th>Proportion of Board (%)</th></tr><tr><td>Core Competencies</td><td></td><td></td></tr><tr><td>- Accounting or finance</td><td>2</td><td>33</td></tr><tr><td>- Business management</td><td>5</td><td>83</td></tr><tr><td>- Legal or corporate governance</td><td>6</td><td>100</td></tr><tr><td>- Relevant industry knowledge or experience</td><td>6</td><td>100</td></tr><tr><td>- Strategic planning experience</td><td>6</td><td>100</td></tr><tr><td>- Customer based experience or knowledge</td><td>5</td><td>83</td></tr><tr><td>- Information Technology</td><td>3</td><td>50</td></tr><tr><td>Gender</td><td></td><td></td></tr><tr><td>- Male</td><td>6</td><td>100</td></tr><tr><td>- Female</td><td>-</td><td>-</td></tr></table></td></tr>
<tr><td></td><td>(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</td><td>The Board has taken the following steps to maintain or enhance its balance and diversity:

• Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
• Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.</td></tr>
<tr><td>2.8</td><td>Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?</td><td>The Non-Executive Directors are scheduled to meet regularly, and as warranted, in the absence of key management personnel to discuss concerns or matters such as the effectiveness of Management.

The Non-Executive Directors have met once in the absence of key management personnel in FY2016.</td></tr>
</table>

CORPORATE **GOVERNANCE**

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	The roles of the Chairman and CEO are separate to ensure a clear division of their responsibilities, increased accountability and greater capacity of the Board for independent decision making. The responsibilities of the Chairman are as follows: (a) to lead the Board to ensure its effectiveness on all aspects of its role; (b) to promote a culture of openness and debate at the Board; (c) to facilitate the effective contribution of non-executive directors in particular; and (d) to promote high standards of corporate governance. The former Chairman retired as a Director of the Company on 28 April 2016 and the Company has yet to appoint a new Chairman as the current Board composition is currently made up of: • 50% of independent directors; and • 67% of non-executive directors. Currently, the Board deliberates and makes all necessary decisions on a collective basis as a whole. The Board is of the opinion that the aforementioned arrangement does not impede the functioning of the Board and the decision-making process after taking into consideration the following: • Size and capabilities of the Board; • Size and operations of the Group; and • Safeguards currently in place (such as the requirement for the Board's approval for material transactions) to ensure that decision-making by the Board is collective. Notwithstanding the above, the Board will endeavour to appoint a Chairman as soon as practicable to assume the responsibilities of the Chairman. The responsibilities of the CEO are as follows: (a) to progress and advance the strategic direction provided by the Board; (b) the operational running of the Company, pursuant to the Board delegating to the CEO certain of the Board's powers, authorities and discretions; (c) to set the agenda of Board meetings and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; (d) to ensure that the directors receive complete, adequate and timely information; (e) to ensure effective communication with shareholders; and (f) to encourage constructive relations within the Board and between the Board and Management.
3.4	Have the Independent Directors met in the absence of other directors?	The Independent Directors will meet in the absence of the other directors as and when circumstances warrant. The Independent Directors have met once in the absence of the other directors in FY2016.
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: (a) the review of board succession plans for directors, in particular, the Chairman and for the CEO; (b) the development of a process for evaluation of the performance of the Board, its board committees and directors; (c) the review of training and professional development programs for the Board; (d) to review and approve any new employment of related persons and proposed terms of their employment; (e) to decide whether or not a director of the Company is able to and has been adequately carrying out his duties as a director; and (f) board appointments and re-nominations of existing directors for re-election in accordance with the Company's Constitution (including alternate directors, if applicable) after having considered important issues, as part of the process for the selection, appointment and re-appointment of directors, as to composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation, candour) including, if applicable, as an independent director. Ensuring all directors submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years.

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td rowspan="4">4.4</td><td>(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?</td><td>The Board has set the maximum number of listed company board representations as 8.

Having assessed the capacity of the Directors based on factors disclosed in Section 4.4(c) below, the Board is of the view that this number would allow Directors to have increased exposure to different Boards and broaden their experience and knowledge in relation to Board matters, hence ultimately benefiting the Company.</td></tr>
<tr><td>(b) If a maximum has not been determined, what are the reasons?</td><td>Not applicable.</td></tr>
<tr><td>(c) What are the specific considerations in deciding on the capacity of directors?</td><td>The considerations in assessing the capacity of Directors include the following:

• Expected and/or competing time commitments of Directors , including whether such commitment is a full-time or part-time employment capacity;
• Geographical location of Directors;
• Size and composition of the Board;
• Nature and scope of the Group's operations and size; and
• Capacity, complexity and expectations of the other listed directorships and principle commitments held.

The measures and evaluation tools in place to assess the performance and consider competing time commitments of the Directors include the following:-

• Declarations by individual Directors of their other listed company board directorships and principal commitments;
• Annual confirmations by each Director on his/her ability to devote sufficient time and attention to the Company's affairs, having regard to his/her other commitments; and
• Assessment of the individual Directors' performance based on the criteria set out in Section 5 of this report.</td></tr>
<tr><td>(d) Have the Directors adequately discharged their duties?</td><td>The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any) and is satisfied that all Directors have discharged their duties adequately for FY2016.</td></tr>
<tr><td>4.5</td><td>Are there alternate Directors?</td><td>The Company does not have any alternate directors.</td></tr>
<tr><td>4.6</td><td>Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.</td><td>
<table>
<tr><th colspan="3">Table 4.6(a) – Process for the Selection and Appointment of New Directors</th></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>• The NC, in consultation with the Board, would identify the current needs of the Board in terms of expertise and skills that are required in the context of the strengths and weaknesses of the existing Board to complement and strengthen the Board.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>• The NC would consider candidates proposed by the Directors, management or substantial shareholders, and may engage professional search firms where necessary.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>• The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Appointment of director</td><td>• The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table>

<table>
<tr><th colspan="3">Table 4.6(b) – Process for Re-electing Incumbent Directors</th></tr>
<tr><td>1.</td><td>Assessment of director</td><td>• The NC would assess the contributions and performance of the director in accordance with the performance criteria set by the Board; and

• The NC would also review the range of expertise, skills and attributes of current Board members and consider the current needs of the Board.</td></tr>
<tr><td>2.</td><td>Re-appointment of director</td><td>• Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.</td></tr>
</table>

Pursuant to Article 98 of the Constitution, at least one-third of the Directors for the time being (or if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. For the avoidance of doubt, each Director shall retire from office at least once every three (3) years. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for three (3) years since their last election.</td></tr>
</table>

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>As such, the Board has accepted the NC's recommendations to seek the approval of shareholders at the forthcoming AGM to re-elect Eitan Konstantino and Mark Allen Wan who will be retiring pursuant to Article 98 of the Constitution. In making the recommendations, the NC have considered Eitan Konstantino and Mark Allen Wan's overall contribution and performance. Eitan Konstantino has abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his own performance or re-election as a director. Eitan Konstantino will, upon re-election as a Director, remain as a member of the NC. Mark Allen Wan will, upon re-election as a Director, remain as a member of the RC.

The Board has also accepted the NC's recommendations to seek the approval of shareholders at the forthcoming AGM to re-elect Amir Belson who will be retiring pursuant to Article 102 of the Constitution. In making the recommendations, the NC had considered the director's overall contribution and performance. Amir Belson will, upon re-election as a Director, remain as the Chairman of the RC and a member of the AC and the NC. Amir Belson is considered independent for the purpose of Rule 704(7) of the Catalist Rules.

Further, the NC has reviewed and noted that Eitan Konstantino and Amir Belson do not have any relationship including immediate and family relationships with the other Directors, the Company or its 10% shareholders.

The NC has also reviewed and noted that Mark Allen Wan does not have any relationship including immediate and family relationships with the other Directors and the Company. However, Mark Allen Wan is a managing member of Three Arch Management, the general partner of Three Arch Partners IV, L.P. and Three Arch Associates IV, L.P. and is deemed to have share voting and dispositive power over the shares held by Three Arch Partners IV, L.P. and Three Arch Associates IV, L.P.. Accordingly, Mark Allen Wan is deemed interested in 12.00% of the issued shares of the Company held by Three Arch Partners IV, L.P. and Three Arch Associates IV, L.P. collectively as at 3 May 2017.</td></tr>
<tr><td>4.7</td><td>Please provide Directors' key information.</td><td>The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out in the table below.

<table>
<tr><th colspan="7">Table 4.7 - Directors' Key Information</th></tr>
<tr><th rowspan="2">Name of Director</th><th rowspan="2">Board Membership</th><th rowspan="2">Date of first appointment</th><th rowspan="2">Date of last re-appointment</th><th colspan="2">Directorships in other listed companies</th><th rowspan="2">Other Principal Commitments</th></tr>
<tr><th>Current</th><th>Past three years</th></tr>
<tr><td>Eitan Konstantino</td><td>CEO</td><td>11 July 2013</td><td>30 April 2015</td><td>Nil</td><td>Nil</td><td>Founding director of Singapore Medtech Accelerator Pte. Ltd.;

Member of SPRING Singapore's Medtech Network of Advisors;

Co-chairman of F04.30.06 Cardiovascular Standards Task Group of the American Society for Testing and Materials</td></tr>
<tr><td>Mark Allen Wan</td><td>Non-Independent Non-Executive Director</td><td>11 July 2013</td><td>30 April 2015</td><td>AcelRx Pharmaceutical, Inc.</td><td>Biosensors International Group, Ltd.
ePocrates, Inc.</td><td>Managing Member of Three Arch Management IV, LLC</td></tr>
<tr><td>Amir Belson</td><td>Independent Director</td><td>4 August 2016</td><td>Not applicable</td><td>AlterG, Inc.
Emboline, Inc.
Modular Surgical, Inc.
Oxyvive, Inc.
Qool Therapeutic, Inc.
Radiaction Ltd.
SuperRenal, Inc.
VasoStitch, Inc.
Zipline Medical, Inc.</td><td>Vascular Pathways, Inc.</td><td>Founding Director of Zipline Medical, Inc.

Founding Director of Emboline, Inc.</td></tr>
<tr><td>Gregory David Casciaro</td><td>Independent Director</td><td>14 August 2013</td><td>28 April 2016</td><td>Cardica Inc.</td><td>Nil</td><td>President, CEO and Director of Cardiac Dimensions, Inc.

Director and Member of Compensation Committee of Cardica Inc.</td></tr>
<tr><td>Sho Kian Hin</td><td>Independent Director</td><td>25 September 2015</td><td>28 April 2016</td><td>International Healthway Corporation Limited</td><td>China Farm Equipment Limited</td><td>Executive Director of China Farm Equipment Pte. Ltd.</td></tr>
<tr><td>Gary Ng Sin Tong</td><td>Executive Director</td><td>6 August 2015</td><td>28 April 2016</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
</table>

The profile of each Director (including academic and professional qualifications) is presented in this annual report under the heading "Board of Directors".</td></tr>
</table>

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Board Performance</u></td></tr>
<tr><td>5.1
5.2
5.3</td><td>What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board:

Table 5 – Performance Criteria
<table><tr><th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr><tr><td>Qualitative</td><td>1. Size and composition
2. Access to information
3. Board processes
4. Inputs to strategic planning
5. Board accountability
6. CEO/Top Management interaction
7. Standards of Conduct</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Overall effectiveness
5. Engagement with Management</td></tr></table>
The evaluations are designed to assess the Board's effectiveness to enable the NC Chairman and Board to identify the areas of improvement or enhancement which can be made to the Board.

The NC would review the criteria on a periodic basis to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders value, thereafter propose amendments if any, to the Board for approval.

The NC did not propose any changes to the performance criteria for FY2016 as compared to the previous financial year as the economic climate, Board composition, the Group's principal business activities remained the same since FY2015.</td></tr>
<tr><td></td><td>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</td><td>The review of the performance of the Board and the Board Committees is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election.

For FY2016, the review process was as follows:

1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board and Board Committees, and the individual Directors based on criteria disclosed in Table 5 above;
2. The questionnaire results are collated for the NC's discussion and the NC concluded the performance results during the NC meeting; and
3. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance.

No external facilitator was used in the evaluation process.</td></tr>
<tr><td></td><td>(a) Has the Board met its performance objectives?</td><td>Yes, the Board has met its performance objectives.</td></tr>
</table>

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Access to Information</u></td></tr>
<tr><td>6.1
10.3</td><td>What types of information does the Company provide to Non-Executive Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</td><td>It is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. This responsibility extends to the interim and full-year financial results announcements, other price-sensitive public reports and reports to regulators (if required).

Management provides the Board with key information that is complete, adequate and timely. The types of information which are provided by Management to Independent Directors are set out in the table below:

<table>
<tr><th></th><th>Information</th><th>Frequency</th></tr>
<tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Quarterly</td></tr>
<tr><td>2.</td><td>Updates to the Group's operations and the markets in which the Group operates in</td><td>Quarterly</td></tr>
<tr><td>3.</td><td>Reports on on-going or planned corporate actions</td><td>Quarterly</td></tr>
<tr><td>4.</td><td>Internal auditors' ("IA") report(s)</td><td>Yearly</td></tr>
<tr><td>5.</td><td>Regulatory updates and implications</td><td>As and when required</td></tr>
<tr><td>6</td><td>Significant project updates</td><td>As and when required</td></tr>
<tr><td>7</td><td>External Auditors' reports</td><td>Yearly</td></tr>
</table>

Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings. As such, Management endeavours to circulate information for the Board meetings at least one week prior to the meetings to allow sufficient time for the Directors' review.

Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. Directors are also provided with the contact details of key management personnel to facilitate direct and independent access to Management.</td></tr>
<tr><td>6.3</td><td>What is the role of the Company Secretary?</td><td>All Directors have separate and independent access to the Company Secretary. The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows:

• Ensuring that board procedures are followed and that the Company's Constitution, applicable rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act (Chapter 50) of Singapore and the SGX-ST Listing Manual Section B: Rules of Catalist (the "Catalist Rules"), are complied with;
• Ensuring good information flows within the Board and its board committees and between the senior management and the Directors, advising the Board on all governance matters, facilitating orientation and assisting with professional developments; and
• Attending all board and committee meetings.

Individually or collectively, in order to execute their duties, Directors are able to obtain independent professional advice at the Company's expense as and when required.</td></tr>
</table>

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">REMUNERATION MATTERS</td></tr>
<tr><td colspan="3"><u>Developing Remuneration Policies</u>
<u>Level and Mix of Remuneration</u></td></tr>
<tr><td>7.1</td><td>What is the role of the RC?</td><td>The RC is guided by key terms of reference which include, amongst others, the following:

(a) Review and recommend to the Board a general framework of remuneration for the Board and key management personnel, as well as specific remuneration packages for each Director and key management personnel of the Company;
(b) Review annually the remuneration of the key management personnel and the Executive Director(s) including the terms of renewal for their Service Agreements;
(c) Review the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service and to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
(d) Oversee the administration of the Company's 2014 QTV Employee Share Option Scheme ("2014 ESOS") and QT Vascular Restricted Share Plan 2015 ("2015 RSP") (or such other similar share plans as may be implemented by the Company from time to time) upon the terms of reference as defined in the said 2014 ESOS and 2015 RSP, and the practical administration of the options granted under the QTV 2013 Share Plan, the 2005 Stock Plan and the 2010 Equity Incentive Plan.</td></tr>
<tr><td>7.3</td><td>Were remuneration consultants engaged in the last financial year?</td><td>In FY2016, the Company engaged Compensia, Inc., which does not have any relationship with the Company, to come up with equity grant guidelines for employees and Board of Directors as well as coverage of such guideline differentials for US and Singapore.</td></tr>
<tr><td>8.4</td><td>Are "claw-back" provisions provided for in the service agreements of Executive Directors and key management personnel?</td><td>The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.</td></tr>
<tr><td colspan="3"><u>Disclosure on Remuneration</u></td></tr>
<tr><td>9</td><td>What is the Company's remuneration policy?</td><td>The Company's remuneration policy, which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, benefits-in-kind, bonuses, options, share-based incentives and awards, is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.</td></tr>
<tr><td>9.1
9.2</td><td>Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Directors for FY2016 is as follows:

<table>
<tr><td colspan="8">Table 9 – Directors' Remuneration</td></tr>
<tr><th>Name</th><th>Remuneration Bands[4]</th><th>Salary (%)</th><th>Bonus (%)</th><th>Directors Fees (%)</th><th>Benefits-in-kind (%)</th><th>Stock options / Restricted share awards (%)</th><th>Total (%)</th></tr>
<tr><td>Toe Teow Heng [1]</td><td>A</td><td>-</td><td>-</td><td>100</td><td>-</td><td>-</td><td>100</td></tr>
<tr><td>Eitan Konstantino</td><td>D</td><td>79</td><td>-</td><td>-</td><td>3</td><td>18</td><td>100</td></tr>
<tr><td>Mark Allen Wan</td><td>A</td><td>-</td><td>-</td><td>100</td><td>-</td><td>-</td><td>100</td></tr>
<tr><td>Robert Michael Kleine [2]</td><td>A</td><td>-</td><td>-</td><td>100</td><td>-</td><td>-</td><td>100</td></tr>
<tr><td>Gregory David Casciaro</td><td>A</td><td>-</td><td>-</td><td>100</td><td>-</td><td>-</td><td>100</td></tr>
<tr><td>Gary Ng Sin Tong</td><td>A</td><td>62</td><td>5</td><td>-</td><td>8</td><td>25</td><td>100</td></tr>
<tr><td>Eric Sho Kian Hin</td><td>A</td><td>-</td><td>-</td><td>100</td><td>-</td><td>-</td><td>100</td></tr>
<tr><td>Amir Belson [3]</td><td>A</td><td>-</td><td>-</td><td>100</td><td>-</td><td>-</td><td>100</td></tr>
</table>

Notes:
(1) Toe Teow Heng resigned as a Director of the Company on 3 June 2016.
(2) Robert Michael Kleine retired as a Director of the Company on 28 April 2016.
(3) Amir Belson was appointed as a Director of the Company on 4 August 2016.
(4) Remuneration Bands:
Band "A" refers to remuneration of up to S$250,000 per annum; and
Band "D" refers to remuneration from S$750,001 to S$1,000,000 per annum.</td></tr>
</table>

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>The breakdown of directors fees for the Non-Executive Directors for FY2016 is set out in the table below:

<table>
<tr><th>Name</th><th>Basic Fee (%)</th><th>Fee for appointment to AC (%)</th><th>Fee for appointment to other Board Committees (%)</th><th>Attendance fee for Board and Board Committee Meetings (%)</th><th>Others (%)</th><th>Total (%)</th></tr>
<tr><td>Mark Allen Wan</td><td>100</td><td>-</td><td>-</td><td>-</td><td>-</td><td>100</td></tr>
<tr><td>Gregory David Casciaro</td><td>100</td><td>-</td><td>-</td><td>-</td><td>-</td><td>100</td></tr>
<tr><td>Eric Sho Kian Hin</td><td>80</td><td>20</td><td>-</td><td>-</td><td>-</td><td>100</td></tr>
<tr><td>Amir Belson</td><td>100</td><td>-</td><td>-</td><td>-</td><td>-</td><td>100</td></tr>
</table>

After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment and the nature of the industry for which specialised skill sets are required.

There were no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top key management personnel (who are not Directors or the CEO).</td></tr>
<tr><td rowspan="2">9.3</td><td>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The Company only has three (3) top key management personnel.

The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2016 is as follows:

<table>
<tr><th colspan="7">Table 9.3 – Remuneration of Key Management Personnel</th></tr>
<tr><th>Name</th><th>Remuneration Bands(1)</th><th>Salary (%)</th><th>Bonus (%)</th><th>Benefits-in-kind (%)</th><th>Share options / Restricted Share Awards (%)</th><th>Total (%)</th></tr>
<tr><td>Randal Farwell</td><td>B</td><td>86</td><td>-</td><td>4</td><td>10</td><td>100</td></tr>
<tr><td>Maria Pizarro</td><td>C</td><td>51</td><td>-</td><td>1</td><td>48</td><td>100</td></tr>
<tr><td>Momi Brosh</td><td>C</td><td>29</td><td>-</td><td>-</td><td>71</td><td>100</td></tr>
</table>

Note:
(1) "Band B" refers to remuneration from S$250,001 to S$500,000 per annum; and "Band C" refers to remuneration from S$500,001 to S$750,000 per annum.</td></tr>
<tr><td>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The total remuneration (which includes vested Restricted Share Awards) paid to the top three (3) key management personnel (excluding the CEO and the Executive Director) for FY2016 was S$1,834,000.</td></tr>
<tr><td>9.4</td><td>Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>There was no employee of the Group who was an immediate family member of a Director or the CEO whose remuneration exceeded S$50,000 in FY2016.</td></tr>
</table>

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>9.5</td><td>Please provide details of the employee share scheme(s).</td><td>Save for Eitan Konstantino, the Chief Executive Officer of the Company, Randal Farwell, the Chief Financial Officer of the Company, Maria Pizarro, the Executive Vice President and Vice President, Research and Development of the Company and Shiva Ardakani, the Senior Vice President, Quality Assurance, Regulatory Affairs and Compliance of the Company, there are no participants who received 5% or more of the total number of outstanding options or share awards that have been granted under the Scheme (as defined on page 33 of this Annual Report).

Save for Eitan Konstantino, the Chief Executive Officer of the Company, Randal Farwell, the Chief Financial Officer of the Company, Maria Pizarro, the Executive Vice President and Vice President, Research and Development of the Company and Momi Brosh, the General Manager of the Company's Singapore operations, there are no participants who received 5% or more of the total number of outstanding share awards that have been granted under the 2015 RSP (as defined on page 34 of this Annual Report).

The Company does not have a parent company. During FY2016, no options or share awards have been granted at a discount.

Information relating to the Company's options and share awards for ordinary shares in the Company is set out on pages 33 and 34 and 74 to 77 of this Annual Report, and further information can be found in the Company's offer document dated 16 April 2014 and Appendix to shareholders dated 15 April 2015.</td></tr>
<tr><td rowspan="3">9.6</td><td>(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.</td><td>The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2016. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.</td></tr>
<tr><td>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:<table><tr><th>Performance Conditions</th><th>Short-term Incentives (such as performance bonus)</th></tr><tr><td>Qualitative</td><td>1. Leadership
2. People development
3. Commitment
4. Teamwork</td></tr></table></td></tr>
<tr><td>(c) Were all of these performance conditions met? If not, what were the reasons?</td><td>Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2016.</td></tr>
<tr><td colspan="3">ACCOUNTABILITY AND AUDIT</td></tr>
<tr><td colspan="3"><u>Risk Management and Internal Controls</u></td></tr>
<tr><td>11.3</td><td>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</td><td>The Board is responsible for the overall risk governance, risk management and internal control framework of the Group and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks.

The CEO meets with key management personnel on a regular basis to discuss operational, business and strategic matters. During these meetings, key projects and operational risks are identified and discussed, along with proposed mitigating measures to address these risks to ensure residual risks are mitigated to an acceptable level. Follow-ups are then performed in subsequent meetings to ensure mitigating actions are executed. Any significant issues identified from these meetings are brought to the attention of the Board.

The Group has in place a structured and systematic approach to risk management, and aims to mitigate the exposures through appropriate risk management strategies and internal controls. Risk management in the Group is a continuous, iterative and integrated process which has been incorporated into various planning, approval, execution, monitoring, review and reporting systems. The Group adopts a top-down as well as bottom-up approach on risk management to ensure strategic, business, operational, financial, reporting, compliance and information technology risk exposures are identified and appropriately managed.

The Board and the AC is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2016.</td></tr>
</table>

CORPORATE **GOVERNANCE**

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		The bases for the Board's view are as follows: 1. Assurance has been received from the CEO and CFO (refer to Section 11.3(b) below); 2. An internal audit has been done by the IA and significant matters highlighted to the AC and key management personnel were appropriately addressed; 3. Key management personnel regularly evaluates, monitors and reports to the AC on material risks; 4. Discussions were held between the AC and auditors in the absence of the key management personnel to review and address any potential concerns; 5. An enterprise risk management framework was established to identify, manage and mitigate significant risks; and 6. Risk appetite statements with tolerance limits have been approved by the Board to contain risks within acceptable levels. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from the CEO and CFO in respect of FY2016. The Board has additionally relied on the IA reports issued to the Company for FY2016 as assurances that the Company's risk management and internal control systems are effective.
Audit Committee		
12.1 12.4	What is the composition of and role of the AC?	All members of the AC are independent. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm. The AC is guided by the following key terms of reference: (a) consider the appointment or re-appointment of the external auditors, the level of their remuneration and matters relating to resignation or removal of the external auditors, and review with the external auditors the audit plans, their evaluation of the system of internal accounting controls, their audit reports, their management letter and the Company's management's response before submission of the results of such review to the Board for approval; (b) consider the appointment or re-appointment of the internal auditors, the level of their remuneration and matters relating to resignation or removal of the internal auditors, and review with the internal auditors the internal audit plans and their evaluation of the adequacy of the Company's system of internal accounting controls and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the Company's annual report (where necessary); (c) review the system of internal accounting controls and procedures established by management and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary);

CORPORATE **GOVERNANCE**

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>(d) oversees the development of the Company's risk framework to manage the current risk exposures and future risk strategy of the Company;
(e) review the annual and quarterly financial statements and results announcements, where applicable, before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major areas of judgement, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/ regulatory requirements;
(f) review the effectiveness and adequacy of the Company's administrative, operating, internal accounting and financial control procedures;
(g) review the scope and results of the external audit, and the independence and objectivity of the external auditors; and
(h) review arrangements by which the staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up.</td></tr>
<tr><td>12.2</td><td>Are the members of the AC appropriately qualified to discharge their responsibilities?</td><td>Yes. The Board considers Eric Sho Kian Hin, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the AC. Amir Belson and Gregory David Casciaro of the AC are also well versed in financial management.

The members of the AC collectively have many years of strong accounting and related financial management expertise and experience and are appropriately qualified to discharge their responsibilities.</td></tr>
<tr><td>12.5</td><td>Has the AC met with the auditors in the absence of key management personnel?</td><td>Yes, the AC has met with the IA and the EA once in the absence of key management personnel in FY2016.</td></tr>
<tr><td>12.6</td><td>Has the AC reviewed the independence of the EA?</td><td>The AC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.</td></tr>
<tr><td rowspan="2"></td><td>(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.</td><td>Table 12.6(a) – Fees Paid/Payable to the EA for FY2016
<table><tr><th></th><th>US$'000</th><th>% of total</th></tr><tr><td>Audit fees</td><td>309</td><td>96</td></tr><tr><td>Non-audit fees
- Auditors' report on government grant
- Corporate finance valuation services
- Tax related advices</td><td>
3
11
27</td><td>
1
3
8</td></tr><tr><td>Total</td><td>347</td><td>100</td></tr></table></td></tr>
<tr><td>(a) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.</td><td>The non-audit services rendered during FY2016 were not substantial.</td></tr>
<tr><td>12.7</td><td>Does the Company have a whistle-blowing policy?</td><td>Yes. The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the following Independent Directors:

<table><tr><th>Name</th><th>Email Address</th></tr><tr><td>Amir Belson</td><td>abelson@ziplinemedical.com</td></tr><tr><td>Gregory David Casciaro</td><td>gcasciaro@yahoo.com</td></tr><tr><td>Sho Kian Hin</td><td>eshokh88@yahoo.com</td></tr></table></td></tr>
<tr><td>12.8</td><td>What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?</td><td>In FY2016, the AC was briefed by the external auditors on the changes or amendments to the accounting standards which may have a direct impact on the financial statements.</td></tr>
</table>

CORPORATE **GOVERNANCE**

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
12.9	Are there any member of the AC who is a former partner or director of the Company's existing auditing firm or auditing corporation (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation?	There is no AC member who is a former partner or director of the Company's existing auditing firm or audit corporation.
Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	The Company's internal audit function is outsourced to One e-Risk Services Pte Ltd that reports directly to the AC Chairman and administratively to the CEO and CFO. The AC is responsible for the hiring, removal, evaluation and compensation of the accounting or auditing firm or corporation which the internal audit function of the Company is outsourced to. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that the IA is adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively. The AC is satisfied that internal auditor is able to discharge its duties effectively as the internal auditor: • is adequately qualified, given that the partner and staff assigned to the internal audit of the Company are members of the Institute of Internal Auditors and it adheres to the Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors; • is adequately resourced as there is a team of 2 members assigned to the Company's internal audit, led by Chen Yeow Sin who has more than 15 years of diverse audit experience; and • has the appropriate standing in the Company, given, inter alia, its involvement in certain AC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
14.2	Are shareholders informed of the rules, including voting procedures that govern general meetings of shareholders?	Shareholders are entitled to attend the general meetings of shareholders and are afforded the opportunity to participate effectively in and vote at general meetings of shareholders. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures that govern the general meetings of shareholders.
14.3	Are corporations which provide nominee or custodial services allowed to appoint more than two proxies?	The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a Central Provident Fund agent bank may attend and vote at general meetings.
Communication with Shareholders		
15.1	Does the Company have an investor relations policy?	The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company's investor relations website at https://qtvascular.com/news/singapore_exchange/, is a key resource of information for the investment community. It contains comprehensive information on the Company, including annual reports, past financial results, shares and dividend information.
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company solicits feedback from and addresses the concerns of shareholders (including institutional and retail investors) via the following: • an investor relations contact whose contact details can be found on the Investor Relations page of the Company's website, www.qtvascular.com; • media publications; and • investor/analyst briefings. The Company held investor briefings in FY2016 to meet with its institutional and retail investors.

CORPORATE **GOVERNANCE**

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The Company has an internal investor relations team. In addition, the Company has engaged an external investor relations firm, Waterbrooks Consultants Pte. Ltd. to assist the Company in its investor relations initiatives.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website and its investor relations webpage at www.qtvascular.com.
15.5	Does the Company have a dividend policy? Is the Company is paying dividends for the financial year? If not, please explain why.	The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, *inter alia*, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration. The Board has not declared or recommended any dividends for FY2016, as the Company was not profitable for FY2016.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company's Constitution allow for abstentia voting (including but not limited to the voting by mail, electronic mail or facsimile). The Company requires all Directors (including the respective chairman of the Board Committees) to be present at all general meetings of shareholders, except in cases of exigencies. The external auditors is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. All resolutions are put to vote by poll, and their detailed results including the total number and percentage of votes cast for and against each resolution will be announced via SGXNET after the conclusion of the general meeting. All minutes of general meetings including the questions raised by shareholders in relation to the meeting agenda and the responses from the Board and/or Management, will be made available to shareholders upon their request within a reasonable timeframe after the general meeting.

CORPORATE **GOVERNANCE**

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Catalist Rules 712 and 715.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board and the AC are of the opinion that the internal controls are adequate to address the financial, operational and compliance and information technology risks which the Group considers relevant and material to its current business scope and environment for FY2016 based on the following: • internal controls and the risk management system established by the Company; • work performed by the internal and external auditors; • assurances from the CEO and CFO; and • reviews done by the various Board Committees and key management personnel.
1204(17)	Interested Persons Transaction ("**IPT**")	The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. There were no interested person transactions which were more than S$100,000 entered into during the current financial period reported on. The Group does not have a general mandate for recurrent interested person transactions.
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full-year financial statements respectively, and ending on the date of the announcement of the relevant results.
1204(21)	Non-sponsor fees	For FY2016, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. non-sponsor fees of S$55,000.
1204(22)	Use of Proceeds	**2015 Convertible Notes** The Company announced a proposed issue of convertible notes of up to US$13.14 million (the "**Notes**") on 24 July 2015. On 6 August 2015, 18 December 2015 and 30 March 2016, the Company announced the completion of the subscription of the first, second and third tranches of the Notes respectively, amounting to an aggregate of US$13.14 million. After deducting expenses of approximately US$0.10 million incurred by the Company in connection with the issuance of the Notes, the net proceeds is approximately US$13.04 million ("**2015 CN Proceeds**"). As at 31 December 2016, the 2015 CN Proceeds have been fully utilised as follows: **Amount allocated US$'000** / **Amount utilised US$'000** / **Balance S$'000** Research and development: 7,850 / 7,850 / – General working capital purposes (1): 5,190 / 5,190 / – Total: 13,040 / 13,040 / – (1) A breakdown on the 2015 CN Proceeds utilised for general working capital purposes is as follows: **S$'000** Payment of salaries and wages: 2,248 Payment to suppliers: 1,720 Payment of professional fees: 1,222 Total: 5,190 The above utilisation are in accordance with the intended use of the 2015 CN Proceeds, as stated in the Company's announcement dated 24 July 2015.

CORPORATE GOVERNANCE

<table>
<tr><th>Catalist Rule</th><th>Rule Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>

2016 Convertible Notes

On 27 January 2016, the Company announced a proposed issue of convertible notes of up to US$4.20 million (the "**Convertible Notes**"). On 9 March 2016, the Company announced the completion of the subscription of the Convertible Notes. After deducting expenses of approximately US$0.05 million incurred by the Company in connection with the issuance of the Convertible Notes, the net proceeds is approximately US$4.15 million ("**Convertible Notes Proceeds**").

As at 31 December 2016, the Convertible Notes Proceeds have been fully utilised as follows:

	Amount allocated US$'000	Amount utilised US$'000	Balance US$'000
Research and development	1,050	1,050	–
General working capital purposes (2)	3,100	3,100	–
Total	4,150	4,150	–

(2) A breakdown on the Convertible Notes Proceeds utilised for general working capital purposes is as follows:

	US$'000
Payment of salaries and wages	662
Payment to suppliers	813
Payment of professional fees	1,625
Total	3,100

The above utilisation are in accordance with the intended use of the Convertible Notes Proceeds, as stated in the Company's announcement dated 27 January 2016.

2016 Exchangeable Notes

On 27 January 2016, the Company announced a proposed issue of exchangeable notes of up to US$1.86 million (the "**Exchangeable Notes**"). On 28 April 2016, the Company obtained shareholders' approval for the issuance of the Exchangeable Notes. On 12 May 2016, the Company announced the completion of the subscription of the Exchangeable Notes. After deducting expenses of approximately US$0.05 million incurred by the Company in connection with the issuance of the Convertible Notes, the net proceeds is approximately US$1.81 million ("**Exchangeable Notes Proceeds**").

As at 31 December 2016, the Exchangeable Notes Proceeds have been fully utilised as follows:

	Amount allocated US$'000	Amount utilised US$'000	Balance US$'000
Research and development	450	450	–
General working capital purposes (3)	1,360	1,360	–
Total	1,810	1,810	–

(3) The general working capital of US$1.36 million were used mainly for payment of salaries and wages.

The above utilisation are in accordance with the intended use of the Exchangeable Notes Proceeds, as stated in the Company's announcement dated 27 January 2016.

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DIRECTORS' **STATEMENT**

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2016.

In our opinion:

(a) the financial statements set out on pages 41 to 98 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date, in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Eitan Konstantino
Mark Allen Wan
Amir Belson (Appointed on 4 August 2016)
Gregory David Casciaro
Gary Ng Sin Tong
Sho Kian Hin

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and interests held	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
Eitan Konstantino		
● Ordinary shares	14,974,336	14,974,336
● Options	45,046,792	45,046,792
● Restricted share awards	1,907,000	11,958,550
Gregory David Casciaro		
● Options	4,115,768	4,115,768
● Restricted share awards	–	947,522

DIRECTORS' STATEMENT

Name of director and interests held	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
Mark Allen Wan		
● Ordinary shares [1]	157,284,444 [1]	157,284,444 [1]
● Options [1 2]	2,737,000 [1 2]	2,737,000 [1]
Gary Ng Sin Tong		
● Ordinary shares	–	600,000
● Options	1,215,000	1,215,000
● Restricted share awards	750,000	1,316,181
Amir Belson		
● Ordinary shares	1,200,288	1,200,288
● Options	79,616	79,616
● Restricted share awards	–	1,326,531
Sho Kian Hin		
● Restricted share awards	–	1,326,531

[1] Includes deemed interest held by Three Arch Partners IV, LP and Three Arch Associates IV, LP

[2] Includes 817,000 options that were subject to shareholders' approval at a general meeting held on 28 April 2016 as the options were granted to Mark Allen Wan, the Company's existing Non-Executive Director and controlling shareholder. The grant of the options to Mark Allen Wan was approved by shareholders during the meeting.

By virtue of Section 7 of the Act, Mark Allen Wan is deemed to have an interest in shares of the subsidiaries by virtue of his deemed interest in the shares held by Three Arch Partners IV, LP and Three Arch Associates IV, LP. Save as aforesaid, no directors are deemed to have interests in the subsidiaries of the Company, all of which are wholly-owned, at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Between the end of the financial year and 21 January 2017 as a result of the issue of ordinary shares from the QT Vascular Restricted Share Plan 2015 on 13 January 2017, the interests in the Company for the following directors are as follows:

Name of director and interests held	Holdings as at 31 December 2016	Holdings as at 21 January 2017
Eitan Konstantino		
● Ordinary shares	14,974,336	17,762,911
● Options	45,046,792	45,046,792
● Restricted share awards	11,958,550	6,169,975

DIRECTORS' **STATEMENT**

Name of director and interests held	Holdings as at 31 December 2016	Holdings as at 21 January 2017
Gregory David Casciaro		
● Ordinary shares	–	473,761
● Options	4,115,768	4,115,768
● Restricted share awards	947,522	473,761
Mark Allen Wan		
Ordinary shares [1]	157,284,444 [1]	157,284,444 [1]
Options [1]	2,737,000 [1]	2,737,000 [1]
Gary Ng Sin Tong		
● Ordinary shares	600,000	1,183,090
● Options	1,215,000	1,215,000
● Restricted share awards	1,316,181	733,091
Amir Belson		
● Ordinary shares	1,200,288	1,863,553
● Options	79,616	79,616
● Restricted share awards	1,326,531	663,266
Sho Kian Hin		
● Ordinary shares	–	663,265
● Restricted share awards	1,326,531	663,266

Except as disclosed above, there were no other changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2017.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

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

DIRECTORS' STATEMENT

Options to purchase Ordinary Shares

In September 2005 ("2005 Stock Plan"), November 2010 ("2010 Stock Plan"), and September 2013 ("2013 Stock Plan"), the Group established share options plans that entitle certain employees, directors and consultants to purchase ordinary shares. For details of the share options plans, refer to Note 15.

On 9 April 2014, the Company adopted the 2014 QTV Employee Share Option Scheme ("2014 Stock Plan") which became effective upon the listing of the Company on the Catalist Board of the SGX-ST on 29 April 2014. The Group's 2005, 2010, 2013 and 2014 Stock Plans (collectively, the "Scheme") are administered by the Remuneration Committee, comprising three directors, Amir Belson, Gregory David Casciaro and Mark Allen Wan.

	No. of options 31 December 2016 '000	No. of options 31 December 2015 '000
Outstanding at 1 January	121,216	112,392
Granted during the year	2,000	29,162
Forfeited during the year	(7,606)	(4,727)
Expired during the year	(277)	(221)
Exercised during the year	(1,565)	(15,390)
Outstanding at 31 December	113,768	121,216
Exercisable at 31 December	99,456	88,505

Details of options granted to directors of the Company under the Scheme are as follows:

Name of director	Options granted for financial year ended 31 December 2016	Aggregate options granted since commencement of Scheme to 31 December 2016	Aggregate options exercised since commencement of Scheme to 31 December 2016	Aggregate options outstanding as at 31 December 2016
Eitan Konstantino	–	48,166,792	(3,120,000)	45,046,792
Gregory David Casciaro	–	4,115,768	–	4,115,768
Mark Allen Wan	–	2,737,000	–	2,737,000
Gary Ng Sin Tong	–	1,215,000	–	1,215,000
Amir Belson	–	1,200,288	(1,120,672)	79,616
Name of key management personnel				
Randal Farwell	–	8,340,256	–	8,340,256
Shiva Ardakani	–	6,369,736	–	6,369,736
Maria Pizarro	–	7,325,232	(1,643,536)	5,681,696

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and except for Eitan Konstantino, Randal Farwell, Shiva Ardakani and Maria Pizarro, no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

DIRECTORS' **STATEMENT**

Restricted 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 ("2015 RSP"). On 14 August 2015 and 8 December 2016, the Company granted 9,294,000 and 43,773,000 restricted share awards ("RSA") respectively 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. The 2015 RSP is administered by the Remuneration Committee, comprising three directors, Amir Belson, Gregory David Casciaro and Mark Allen Wan.

	No. of RSA 31 December 2016 '000	No. of RSA 31 December 2015 '000
Outstanding at 1 January	9,294	–
Granted during the year	43,773	9,294
Issued during the year	(24,157)	–
Forfeited during the year	(180)	–
Outstanding at 31 December	28,730	9,294

As at 31 December 2016, 6,735,278 (2015: 1,858,800) of the RSA had vested and were issued on 13 January 2017.

Details of RSA granted to directors and key management personnel of the Company under the 2015 RSP are as follows:

Name of director	RSA granted for financial year ended 31 December 2016	Aggregate RSA granted since commencement of 2015 RSP to 31 December 2016	Aggregate RSA issued since commencement of 2015 RSP to 31 December 2016	Aggregate RSA outstanding as at 31 December 2016
Eitan Konstantino	11,577,150	13,484,150	(1,525,600)	11,958,550
Gregory David Casciaro	947,522	947,522	–	947,522
Gary Ng Sin Tong	1,166,181	1,916,181	(600,000)	1,316,181
Amir Belson	1,326,531	1,326,531	–	1,326,531
Sho Kian Hin	1,326,531	1,326,531	–	1,326,531
Name of key management personnel				
Randal Farwell	4,106,700	4,743,700	(509,600)	4,234,100
Maria Pizarro	3,777,300	3,777,300	(3,777,300)	–
Momi Mimon Brosh	3,777,300	6,977,300	(6,337,300)	640,000

Since the commencement of the 2015 RSP, no RSAs have been granted to the controlling shareholders of the Company or their associates and except for Eitan Konstantino, Randal Farwell, Momi Brosh and Maria Pizarro, no participant under the 2015 RSP has been granted 5% or more of the total RSAs available under the 2015 RSP.

DIRECTORS' **STATEMENT**

Convertible notes

As at 31 December 2016, the Company had issued convertible notes ("notes") which have embedded options that entitle the notes' holders to receive 207,000,000 ordinary shares (2015: 118,054,692) for total proceeds of US$19,200,000. During the year, 159,562,499 ordinary shares (2015: 47,437,501) were issued pursuant to the exercise of such options.

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

The options and RSAs granted by the Company do not entitle the holders of the options and RSAs, by virtue of such holding, to any rights to participate in any share issue of any other company.

Audit Committee

The members of the Audit Committee at the date of this statement are:

- Sho Kian Hin (Chairman), Independent Director
- Gregory David Casciaro, Independent Director
- Amir Belson, Independent Director (Appointed on 4 August 2016)

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX- ST Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings during the year. In performing its functions, the Audit Committee has discussed with the Company's external and internal auditors the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

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

In appointing our auditors for the Company and subsidiaries we have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

DIRECTORS' **STATEMENT**

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Eitan Konstantino
Director

Sho Kian Hin
Director

3 May 2017

INDEPENDENT AUDITORS' REPORT

Members of the Company
QT Vascular Ltd. and its subsidiaries

Report on the financial statements

Opinion

We have audited the accompanying financial statements of QT Vascular Ltd. (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 98.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 to the financial statements, which indicates that the Group incurred a net loss of US$11,987,000 during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by US$23,684,000. The directors believe that the going concern basis of accounting is appropriate, and that the financial statements have been prepared as such. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT **AUDITORS' REPORT**

Members of the Company
QT Vascular Ltd. and its subsidiaries

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of intangible assets and investment in subsidiaries (Refer to Note 6 and 7 to the financial statements)	
Key Audit Matters The Group's intangible assets comprised of developed technology, licensed royalties and intellectual property on various therapeutic solutions to improve outcomes in complex peripheral and coronary interventions. As at 31 December 2016, the carrying amount of intangibles amounted to US$12,606,000. The intangible assets are the most valuable assets to the Group. These assets determine the overall fair value of the business as a whole and were recorded in the subsidiaries of the Company. Management determined there to have been indicators of impairment for each of these intangible assets and the investment in subsidiaries, and performed an assessment of the Group's carrying value of these intangible assets and investment in subsidiaries. The recoverable values of these intangible assets and investment in subsidiaries were valued based on the value-in-use method utilizing projected cash flows.	*How the matter was addressed in our audit* We have engaged the assistance of our valuation specialists to critically assess the appropriateness of the valuation methodology used by management. We have critically assessed the appropriateness of the key assumptions and information used by management in the projected cash flows. We tested the mathematical accuracy of the projected cash flows.
Our findings We found management's assessment of the valuation of intangible assets and the investment in subsidiaries to be responsible and appropriate.	

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon (the Annual Report). Other than the directors' statement which we obtained prior to the date of this auditors' report, the Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT **AUDITORS' REPORT**

Members of the Company
QT Vascular Ltd. and its subsidiaries

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

Members of the Company
QT Vascular Ltd. and its subsidiaries

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Chu Sook Fun.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
3 May 2017

CONSOLIDATED STATEMENTS OF **FINANCIAL POSITION**

As at 31 December 2016

	Note	Group		Company	
		2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Assets					
Property, plant and equipment	5	794	913	–	–
Intangible assets	6	12,606	12,861	40	40
Investment in subsidiaries	7	–	–	104,283	90,029
Other non-current assets		225	147	–	–
Non-current assets		13,625	13,921	104,323	90,069
Inventories	9	4,046	5,950	–	–
Trade and other receivables	10	1,893	3,630	1	2
Cash and cash equivalents	11	328	3,850	28	2,474
Current assets		6,267	13,430	29	2,476
Total assets		19,892	27,351	104,352	92,545
Equity					
Share capital	12	152,685	139,202	152,685	139,202
Reserves	12	2,892	909	(37,516)	(37,084)
Accumulated losses		(165,775)	(153,797)	(29,008)	(41,097)
Equity attributable to owners of the Company/ Total equity		(10,198)	(13,686)	86,161	61,021
Liabilities					
Loans and borrowings	13	–	3,474	–	3,470
Trade and other payables, including derivatives	17	63	161	–	–
Deferred income	16	76	–	–	–
Non-current liabilities		139	3,635	–	3,470
Loans and borrowings	13	17,822	3	16,448	–
Trade and other payables, including derivatives	17	10,520	13,675	1,743	4,695
Deferred income	16	1,609	365	–	–
Provision for legal liability	18	–	23,359	–	23,359
Current liabilities		29,951	37,402	18,191	28,054
Total liabilities		30,090	41,037	18,191	31,524
Total equity and liabilities		19,892	27,351	104,352	92,545

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

Year ended 31 December 2016

	Note	Group 2016 US$'000	Group 2015 US$'000
Revenue	20	10,645	12,435
Cost of sales		(5,949)	(8,362)
Gross profit		4,696	4,073
Sales and marketing expenses		(10,055)	(10,440)
Administrative expenses		(8,224)	(12,756)
Research and development expenses		(9,274)	(7,905)
Other income		23,969	–
Other expenses		–	(23,893)
Results from operating activities		1,112	(50,921)
Finance income		1	5
Finance costs		(13,092)	(2,132)
Net finance costs	21	(13,091)	(2,127)
Loss before tax		(11,979)	(53,048)
Tax income/(expense)	23	1	(2)
Loss for the year	22	(11,978)	(53,050)
Other comprehensive income			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(48)	747
Total comprehensive income for the year		(12,026)	(52,303)
Loss attributable to:			
Owners of the Company		(11,978)	(53,050)
Loss for the year		(11,978)	(53,050)
Total comprehensive income attributable to:			
Owners of the Company		(12,026)	(52,303)
Total comprehensive income for the year		(12,026)	(52,303)
Earnings per share			
Basic loss per share (dollars)	24	(0.01)	(0.07)
Diluted loss per share (dollars)	24	(0.01)	(0.07)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	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 2015	133,263	(1,385)	(77)	(2,857)	3,498	(100,747)	31,695
Total comprehensive income for the year							
Loss for the year	–	–	–	–	–	(53,050)	(53,050)
Other comprehensive income							
Foreign currency translation differences	–	–	–	747	–	–	747
Total comprehensive income for the year	–	–	–	747	–	(53,050)	(52,303)
Contributions by and distributions to owners							
Shares issued pursuant to exercise of options embedded in convertible notes	5,449	–	–	–	–	–	5,449
Share options exercised	490	–	–	–	–	–	490
Share-based payment transactions	–	–	–	–	983	–	983
Total contributions by and distributions to owners	5,939	–	–	–	983	–	6,922
At 31 December 2015	139,202	(1,385)	(77)	(2,110)	4,481	(153,797)	(13,686)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	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 2016	139,202	(1,385)	(77)	(2,110)	4,481	(153,797)	(13,686)
Total comprehensive income for the year							
Loss for the year	–	–	–	–	–	(11,978)	(11,978)
Other comprehensive income							
Foreign currency translation differences	–	–	–	(48)	–	–	(48)
Total comprehensive income for the year	–	–	–	(48)	–	(11,978)	(12,026)
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 bridging loan	1,708	–	–	–	–	–	1,708
Share options exercised	46	–	–	–	–	–	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)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

Year ended 31 December 2016

	Note	Group 2016 US$'000	Group 2015 US$'000
Cash flows from operating activities			
Net loss for the year		(11,978)	(53,050)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property, plant and equipment	5	434	259
Amortisation of intangible assets	6	995	576
Interest income	21	(1)	(5)
Interest expense on convertible notes		8,985	751
Interest expense on short term loans		1,311	–
Exchange loss		150	313
Equity-settled share-based payment transactions	15	2,106	983
Changes in fair value of financial instruments		2,646	1,068
		4,648	(49,105)
Changes in:			
- Trade and other receivables		1,737	(149)
- Inventories		1,904	223
- Other assets		(78)	54
- Trade and other payables, including derivatives		(1,120)	2,609
- Deferred income		1,320	365
- Provision for legal liability		(23,359)	23,359
Net cash used in operating activities		(14,948)	(22,644)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(322)	(349)
Proceeds from disposal of plant and equipment		7	–
Additions to intangible assets	6	(739)	(4,191)
Net cash used in investing activities		(1,054)	(4,540)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

Year ended 31 December 2016

	Note	Group 2016 US$'000	Group 2015 US$'000
Cash flows from financing activities			
Repayment of hire purchase creditor		(4)	(5)
Proceeds from issuance of convertible notes		8,250	10,950
Proceeds from exercise of share options		46	485
Proceeds from short term loan		4,190	–
Net cash from financing activities		12,482	11,430
Net decrease in cash and cash equivalents		(3,520)	(15,754)
Effect of exchange rate changes on cash and cash equivalents		(2)	(548)
Cash and cash equivalents at beginning of year		3,850	20,152
Cash and cash equivalents at end of year	11	328	3,850

There was no property, plant and equipment acquired under finance lease arrangements during the financial year ended 31 December 2016.

Significant non-cash transaction

During the year ended 31 December 2016, the Company issued ordinary shares to third parties following the exercise of the options embedded in their convertible notes amounting to US$11,729,000.

In 2015, the Company issued ordinary shares to a director and third parties following the exercise of the options embedded in their convertible notes amounting to US$5,449,000.

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

NOTES TO THE **FINANCIAL STATEMENTS**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 3 May 2017.

1 Domicile and activities

QT Vascular Ltd. (the "Company") is incorporated in the Republic of Singapore. The address of the Company's registered office is 3A International Business Park, #09-10/11/12 ICON @ IBP Tower B, Singapore 609935.

The financial statements of the Group as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group is primarily involved in the development and manufacturing of advanced therapeutic solutions for the treatment of complex vascular disease.

The Company was admitted to the official list of the Catalist Board of SGX-ST on 29 April 2014.

2 Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its obligations for the foreseeable future.

The Group recorded net loss of US$11,978,000 for the year ended 31 December 2016 and as at that date, the statement of financial position showed a deficiency in net assets of US$10,198,000 and net current liabilities of US$23,684,000.

Management has critically assessed the forecasted cash flows of the Group for the next twelve months and concluded that there will be sufficient cash flows and resources to allow the Group to continue in operation and meet its obligations for the foreseeable future.

Management acknowledge that uncertainty remains over the ability of the Group to meet its funding requirements and to refinance or repay its suppliers as and when they fall due. The forecasted cash flows were prepared based on reasonable assumptions on financing, growth and reorganisation plans that were ongoing within the Group to drive operational efficiency.

On 1 February 2017, the Company entered into a distribution agreement with Covidien LP ("distributor"), whereby the distributor is obligated to a purchase commitment of at least US$3,400,000 in 2017 and US$6,375,000 in 2018. As at the date of this report, the Company has received purchase orders and payments totalling US$3,400,000 from the distributor. The distributor had also provided a demand forecast for a further 25,000 units, totalling US$10,625,000 for 2017.

On 20 March 2017, the Company entered into an agreement with GEM Global Yield Fund LLC SCS ("Investor") and GEM Investments America, LLC ("GEMIA") whereby the investor would be required to subscribe for new ordinary shares of the Company at the Company's discretion. The Company has the right to determine the timing and volume of shares to be subscribed by the Investor, for up to an aggregate of S$10,000,000 (US$7,000,000) or a maximum of 178,000,000 new shares. The Company was also provided the option (at its absolute discretion) to enter into an additional agreement with the Investor to raise S$10,000,000 (US$ 7,000,000) within 6 months from 20 March 2017 with terms and conditions similar to the agreement signed on 20 March 2017.

As at end of March 2017, the Group has an available cash balance of US$1,633,000. The management monitors the cash flows on a weekly basis and believes that the Company will be able to raise funds from various parties when required.

NOTES TO THE **FINANCIAL STATEMENTS**

2 Going concern (continued)

Based on the forecasted cash flows, management has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any unforeseen reason the Group is unable to continue as a going concern, it could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at amounts stated in the consolidated financial statements.

3 Basis of preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

3.3 Functional and presentation currency

These financial statements are presented in United States dollars ("USD") as the Group's operations are primarily influenced by the USD. The functional currency of the Company is Singapore dollars ("SGD"). All financial information presented in United States dollars has been rounded to the nearest thousand, unless otherwise stated.

3.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are:

(i) Valuation of subsidiaries

The Company recognises impairment losses at a level considered adequate to provide for potential non-recoverability of investment in subsidiaries. The level of allowance is evaluated by the Company on the basis of factors that affect the recoverability of the investments. These factors include, but are not limited to, the activities and financial position of the entities and market factors. The Company reviews and identifies balances that are to be impaired on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgement, or utilised different estimates. An increase in the Company's impairment losses would increase the Company's recorded "other expenses" and decrease the carrying value of "investment in subsidiaries".

NOTES TO THE **FINANCIAL STATEMENTS**

3 Basis of preparation (continued)

3.4 Use of estimates and judgements (continued)

(ii) Valuation of long-lived assets

The carrying amounts of the Group's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. Management judgement is critical in assessing whether events or changes in circumstances have occurred that may indicate that the carrying value of such assets may no longer be recoverable.

If any such indicator exists, the assets recoverable amounts are estimated. The recoverable amount is the greater of the assets net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The determination of recoverability is based on estimates of future cash flows expected to result from the use of the assets and its eventual disposition. The estimate of cash flows is dependent, among other things, on certain assumptions about expected future operating performance, future selling prices, utilisation rates, market demand and other factors. If the Group management made different estimates of the future cash flows, different conclusions regarding impairment might be reached.

(iii) Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost and are depreciated and amortised on a straight-line basis over their estimated useful lives. The estimated useful lives represent the estimate of the periods that the Group management expects to derive economical benefits from these assets. In estimating these useful lives and in determining whether subsequent revisions to useful lives are necessary, the Group management considers the likelihood of obsolescence arising from changes in production techniques, technology, market demand and intended use.

(iv) Valuation of inventories

The valuation of inventories at the lower of cost and net realisable value requires the Group to review inventories for their saleability and for indications of obsolescence. This requires the Group management to make estimates based on future market demand and past experience with similar inventories and their usage. In addition, judgements and estimates regarding future selling prices, level of demand and indications of obsolescence must be made and used in connection with evaluating whether such write-downs are necessary and the amounts of such write-downs.

NOTES TO THE **FINANCIAL STATEMENTS**

3 Basis of preparation (continued)

3.4 Use of estimates and judgements (continued)

(iv) Valuation of inventories (continued)

In addition to the above, information about the significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

- Note 6 – Intangible assets
- Note 13 – Loans and borrowings
- Note 14 – Convertible notes
- Note 18 – Provision for legal liability
- Note 25 – Determination of fair values

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 6 – Intangible assets
- Note 7 – Investment in subsidiaries

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

4.1 New or amended FRS and Interpretations of FRS ("INT FRS")

On 1 January 2016, the Group adopted the new or amended FRS and INT FRS that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

4.2 Basis of consolidation

Business combinations

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

4 Significant accounting policies (continued)

4.2 Basis of consolidation (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

4.3 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to USD at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

NOTES TO THE **FINANCIAL STATEMENTS**

4 Significant accounting policies (continued)

4.3 Foreign currency (continued)

Foreign operations (continued)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

4.4 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group has financial assets classified in the loans and receivable category.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

4 Significant accounting policies (continued)

4.4 Financial instruments (continued)

Non-derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group considers an exchange of financial liabilities as an extinguishment where it has discharged the liability by paying the creditor or is legally released from primary responsibility for the liability and where the terms of the new liability are substantially different. A gain or loss in profit or loss is recognised for the difference between the carrying value of the existing liability and the sum of the carrying value of the new liability and any consideration or non-cash assets paid or transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

All other non-derivative financial liabilities have been classified into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables, loans and borrowings, deferred income and provision for legal liability.

NOTES TO THE **FINANCIAL STATEMENTS**

4 Significant accounting policies (continued)

4.4 Financial instruments (continued)

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction presented in other reserve.

Distribution of non-cash assets to owners of the Company

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Derivative financial instruments

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The classification of a financial instrument or its components as either equity or liability is made at initial recognition and may be reclassified only if there has been an amendment of terms of the instrument or the effective terms of an instrument change without any amendment of the contractual terms.

NOTES TO THE **FINANCIAL STATEMENTS**

4 Significant accounting policies (continued)

4.4 Financial instruments (continued)

Derivative financial instruments (continued)

Embedded derivative and hybrid financial instruments

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

A hybrid contract is a contract that includes both a non-derivative host contract and one or more embedded derivatives. Hybrid financial instruments issued by the Group comprise convertible notes denominated in USD which have embedded options that entitle notes' holders to receive ordinary shares. Following any exercise of options embedded in the convertible notes, the principal value of the convertible notes will still be payable by the Company.

The initial bifurcation of a separable embedded derivative does not result in any gain or loss being recognised.

Subsequent to initial recognition, the liability component of convertible notes is measured at amortised cost using the effective interest method. The separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss.

Interest and gains and losses related to the financial liability component are recognised in profit or loss.

4.5 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

4 Significant accounting policies (continued)

4.5 Property, plant and equipment (continued)

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

- Furniture, fixtures and office equipment 3 years
- Computer, network and software 3 years
- Machinery and equipment 3 years

Construction in progress is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

4.6 Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

NOTES TO THE **FINANCIAL STATEMENTS**

4 Significant accounting policies (continued)

4.6 Intangible assets (continued)

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- Developed technology 10 years
- Licensed royalties 15 years
- Intellectual property 5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Developed technology in progress and software development in progress are not amortised.

4.7 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

4.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories are based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

NOTES TO THE **FINANCIAL STATEMENTS**

4 Significant accounting policies (continued)

4.9 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for Group management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

4 Significant accounting policies (continued)

4.9 Impairment (continued)

Non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.10 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period that the employees unconditionally become entitled to awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

4.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

NOTES TO THE **FINANCIAL STATEMENTS**

4 Significant accounting policies (continued)

4.12 Revenue

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

The Group's customers have no return rights, other than a limited standard warranty.

4.13 Government grants

A government grant is recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

4.13 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

4.14 Finance income and finance costs

Finance income comprises interest income on funds invested and fair value gains on financial assets and liabilities at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, fair value losses on financial assets and liabilities at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

NOTES TO THE **FINANCIAL STATEMENTS**

4 Significant accounting policies (continued)

4.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS

4 Significant accounting policies (continued)

4.17 Segment reporting

Operating segments are defined as components of an enterprise that engage in business activities for which separate financial information is available and evaluated by the chief operating decision maker in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker is its CEO. The CEO reviews financial information presented on a consolidated basis, for purposes of allocating resources and evaluating financial performance. The Group has one business activity and there are no segment managers who are held accountable for operations, or plans for levels or components below the consolidated unit level. Accordingly, the Group operates as a single reportable segment.

4.18 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted. However, the Company has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, the Company has set up project teams to assess the transition options and the potential impact on its financial statements, and to implement these standards. The Company does not plan to adopt these standards early.

Applicable to 2018 financial statements

New standards

Summary of the requirements	**Potential impact on the financial statements**
FRS 115 *Revenue from Contracts with Customers*	
FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	During 2016, the Company completed its initial assessment of the impact on the Company's financial statements. Based on its initial assessment, the Company expects no changes to the financial statements for the financial statement ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

4 Significant accounting policies (continued)

4.18 New standards and interpretations not yet adopted (continued)

Applicable to 2018 financial statements (continued)

New standards Summary of the requirements	**Potential impact on the financial statements**
FRS 109 *Financial Instruments*	
FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.	During 2016, the Company completed its initial assessment of the impact on the Company's financial statements. The Company's initial assessment of the three elements of FRS 109 is as described below. **Classification and measurement** - The Company does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. **Impairment** - The Company intends to adopt the simplified approach and is currently assessing the impact of impairment loss allowance under the new standard. **Transition** - The Company intends to adopt the standard when it becomes effective in 2018 without restating comparative information. The Company is currently gathering data to quantify the potential impact arising from the adoption.

NOTES TO THE **FINANCIAL STATEMENTS**

4 Significant accounting policies (continued)

4.18 New standards and interpretations not yet adopted (continued)

Applicable to 2019 financial statements

New standards Summary of the requirements	**Potential impact on the financial statements**
FRS 116 *Leases*	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases—Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	During 2016, the Company completed its initial assessment of the impact on the Company's financial statements. The Company has no leases and expects no changes to the financial statement ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

5 Property, plant and equipment

	Furniture, fixtures and office equipment US$'000	Computer, network and software US$'000	Machinery and equipment US$'000	Construction in progress US$'000	Total US$'000
Group					
Cost					
At 1 January 2015	904	323	1,532	393	3,152
Additions	180	32	55	82	349
Effects of movements in exchange rates	(6)	(6)	(9)	–	(21)
At 31 December 2015	1,078	349	1,578	475	3,480
Additions	46	5	216	55	322
Disposals	(5)	(25)	(88)	–	(118)
Effects of movements in exchange rates	(1)	(1)	(3)	–	(5)
Reclassification	–	–	449	(449)	–
At 31 December 2016	1,118	328	2,152	81	3,679
Accumulated depreciation					
At 1 January 2015	822	240	1,263	–	2,325
Depreciation for the year	75	44	140	–	259
Effects of movements in exchange rates	(5)	(5)	(7)	–	(17)
At 31 December 2015	892	279	1,396	–	2,567
Depreciation for the year	98	46	290	–	434
Disposals	(5)	(25)	(81)	–	(111)
Effects of movements in exchange rates	(1)	(2)	(2)	–	(5)
At 31 December 2016	984	298	1,603	–	2,885
Carrying amounts					
At 1 January 2015	82	83	269	393	827
At 31 December 2015	186	70	182	475	913
At 31 December 2016	134	30	549	81	794

Property, plant and equipment with carrying amount of US$3,000 (2015: US$7,000) were acquired under finance lease arrangements.

NOTES TO THE **FINANCIAL STATEMENTS**

6 Intangible assets

	Developed technology US$'000	Licensed royalties US$'000	Intellectual property US$'000	Developed technology in progress US$'000	Software development in progress US$'000	Total US$'000
Group						
Cost						
At 1 January 2015	5,926	172	383	4,709	–	11,190
Additions	–	–	–	3,943	248	4,191
Reclassification	3,848	–	–	(3,848)	–	–
Effects of movements in exchange rates	15	–	(11)	7	–	11
At 31 December 2015	9,789	172	372	4,811	248	15,392
Additions	–	–	–	707	32	739
Effects of movements in exchange rates	1	–	–	–	–	1
At 31 December 2016	9,790	172	372	5,518	280	16,132
Accumulated amortisation						
At 1 January 2015	1,598	56	301	–	–	1,955
Amortisation for the year	533	12	31	–	–	576
At 31 December 2015	2,131	68	332	–	–	2,531
Amortisation for the year	984	11	–	–	–	995
At 31 December 2016	3,115	79	332	–	–	3,526
Carrying amounts						
At 1 January 2015	4,328	116	82	4,709	–	9,235
At 31 December 2015	7,658	104	40	4,811	248	12,861
At 31 December 2016	6,675	93	40	5,518	280	12,606

NOTES TO THE **FINANCIAL STATEMENTS**

6 Intangible assets (continued)

Company	Intellectual property US$'000
Cost	
At 1 January 2015 and 31 December 2015	40
Additions	–
Effects of movements in exchange rates	–
At 31 December 2016	40
Accumulated amortisation	
At 1 January 2015 and 31 December 2015	–
Amortisation charge for the year	–
At 31 December 2016	–
Carrying amounts	
At 1 January 2015 and 31 December 2015	40
At 31 December 2016	40

The amortisation expenses have been allocated to the cost of inventory and is included in "cost of sales" as inventory is sold.

Source of estimation uncertainty

We make judgements about the recoverability of finite-lived intangible assets whenever events or changes in circumstances indicate that impairment may exist. Recoverability of finite-lived intangible assets is measured by comparing the carrying amount of the asset to the future discounted cash flows that the asset is expected to generate. We perform an annual impairment assessment for intangible assets in-progress, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the carrying value of the assets may not be recoverable. Recoverability of intangible assets in-progress is measured by comparing the carrying amount of the asset to the future discounted cash flows that the asset is expected to generate. If we determine that an individual asset is impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

The assumptions and estimates used to determine future values and remaining useful lives of our intangible assets are complex and subjective. They can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts for specific product lines.

NOTES TO THE **FINANCIAL STATEMENTS**

7 Investment in subsidiaries

	Company	
	2016 US$'000	2015 US$'000
Unquoted shares in subsidiaries, at cost	369	378
Amounts due from subsidiaries	97,992	85,538
Capital contributions related to share-based payment awards	5,922	4,113
	104,283	90,029

Amounts due from subsidiaries which form part of the Company's net investments in subsidiaries, are interest-free, unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investment in subsidiaries, they are stated at cost.

Share options were issued by the Company primarily to employees and consultants of its subsidiaries; however, some directors of the Company have received these awards. These awards are treated as capital contributions related to share-based payment awards in the Company's separate financial statements as the Company is obligated to settle the share-based payment awards in its ordinary shares. The related expense is recorded by the entity that received the service from the director, employee and consultant.

		Company	
	Country of incorporation	2016 %	2015 %
TriReme Medical, LLC ("TMI US")	United States of America	100	100
Quattro Vascular Pte. Ltd. ("Quattro")	Singapore	100	100
TriReme Medical (Singapore) Pte. Ltd.	Singapore	100	100

KPMG LLP is the auditor of all the above subsidiaries.

Sources of estimation uncertainty

The Company evaluates, amongst other factors, the future probability of the subsidiaries, business outlook, including factors such as industry performance, changes in technology and operation, to assess the recoverability of the investment in subsidiaries. The recoverable amount of the investment in subsidiaries could change significantly as a result of changes in market conditions and the assumption used in determining the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

8 Deferred tax assets and liabilities

Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	Group		Company	
	2016 US$'000	**2015 US$'000 (restated)**	**2016 US$'000**	**2015 US$'000**
Deductible temporary differences*	38,981	39,284	–	–
Research and development tax credits	3,465	3,543	–	–
Tax losses	149,887	122,181	–	–
	192,333	165,008	–	–

The Group's ability to utilise, in the future, the tax losses and other tax credits relating to its subsidiary incorporated in the United States of America, may be subject to substantial restrictions in the event of past or future ownership changes as defined in Section 382 of the Internal Revenue Code of United States of America and similar state tax laws. Such annual limitations could result in the expiration of the tax losses and tax credits before utilisation.

As of 31 December 2016, the Group has unrecognised tax losses for federal and state income tax related to a subsidiary in the United States of America of approximately US$71,485,000 (2015: US$56,902,000) and US$56,891,000 (2015: US$49,141,000), respectively. The unrecognised federal and state tax losses will expire from 2032 and 2026 respectively.

As of 31 December 2016, the Group has federal and state research and development tax credits related to a subsidiary in the United States of America of US$1,812,000 (2015: US$1,779,000) and US$1,653,000 (2015: US$1,764,000), respectively. The federal research and development tax credits which will expire from 2025 and the state research and development tax credits have no expiration.

The remaining tax losses and deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

* The comparative information has been restated from $3,029,000 to $39,284,000 due to an adjustment related to the tax implication that arose from the group restructuring in the United States of America that took place in 2013. There was no effect to the consolidated statement of financial position or profit or loss of the Group, as these deductible temporary differences were not recognised as deferred taxes.

NOTES TO THE **FINANCIAL STATEMENTS**

9 Inventories

	Group	
	2016 US$'000	2015 US$'000
Raw materials	1,004	1,217
Work in progress	1,263	3,445
Finished goods	2,000	1,637
	4,267	6,299
Allowance for inventory obsolescence:		
At 1 January	(349)	(88)
Allowance made during the year	(228)	(261)
Allowance written back during the year	356	–
At 31 December	(221)	(349)
	4,046	5,950
Inventories included in cost of sales	5,949	8,362

10 Trade and other receivables

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Trade receivables	1,414	2,555	–	–
Others	254	855	–	–
Loan and receivables	1,668	3,410	–	–
Prepayments	225	220	1	2
Total receivables	1,893	3,630	1	2

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in Note 19. To date, the Group has not established an allowance for doubtful accounts as there has not been a history of uncollected balances.

NOTES TO THE FINANCIAL STATEMENTS

11 Cash and cash equivalents

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Bank balances	286	3,807	28	2,474
Deposits pledged	42	43	–	–
Total cash and cash equivalents	328	3,850	28	2,474

Amounts in deposits pledged relate to security for various company credit cards both in the United States of America and Singapore.

The Group's exposure to credit and currency risks related to cash and cash equivalents are disclosed in Note 19.

12 Share capital and reserves

	Group and Company	
Share capital	No. of ordinary shares '000	No. of convertible preference shares '000
In issue at 1 January 2015	760,128	–
Issuance of shares pursuant to exercise of options embedded in convertible notes	47,438	–
Issuance of shares pursuant to exercise of share options	15,390	–
In issue at 31 December 2015	822,956	–
In issue at 1 January 2016	822,956	–
Issuance of shares pursuant to exercise of options embedded in convertible notes	159,563	–
Issuance of shares pursuant to exercise of share options	1,566	–
Issuance of shares pursuant to vesting of share awards	24,157	–
Issuance of shares pursuant to settlement of bridging loans	29,765	–
	215,051	–
In issue at 31 December 2016	1,038,007	–

All shares rank equally with regard to the Company's residual assets. All issued shares are fully paid with no par value.

All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

NOTES TO THE **FINANCIAL STATEMENTS**

12 Share capital and reserves (continued)

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

Other reserve

Merger reserve

Included in other reserve was reserve which represents the combined amount of issued capital of respective subsidiaries under common control that were subsequently combined to form the Group under the restructuring exercise which was completed on 11 July 2013.

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2016, the Group held 16,000 (2015: 16,000) of the Company's shares.

Translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share-based payment reserve

The share-based payment reserve comprises the cumulative value of employee services received for the issue of share options.

13 Loans and borrowings

		Group		Company	
	Note	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Convertible notes	14	14,995	3,470	13,624	3,470
Short term loans		2,824	–	2,824	–
Finance lease liability		3	7	–	–
		17,822	3,477	16,448	3,470
Current loans and borrowings		17,822	3	16,448	–
Non-current loans and borrowings		–	3,474	–	3,470
		17,822	3,477	16,448	3,470

The short term loan entered into with certain directors and employees of the Group and the Company and third parties bear a fixed interest of 20% on the principal amount and an additional payment which is capped at 45% of the principal amount. The additional payment is based on the price differential of the 5-day Volume Weighted Average Price ("VWAP") of the Company's share price at the inception date and due date or settlement date (whichever date is earlier) multiplied by the principal amount of each short term loan.

NOTES TO THE FINANCIAL STATEMENTS

13 Loans and borrowings (continued)

At 31 December 2016, the Group had an obligation for a finance lease that is repayable as follows:

	Payments 2016 US$'000	Interest 2016 US$'000	Principal 2016 US$'000	Payments 2015 US$'000	Interest 2015 US$'000	Principal 2015 US$'000
Repayable:						
Within 1 year	3	*	3	3	*	3
After 1 year but within 5 years	–	*	–	4	*	4
Total	3	*	3	7	*	7

* *less than US$1,000*

14 Convertible notes

	Note	Group and Company 2016 US$'000	Group and Company 2015 US$'000
Face value of the convertible notes		19,200	10,950
Fair value of option (embedded derivatives)	17	–	3,738
Amortised cost of liability component	13	14,995	3,470
Accreted interest		8,697	646

Convertible Notes totally US$13,140,000 ("2015 convertible notes")

On 24 July 2015, the Company entered into a US$13,140,000 convertible note agreement with several investors. On 6 August 2015 and 13 November 2015, the Company issued convertible notes for total gross proceeds of US$10,950,000. The remaining convertible notes of US$2,190,000 were issued on 30 March 2016.

Exchangeable and Convertible Notes totalling US$6,060,000

On 27 January 2016, the Company announced that it entered into a US$1,860,000 8.0% Exchangeable Bonds agreement ("Exchangeable Bonds") with Luminor Pacific Fund 2 Ltd ("Luminor Pacific") and a US$4,200,000 8.0% Convertible Notes agreement ("January 2016 Convertible Notes") with various individual investors. The terms for both the Exchangeable Bonds and January 2016 Convertible Notes is similar to the US$13,140,000 Convertible Notes agreement entered into by the Company on 24 July 2015 ("July 2015 Convertible Notes").

The salient terms of the convertible notes ("notes") are summarised as follows:

- The notes bear an interest of 8% per annum, is payable every six months and mature upon 12 months after the issuance date.
- The notes are secured by the Group's Chocolate® patents.
- The notes' holders will be entitled to receive ordinary shares at any point in time upon the completion of subscription. The conversion price for the notes is fixed at S$0.128 per share based on a fixed exchange rate of US$1.00 to S$1.38. No interest will be due or payable once the notes' holders converted into ordinary shares of the Company.

NOTES TO THE **FINANCIAL STATEMENTS**

14 Convertible notes (continued)

Exchangeable and Convertible Notes totalling US$6,060,000 (continued)

- Regardless of the receipt of the ordinary shares, the notes' holders are entitled to receive the principal amount invested upon the maturity of these notes. However, if an event triggers the qualifying exit* clause, the notes' holders will be entitled to two times the principal amount invested which will be payable upon the receipt of funds from the completion of the event.

* *The qualifying exit clause will be triggered if there is an event relating to the sale of a business asset of the Group or a takeover of the Group's business in excess of S$75,000,000 prior to the maturity of the notes.*

The economic characteristics and risks of the embedded derivative within the convertible notes are not closely related to the host debt contract and thus, the option is required to be separated and accounted for as a stand-alone derivative. At inception, the embedded derivatives have been fair valued and the carrying amount of the liability component is measured at amortised costs using the effective interest rate method and is recognised in the profit or loss.

15 Share-based payment arrangements

Description of the share-based payment arrangements

During the financial years ended 31 December 2015 and 2016, the Group had the following share-based payment arrangements:

Share option programme (equity-settled)

In September 2005 ("2005 Stock Plan"), November 2010 ("2010 Stock Plan"), and September 2013 ("2013 Stock Plan") the Group established share option plans that entitle certain employees and consultants to purchase shares in the Company. On 9 April 2014, the Company adopted the 2014 QTV Employee Share Option Scheme ("2014 Stock Plan") which become effective upon the listing of the Company on the Catalist Board of the SGX-ST on 29 April 2014.

The Group's 2005, 2010, 2013 and 2014 Stock Plans are administered by the Remuneration Committee, comprising three directors, Amir Belson, Gregory David Casciaro and Mark Allen Wan.

All share options are to be settled by physical delivery of shares.

Grant date/employees entitled	No. of share options '000#	Vesting conditions*	Contractual life of options
Grants existing as at 1 January 2015	262,528	All conditions	10 years
2015 grants – Employees, Consultants and Key Management	29,162	5, 6	10 years
Grants existing as at 31 December 2015	291,690	All conditions	10 years
2016 grants – Employees	2,000	6	10 years
Grants existing as at 31 December 2016	293,690		

* Each set of share option grants has multiple vesting conditions.

\# The number of instruments granted includes subdivision of options from 1 to 16 options in April 2014.

NOTES TO THE FINANCIAL STATEMENTS

15 Share-based payment arrangements (continued)

Vesting Conditions

1. 1,500 vesting at start date; 1,500 vesting on last day of month
2. Rateable over one year (1/12 per month)
3. Rateable over two years (1/24 per month)
4. Rateable over three years (1/36 per month)
5. Rateable over four years (1/48 per month)
6. 25% after one year; rateable over four years (1/48 per month) thereafter
7. 25% at start date; rateable over three years (1/36 per month) thereafter
8. 25% at start date; rateable over four years (1/48 per month) thereafter
9. 25% after one year; rateable over three years (1/36 per month) thereafter
10. 25% at start date; 25% per year thereafter
11. 50% at start date; rateable over two years
12. 50% at start then rateable over three years (1/36 per month) thereafter
13. 100% vesting at start date
14. 100% vesting at milestone completion date
15. One third on 31 May 2006, 30 September 2006 and 31 December 2006 respectively

Vested share options may be exercised up to ten years from the vesting commencement date.

Measurement of fair values

The fair value of the share options has been measured using the Black-Scholes option-pricing model. Estimates of volatility has been based on an evaluation of the historical volatility of the Company's share price. The expected term of the share options has been based on estimated option holder behaviour.

The inputs used in the measurement of the fair values at grant date of the share options under the share option programme are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Fair value at grant date (weighted average)	US$0.04	US$0.03	US$0.04	US$0.03
Share price at grant date	US$0.08	US$0.06	US$0.08	US$0.06
Exercise price	US$0.08	US$0.07	US$0.08	US$0.07
Expected volatility (weighted average)	50%	50%	50%	50%
Expected life (weighted average)	6.0 years	6.0 years	6.0 years	6.0 years
Expected dividends	–	–	–	–
Risk-free interest rate (weighted average based on government bonds)	1.2%	1.8%	1.2%	1.8%
Share-based compensation expense	US$278,000	US$536,000	US$37,000	US$54,000

NOTES TO THE **FINANCIAL STATEMENTS**

15 Share-based payment arrangements (continued)

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under share option programme are as follows:

	← Group and Company →		← Group and Company →	
	Weighted average exercise price 2016 US$	**No. of options 2016 '000**	**Weighted average exercise price 2015 US$**	**No. of options 2015 '000**
Outstanding at 1 January	0.01 – 0.07	121,216	0.01 – 0.07	112,392
Forfeited during the year	0.03 – 0.07	(7,606)	0.01 – 0.07	(4,727)
Expired during the year	0.04	(277)	0.03	(221)
Exercised during the year	0.01 – 0.09	(1,565)	0.01 – 0.05	(15,390)
Granted during the year	0.09	2,000	0.07	29,162
Outstanding at 31 December	0.01 – 0.09	113,768	0.01 – 0.07	121,216
Exercisable at 31 December	0.01 – 0.07	99,456	0.01 – 0.06	88,505

The options outstanding at 31 December 2016 have an exercise price in the range of US$0.01 to US$0.09 (2015: US$0.01 to US$0.07) and a weighted average contractual life of 5.7 years (2015: 5.3 years).

The weighted average share price at the date of exercise for share options exercised in 2016 was S$0.09 (2015: S$0.20).

Restricted share awards (equity-settled)

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 ("2015 RSP"). On 14 August 2015, the Company granted 9,294,000 restricted share awards to its key management and employees of the Group. On 8 December 2016, the Company granted 43,773,000 restricted share awards to its key management and employees of the Group. Under the terms of the 2015 RSP, award holders will receive fully paid-up ordinary shares of the Company. The 2015 RSP is administered by the Remuneration Committee, comprising three directors, Amir Belson, Gregory David Casciaro and Mark Allen Wan.

Grant date/employees entitled	**No. of instruments '000**	**Vesting conditions**
Share awards existing as at 1 January 2015 and 31 December 2015 – Employees and Key Management	9,294	1,4
2016 grants - Employees and Key Management	43,773	2,3,4
Share awards existing as at 31 December 2016	53,067	

NOTES TO THE FINANCIAL STATEMENTS

15 Share-based payment arrangements (continued)

Vesting conditions

1. 20% of total awards will vest upon achievement of each of the 5 predetermined milestones.
2. 25% of total awards will vest upon achievement of each of the 4 predetermined milestones.
3. 100% of total awards will vest immediately upon issuance.
4. The award holder has to remain as an employee of the Group on the date that the shares are issued.

As at 31 December 2016, 24,157,000 (2015: Nil) of the restricted share awards had vested and were issued during the year.

Reconciliation of outstanding restricted share awards

The number of shares issuable under restricted share awards scheme are as follows:

	Group		Company	
	2016 '000	2016 '000	2015 '000	2015 '000
Outstanding at 1 January	9,294	–	–	–
Forfeited during the year	(180)	–	–	–
Issued during the year	(24,157)	–	–	–
Granted during the year	43,773	9,294	3,601	–
Outstanding at 31 December	28,730	9,294	3,601	–

Measurement of fair values

The fair value at date of grant for each restricted share award granted on 14 August 2015 and 8 December 2016 was S$0.088 and S$0.094 respectively which is the market price of the Company's shares at date of grant. Service and non-market performance conditions attached to the arrangement were not taken into account in measuring the fair value and no dividends were expected.

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Share-based compensation expense	1,828	447	75	–

NOTES TO THE **FINANCIAL STATEMENTS**

16 Deferred income

	Group	
	2016 US$'000	2015 US$'000
Deferred grant income	252	42
Customer advances	1,433	323
	1,685	365
Current	76	–
Non-current	1,609	365
	1,685	365

Government grant

In 2015, a subsidiary of the Group was offered a grant from the Economic Development Board of Singapore ("EDB") under the Research Incentive Scheme for Companies ("EDB Grant"). Subject to the fulfilment of certain conditions, EDB reimburses the subsidiary for certain qualifying expenses incurred to establish a drug coating research and development centre to develop a drug-coated product portfolio.

17 Trade and other payables, including derivatives

	Note	Group		Company	
		2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Non-current:					
Provisions		63	161	–	–
Current:					
Trade payables		5,428	1,046	–	–
Accrued expenses		2,178	3,523	470	373
Other payables		1,658	5,267	261	406
Amounts due to subsidiaries, non-trade		–	–	77	77
Accrued interest		1,256	101	935	101
Embedded derivatives	14	–	3,738	–	3,738
		10,520	13,675	1,743	4,695

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

The Group's exposure to currency and liquidity risks related to trade and other payables, including derivatives are disclosed in Note 19.

NOTES TO THE **FINANCIAL STATEMENTS**

18 Provision for legal liability

On 1 July 2015, a State Law claims judgement was awarded in favour of AngioScore, Inc. ("AngioScore") by the United States District Court (Northern District of California – Oakland Division) ("Trial Court") against Dr. Eitan Konstantino (CEO and Executive Director of the Company), TMI US, Quattro and the Company (collectively, the "Defendants").

The judgement awarded against the Defendants (which is joint and several) for the breach of fiduciary duty is as follows:

- US$2,970,000 in past lost profits for Chocolate®;
- US$17,064,000 in future lost profits for Chocolate®;
- US$333,000 of pre-judgement interests; and
- 0.31% per annum of post-judgement interests as set forth at 28 U.S.C. § 1961. The total post-judgement interest accrued for the year ended 31 December 2015 was US$16,000.

In addition to the above judgement, the Trial Court also required Dr. Eitan Konstantino to disgorge any monies received that he earned in respect of Chocolate® (i.e. IP assignment fee, royalties and consulting fees) and shares and options in the Company that he owns at the time of the judgement. In accordance with the by-laws of the respective companies within the Group as well as the indemnity agreements entered into between Dr. Eitan Konstantino and TMI US and the Company, the respective companies will be liable to reimburse Dr. Eitan Konstantino for all monies disgorged related to this judgement.

As a result, as at 31 December 2015, the Company and the Group recorded a provision for legal liability amounting to US$23,359,000 including US$2,976,000 in relation to the disgorgement.

During 2016, the provision for legal liability of US$23,359,000 was reversed following a ruling by the US Court of Appeals for the Federal Circuit ("Appeal Court") on 21 July 2016 which reversed the previous district court judgement on the breach of fiduciary duty that was awarded against (i) the Company, (ii) the Company's subsidiaries TriReme Medical, LLC and Quattro Vascular Pte Ltd and (iii) the Company's Chief Executive Officer, Dr. Eitan Konstantino.

19 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

NOTES TO THE **FINANCIAL STATEMENTS**

19 Financial risk management (continued)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by the Group's internal auditors. The internal auditors undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and geographical region in which customers operate, as these factors may have an influence on credit risk. During 2016, approximately 18% (2015: 55%) of the Group's revenue is attributable to sales transaction with a single multinational customer. The Group has transacted with the multinational customer for more than one year and no impairment loss had been recognised for this customer to date.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from management; these limits are reviewed quarterly. Customers failing to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The carrying amount of financial assets in the statement of financial position represents the Group's maximum exposure to credit risk, before taking into account any collateral held. The Group does not hold any collateral in respect of its financial assets.

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management (continued)

The ageing of trade and other receivables at the reporting date were as follows:

Ageing of trade and other receivables (excluding prepayments)

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Neither past due or impaired	1,350	2,960	–	–
Past due 1-30 days	222	350	–	–
Past due 31-90 days	23	87	–	–
Past due 91-180 days	5	13	–	–
Greater than 180 days past due	68	–	–	–
Total	1,668	3,410	–	–

As at 31 December 2016, US customers account for US$1,102,000 of the trade and other receivables carrying amount. As at 31 December 2015, the Group's most significant customer, a US distributor, accounts for US$1,497,000 of the trade and other receivables carrying amount.

The maximum exposure to credit risk for trade and other receivables (excluding prepayments) at the reporting date analysed by geographical region were as follows:

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
North America	1,102	2,419	–	–
Asia	522	842	–	–
European Union	44	33	–	–
Others	–	116	–	–
Total	1,668	3,410	–	–

The Group and the Company believe that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analyses of customer credit risk, include underlying customers' credit ratings, when available.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of US$328,000 and US$28,000 respectively as at 31 December 2016 (2015: US$3,850,000 and US$2,474,000 respectively) – these figures represent their maximum credit exposures on these assets. The cash and cash equivalents are held with two banks which are rated A1 and A2, based on Rating Agency Moody's ratings.

NOTES TO THE **FINANCIAL STATEMENTS**

19 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's liquidity needs include working capital expenditures, conduct of research and development, testing and regulatory compliance activities, business development activities and paying down outstanding debt. To meet its liquidity needs, the Group primarily relies on financing in the form of issuance of ordinary shares or debt securities. During the year, the Group raised funds through issuance of convertible notes.

The following are the remaining contractual maturities of the Group's financial liabilities, including estimated interest payments. These amounts are gross and undiscounted and include contractual interest payments:

	Carrying amount US$'000	Contractual cash flows US$'000	Within 1 year US$'000	1-2 years US$'000	2-5 years US$'000	> 5 years US$'000	Total US$'000
Group							
31 December 2016							
Non-derivative financial liabilities							
Trade and other payables	10,583	10,671	10,521	30	60	60	10,671
Finance lease liability	3	3	3	–	–	–	3
Convertible notes	14,995	14,995	14,995	–	–	–	14,995
Short term loans*	2,824	2,824	2,824	–	–	–	2,824
	28,405	28,493	28,343	30	60	60	28,493
31 December 2015							
Non-derivative financial liabilities							
Trade and other payables	10,098	10,257	9,937	40	120	160	10,257
Finance lease liability	7	7	3	4	–	–	7
Convertible notes	7,208	11,644	433	11,211	–	–	11,644
	17,313	21,908	10,373	11,255	120	160	21,908

* *The related interest expense was recorded under 'Trade and other payables'.*

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management (continued)

Liquidity risk (continued)

	Carrying amount US$'000	Contractual cash flows US$'000	Within 1 year US$'000	1-2 years US$'000	2-5 years US$'000	> 5 years US$'000	Total US$'000
Company							
31 December 2016							
Non-derivative financial liabilities							
Trade and other payables	1,743	1,743	1,743	–	–	–	1,743
Convertible notes	13,624	13,624	13,624	–	–	–	13,624
Short term loans*	2,824	2,824	2,824	–	–	–	2,824
	18,191	18,191	18,191	–	–	–	18,191
31 December 2015							
Non-derivative financial liabilities							
Trade and other payables	957	957	957	–	–	–	957
Convertible notes	7,208	11,644	433	11,211	–	–	11,644
	8,165	12,601	1,390	11,211	–	–	12,601

* *The related interest expense was recorded under 'Trade and other payables'.*

Interest rate risk

Interest rate risk is the risk associated with holding fixed-rate and floating-rate instruments in a changing interest rate environment.

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates.

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Fixed rate instruments				
Financial assets	42	43	–	–
Financial liabilities	(19,200)	(10,950)	(17,340)	(10,950)
	(19,158)	(10,907)	(17,340)	(10,950)

The fixed rate financial assets and liabilities comprised of the deposits pledged and the face value of the outstanding notes at the reporting dates, respectively. The Group did not have any variable rate instruments at the respective reporting dates included in these financial statements.

The Group does not have any available-for-sale financial assets or cash flow hedge relationships. As such, a change in interest rates at the reporting date does not affect the Group's equity balance.

NOTES TO THE **FINANCIAL STATEMENTS**

19 Financial risk management (continued)

Interest rate risk (continued)

In addition, the Group measures its fixed rate instruments at amortised cost. As such, a change in interest rates at the reporting date would not affect the carrying value of fixed rate instruments.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Foreign exchange risk is the risk that the fair value of the instrument will vary due to changes in currency exchange rates.

The Group is exposed to currency risk on sales, purchases and borrowings, including inter-company sales, purchases and inter-company balances that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the SGD and the USD. To date, the Group has not hedged any of its currency exposure.

The Group is exposed to currency risk on financial assets and liabilities that are denominated in a currency other than the functional currency.

In 2015 and 2016, the interest on the Group's convertible notes was denominated in the currency of the convertible notes. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily in USD. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

A summary of quantitative data about the Group's exposure to foreign currency risk is as follows:

	Group				Company	
	2016		2015		2016	2015
	SGD US$'000	USD US$'000	SGD US$'000	USD US$'000	USD US$'000	USD US$'000
Cash and cash equivalents	66	1	92	2,436	1	2,436
Deposits pledged	42	–	42	–	–	–
Trade and other receivables	217	–	632	–	–	–
Non-current assets	193	–	–	–	–	–
Amount due from subsidiaries	–	–	–	–	61,005	50,740
Trade and other payables, including derivatives	(4,267)	(899)	(701)	(4,269)	(899)	(4,269)
Deferred income	(252)	–	(43)	–	–	–
Provision for legal liability	–	–	–	(22,258)	–	(22,258)
Loans and borrowings	(3)	(15,349)	(7)	(3,470)	(15,349)	(3,470)
Net position of financial currency exposure	(4,004)	(16,247)	15	(27,561)	44,758	23,179

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management (continued)

Sensitivity analysis

The Group's and the Company's exposure to foreign currencies and the sensitivity to a 10% strengthening of the respective functional currencies of the Group's entities against the foreign currencies, are shown below. A 10% strengthening of the respective functional currencies of the Group's entities against the foreign currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit/(Loss) US$'000
Group	
31 December 2016	
SGD	400
USD	1,625
31 December 2015	
SGD	(2)
USD	2,756
Company	
31 December 2016	
USD	(4,476)
31 December 2015	
USD	(2,318)

A 10% weakening of USD/SGD against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant and ignores any impact of forecasted sales and purchases.

Capital management

Capital management policy

The Group defines "capital" to be the share capital and accumulated losses.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an efficient capital structure so as to maximise shareholder value. In order to maintain or achieve an efficient capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE **FINANCIAL STATEMENTS**

20 Revenue

	Group	
	2016 US$'000	2015 US$'000
Sale of goods	10,645	12,435

21 Finance costs

	Group	
	2016 US$'000	2015 US$'000
Finance income		
Interest income	1	5
	1	5
Finance costs		
Interest expense on convertible notes	(8,985)	(751)
Interest expense on short-term loans	(1,311)	–
Net foreign exchange loss	(150)	(313)
Changes in fair value of financial instruments	(2,646)	(1,068)
	(13,092)	(2,132)
Net finance costs	(13,091)	(2,127)

22 Loss for the year

The following items have been included in arriving at loss for the year:

	Group	
	2016 US$'000	2015 US$'000
Audit fees paid/payable to auditors of the Company:		
- statutory audit and review fees	344	399
Non-audit fees paid/payable to:		
- auditors of the Company	32	86
- other auditors	69	110
Professional fees	4,088	6,531
Directors' fees	233	327
Operating lease expense	522	508
Depreciation of property, plant and equipment	434	259
Amortisation of intangible assets	995	576
Net allowance for inventory obsolescence	128	261
Expenses recognised in relation to the provision for legal liability*	–	24,054
Reversal of expenses recognised in relation to legal liability*	(23,359)	–
Grant income	(210)	(42)
Employee compensation expense:		
- Salaries and bonus	13,309	14,072
- Employee benefit expense	1,526	1,682
- Expenses related to defined contribution plans	309	346
- Equity settled share-based payment transactions	2,106	983

NOTES TO THE **FINANCIAL STATEMENTS**

22 Loss for the year (continued)

* This expense was recognised following the Trial Court's judgement on the State Law claims on 14 October 2015. As at 31 December 2016, the provision for legal liability was reversed following the ruling by the US Court of Appeals for the Federal Circuit ("**Appeal Court**") on 21 July 2016. The effect of the reversal was recorded under "Other Income". For more details, please refer to Note 18.

23 Tax (income)/expense

Tax recognised in profit or loss

	Group	
	2016	**2015**
	US$'000	**US$'000**
Current tax (income)/expense		
Current year	(1)	2

Reconciliation of effective tax rate

Loss before tax	(11,979)	(53,048)
Tax using the Singapore tax rate of 17%	(2,036)	(9,018)
Effect of tax rates in foreign jurisdictions	(2,573)	(3,634)
Non-deductible expenses	(2,276)	5,027
Non-taxable items	(11,766)	–
Change in unrecognised temporary differences	18,650	7,627
	(1)	2

24 Earnings per share

Basic and diluted loss per share are based on:

Losses used in calculating loss per share

	Group	
	2016	**2015**
	US$'000	**US$'000**
Loss attributable to ordinary shareholders	(11,978)	(53,050)

NOTES TO THE **FINANCIAL STATEMENTS**

24 Earnings per share (continued)

Weighted average number of ordinary shares

	Group	
	2016 '000	**2015 '000**
Issued ordinary shares at 1 January	822,956	760,128
Issue of new shares pursuant to settlement of short-term loans	1,057	–
Issue of new shares pursuant to exercise of options embedded in convertible notes	105,760	9,996
Issue of new shares pursuant to vesting of share awards	5,049	–
Effects of share options exercised	632	9,106
Weighted average number of shares during the year	935,454	779,230

There were no share option to purchase ordinary shares, restricted share award and option relating to the convertible note to issue ordinary shares which has dilutive potential as of 31 December 2015 and 2016.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on valuation studies for each period during which the options were outstanding.

25 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Management has determined that the carrying amounts of cash, including deposits pledged, trade and receivables (excluding prepayments), inventories, other financial assets, amounts owing by/(to) related companies and, trade and other payables on their notional amounts which reasonably approximate their fair values because of their short term nature.

b) The fair value of the employee share options are measured using the Black-Scholes options-pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the historic volatility of the Company's share price, particularly over the historical period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

c) For the financial year ended 31 December 2016, the fair value of the option embedded in the convertible notes issued on 6 August 2015, 13 November 2015, 9 March 2016, 30 March 2016 and 12 May 2016 was measured using the standard Binomial Tree Option Pricing Model. Measurement inputs include the share price on the measurement date, principal amount and coupon rate of the instrument, expected volatility (based on an evaluation of the historical volatility of the Company and comparable companies' share price, particularly over the historical period commensurate with the expected term), time to maturity of the instrument, exchange rate on the measurement date, risk-free interest rate, dividend yield, credit risk factor, and marketability factor.

NOTES TO THE **FINANCIAL STATEMENTS**

25 Determination of fair values (continued)

d) Other non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of the asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair value hierarchy – Financial instruments

The tables below analyse fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- *Level 2:* inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- *Level 3:* unobservable inputs for the asset or liability.

NOTES TO THE **FINANCIAL STATEMENTS**

25 Determination of fair values (continued)

Fair value hierarchy – Financial instruments (continued)

Financial assets and financial liabilities carried at fair value

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group and Company				
31 December 2016				
Financial liabilities				
Embedded derivatives (if in liability position)	–	–	–	–
Total liabilities	–	–	–	–
31 December 2015				
Financial liabilities				
Embedded derivatives (if in liability position)	–	–	3,738	3,738
Total liabilities	–	–	3,738	3,738

In respect of the financial year ended 31 December 2015, embedded derivatives were carried at fair value that meets the above fair value hierarchy disclosure requirements. As at 31 December 2016, fair value of embedded derivatives was nil as all options have been exercised during the year.

*Financial assets and financial liabilities not carried at fair value but for which fair values are disclosed**

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group and Company				
31 December 2016				
Convertible notes - liability component	–	–	14,995	14,995
Total liabilities	–	–	14,995	14,995
31 December 2015				
Convertible notes - liability component	–	–	3,470	3,470
Total liabilities	–	–	3,470	3,470

As at the end of the financial year ended 31 December 2016, financial assets or liabilities were carried at fair value that meets the above fair value hierarchy disclosure requirements.

* *Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short term nature and where the effect of discounting is immaterial.*

NOTES TO THE FINANCIAL STATEMENTS

25 Determination of fair values (continued)

Level 3 fair values

The following table shows reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Embedded derivatives US$'000
Group and Company	
As at 1 January 2016	3,738
Additional issues	5,221
Total unrealised gains or losses recognised in profit or loss	(204)
Settlements	(8,755)
As at 31 December 2016	–
As at 1 January 2015	–
Additional issues	8,266
Total unrealised gains or losses recognised in profit or loss	(1,068)
Settlements	(3,460)
As at 31 December 2015	3,738

The following table shows the valuation technique and key unobservable inputs used in the determination of fair value of the embedded derivatives.

Embedded derivatives – conversion feature within the convertible notes

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value of the embedded derivative within the convertible notes issued on 6 August 2015, 13 November 2015, 9 March 2016, 30 March 2016 and 12 May 2016 is calculated using the standard Binomial Tree Option Pricing Model.	● Credit risk factor ● Marketability factor	The estimated fair value would increase if: ● The credit risk was lower; or ● The marketability factor was higher.

Management considers that changing one or more of the significant unobservable inputs used to other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.

NOTES TO THE **FINANCIAL STATEMENTS**

26 Operating leases

Non-cancellable operating leases, rentals are payable as follows:

	Group	
	2016 US$'000	2015 US$'000
Within one year	564	394
Between 1 to 5 years	131	368
Total	695	762

The Group leases five facilities located in Pleasanton, California under an operating lease. The lease will expire in February 2018. The Group recognises rent expense on a straight line basis over the lease term and records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability.

The Group also leases one facility and an apartment in Singapore under two operating leases. The lease for the facility will expire in April 2018 and the operating lease for the apartment will expire in August 2017 with an optional renewal term which will expire in August 2018.

27 Capital commitments

	Group	
	2016 US$'000	2015 US$'000
Development costs	911	1,508

28 Contingencies

As part of the convertible notes agreement that the Group has entered into during the year as disclosed in Note 14, the Group is obligated to pay a consideration equal to two times the principal amount invested by each investor as of reporting date contingent upon a sale of business asset of the Group or a takeover of the Group's business in excess of S$75,000,000 prior to the maturity date of the convertible notes.

As the possibility of an outflow is not yet probable, as of the date of the financial statements, the Group has not recognised any liability in respect of the contingent consideration.

NOTES TO THE FINANCIAL STATEMENTS

29 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or *vice versa*, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation comprised:

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Transaction				
Short-term employee benefits	2,986	2,959	222	222
Share-based payments	1,413	698	90	54
	4,399	3,657	312	276

Key management personnel and director transactions

	Transaction value			
	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Transaction				
Royalty	272	306	–	–
Legal fees	582	600	–	–
Provision for legal liability	–	3,065	–	3,065
Interest expenses	127	25	127	25
Proceeds from convertible notes	–	(3,000)	–	(3,000)
	981	996	127	90

	Balance outstanding as at			
	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Balances				
Royalty	118	92	–	–
Accrued legal fees	449	154	–	–
Provision for legal liability	–	2,976	–	2,976
Accrued interest	127	25	127	25
Embedded derivative	–	837	–	837
Convertible notes	–	951	–	951
	694	5,035	127	4,789

Since November 2015, as Dr. Eitan Konstantino was acting in his capacity as director and in the best interests of TMI US, Quattro and the Company in the development of Chocolate® line of products, in accordance with the by-laws of the respective companies as well as the indemnity agreements entered into between Dr. Eitan Konstantino and TMI US as well as the Company, the legal fees incurred by Dr. Eitan Konstantino in respect of the appeal on the State Law claims judgement will be borne by TMI US until such time the litigation is concluded.

NOTES TO THE **FINANCIAL STATEMENTS**

29 Related parties (continued)

On 27 April 2014, the CEO, Dr. Eitan Konstantino, entered into an amended and restated intellectual property assignment agreement with the Company and Quattro under which he assigned the Company and Quattro all intellectual property rights for a medical device to be utilised in the treatment of blood vessels, i.e., 'chocolate' balloon catheter. Based on the revised agreement, Dr. Eitan Konstantino is entitled to 2.85% of the net sales of the product upon commercialisation and the amount is payable quarterly on a date within five business days of the earlier of (i) filing with the applicable regulatory body of the required quarterly and annual financial reports and (ii) 45 days following the end of a fiscal quarter and 60 days following the end of a fiscal year.

In August and October 2016, certain directors of the Company extended a total of US$450,000 in short-terms loans to the Company for working capital purposes. The short term loan bear a fixed interest of 20% on the principal amount per annum and an additional payment of which is capped at 45% of the principal amount. The additional payment is based on the price differential of the 5-day VWAP of the Company's share price at the inception date and due date or settlement date (whichever date is earlier) multiplied by the principal amount of each short-term loan. The terms of the loan are conducted on an arm's length basis and based on similar terms offered to third parties.

Transactions with subsidiaries

Other than disclosed elsewhere in the financial statements, during the financial year, there were the following significant transactions with subsidiaries:

	Company	
	Transaction value for the year ended	
	2016 US$'000	2015 US$'000
Loans to subsidiaries	14,972	18,633
Repayment of convertible bonds by subsidiaries	(1,600)	–
	13,372	18,633

The loans provided to subsidiaries are interest free with no fixed repayment dates. These amounts were recorded as part of investments in subsidiaries under the line item – Amount due from subsidiaries (Note 7).

Other related party transactions and balances

	Group		Company	
	Transaction value for the year ended		Transaction value for the year ended	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Interest expense				
Luminor Pacific Fund 2 Ltd	77	–	–	–

	Balance outstanding as at			
	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Interest expense				
Luminor Pacific Fund 2 Ltd	77	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

30 Geographical segments

The Group operates principally in United States of America and Singapore. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	Revenue		Non-current assets	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
United States of America	9,245	10,826	6,331	7,048
Singapore	40	18	7,294	6,873
Japan	678	891	–	–
Europe	619	426	–	–
China	–	179	–	–
Australia	17	95	–	–
Hong Kong	46	–	–	
	10,645	12,435	13,625	13,921

Revenues from one customer of the United States of America segment represents approximately US$1,899,000 (2015: US$6,880,000) of the Group's total revenues.

31 Subsequent events

Share-Based Payment

Date	Plan	Event(s)
13 January 2017	2015 RSP	Issued 13,471,000 ordinary shares to various employees and directors of the Company.
13 January 2017	2015 stock plan	Issued 816,300 ordinary shares following the exercise of options granted under the stock plan.
2 March 2017	2015 RSP	Issued and granted 1,140,000 ordinary shares to an employee as a reward for achieving relevant performance targets.
2 March 2017	2014 stock plan	Granted 3,507,000 share options to various employees and Mark Allen Wan; a non-executive director of the Group. The share options granted to Mark Allen Wan is subject to shareholders' approval at the Annual General Meeting as Mark Allen Wan is the controlling shareholder of the Company.
7 April 2017	2015 RSP	Issued and granted 30,751,246 ordinary shares to various employees and directors of the Company.

NOTES TO THE **FINANCIAL STATEMENTS**

31 Subsequent events (continued)

Convertible Notes

Date	Plan	Event(s)
18 January 2017	2015 Notes Agreement	The first tranche of the US$5,475,000 convertible notes ("notes") was due for repayment on 6 February 2017. On 18 January 2017, the Company entered into a note repayment and share issuance deed ("January 2017 Deed") with certain notes' holders to settle the notes in shares. Following the January 2017 Deed, the Company issued 108,075,000 ordinary shares to the notes' holders to settle US$5,125,000 of the notes. The remaining US$350,000 was settled in cash. In addition to the above, an additional consideration of US$513,000 was paid to the various notes' holders for agreeing to settle the notes in shares. This additional consideration was satisfied by the issuance of 10,808,000 ordinary shares of the Company. The Qualifying Exit Event under the 2015 Note Agreement will be further varied in respect of the remaining US$5,125,000 notes ("Due Amount") such that: 1. The maturity date for the Qualifying Exit Event is extended for twelve months from 30 September 2017 to 29 September 2018; 2. The Qualifying Exit Event payout will be an amount equivalent to either (a) the Due Amount invested by such note holder under the 2015 Note Agreement if there is a Qualifying Exit Event on or before 30 September 2017; or (b) 75% of the Due Amount invested by such notes' holder under the 2015 Note Agreement if there is a Qualifying Exit Event after 30 September 2017 and prior to (including) 29 September 2018; and 3. Where (a) the consideration received by the Company for the Qualifying Exit Event is in cash, the Qualifying Exit Event payout shall be made to the notes' holders in cash; (b) the consideration received by the Company for the Qualifying Exit Event is in securities, the Qualifying Exit Event payout shall be made to the notes' holders in securities; and (c) the consideration received by the Company for the Qualifying Exit Event is partly in cash and partly in securities, the Qualifying Exit Event payout shall be made to the notes' holders in the same proportions of cash and securities.

NOTES TO THE **FINANCIAL STATEMENTS**

31 Subsequent events (continued)

Convertible Notes (continued)

Date	Plan	Event(s)
16 March 2017	2016 Notes Agreement	US$4,200,000 of the 2016 notes was due for repayment on 16 March 2017. The Company had on the same date, agreed with the notes' holders to settle the 2016 notes with the following arrangement: (a) US$2,300,000 of the notes was satisfied via the issuance of 70,877,000 ordinary shares. An additional consideration of US$230,000 was paid to notes' holders for agreeing to settle the notes in shares. The additional consideration was satisfied by the issuance of 7,088,000 ordinary shares of the Company. Following the settlement of these notes and additional consideration via the issuance of ordinary shares, these notes' holders have fully and absolutely discharged and released all security interest over the Company in connection with the 2016 Notes Agreement. This was finalised with the note repayment and share issuance deed ("March 2017 Deed") that the Company and the respective notes' holders entered into on 16 March 2017. (b) US$1,200,000 of the notes will be fully settled in cash after the capital commitment agreement have been approved by SGX. (c) US$700,000 of the notes repayment was extended to 9 September 2017.

Capital Commitment

Date	Plan	Event(s)
20 March 2017	Agreement with GEM Global Yield Fund LLC SCS ("Investor") and GEM Investments America, LLC ("GEMIA")	The Company entered into a capital commitment agreement ("agreement") with the Investor and GEMIA whereby: (i) the Investor agreed to grant the Company an option to require the Investor to subscribe for new ordinary shares of the Company. The Company shall determine the timing and aggregate number of ordinary shares which the Investor should subscribe. The maximum number of shares to be subscribed is 178,000,000 new ordinary shares, or aggregate of S$10,000,000 (US$7,000,000). (ii) the Company shall issue warrants of up to 35,000,000 new ordinary shares with an exercise price of $0.10 each to the Investor subject to the terms and conditions of the agreement. (iii) the Company and the Investor shall enter into an additional capital commitment agreement on terms (including quantum i.e. S$10,000,000 (US$7,000,000)) identical to the agreement signed on 20 March 2017, within a period of 6 months from the date of the agreement, as and when required by the Company.

NOTES TO THE **FINANCIAL STATEMENTS**

31 Subsequent events (continued)

Short term loans

Date	Plan	Event(s)
22 March 2017	Short term loans	On 22 March 2017, the Company entered into six repayment agreements to fully settle certain short-term loans with third parties and employees of the Company totalling S$1,905,000 (US$1,334,000). On the same date, the Company also entered into a repayment agreement to fully settle the payable to a third party vendor of S$383,000 (US$268,000). These repayments shall be satisfied via the issuance of 45,203,000 ordinary shares of the Company. On 18 April 2017, the Company issued 45,203,000 ordinary Shares in accordance to the repayment agreements dated 22 March 2017.

STATISTICS OF **SHAREHOLDINGS**

As at 3 May 2017

ISSUED AND FULLY PAID UP CAPITAL	:	S$170,830,456
NUMBER OF SHARES IN ISSUE	:	1,310,858,710
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE PER ORDINARY SHARE

There are no treasury shares and subsidiary holdings.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 3 MAY 2017

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	6	0.17	186	0.00
100 – 1,000	28	0.81	20,566	0.00
1,001 – 10,000	515	14.83	3,976,400	0.30
10,001 – 1,000,000	2,789	80.30	390,777,974	29.81
1,000,001 AND ABOVE	135	3.89	916,083,584	69.89
TOTAL	**3,473**	**100.0**	**1,310,858,710**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	189,773,840	14.48
2	LUMINOR PACIFIC FUND 1 LTD	102,120,176	7.79
3	BIOMEDICAL SCIENCES INVESTMENT FUND PTE LTD	66,596,116	5.08
4	OCBC SECURITIES PRIVATE LTD	51,919,973	3.96
5	CIMB SECURITIES (SINGAPORE) PTE LTD	33,503,468	2.56
6	DB NOMINEES (SINGAPORE) PTE LTD	25,270,321	1.93
7	EITAN KONSTANTINO	23,711,785	1.81
8	KEK SIN SHEN STEVE (GUO XINSHENG)	22,129,300	1.69
9	MERRILL LYNCH (SINGAPORE) PTE LTD	20,844,309	1.59
10	RAFFLES NOMINEES (PTE) LTD	19,989,700	1.52
11	DBS NOMINEES PTE LTD	19,939,716	1.52
12	TAN CHIN HWEE (CHEN JINGHUI)	15,519,915	1.18
13	PHILLIP SECURITIES PTE LTD	15,470,400	1.18
14	UOB KAY HIAN PTE LTD	13,931,683	1.06
15	MAYBANK KIM ENG SECURITIES PTE LTD	13,613,508	1.04
16	PHILLIP VENTURES ENTERPRISE FUND 3 LTD (IN MEMBERS' VOLUNTARY LIQUIDATION)	11,359,164	0.87
17	ABN AMRO CLEARING BANK N.V.	10,000,080	0.76
18	JUNIPER CAPITAL VENTURES (PTE) LTD	7,295,498	0.56
19	WANG YU HUEI	6,993,653	0.53
20	RHB SECURITIES SINGAPORE PTE LTD	6,782,300	0.52
	TOTAL	**676,764,905**	**51.63**

STATISTICS OF **SHAREHOLDINGS**

As at 3 May 2017

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of shares held as Direct	%	No. of shares held as Deemed	%
1	Three Arch Partners IV, L.P.[1]	153,887,339	11.74	-	-
2	Three Arch Management[2]	-	-	157,284,444	12.00
3	Mark Allen Wan[3]	-	-	157,284,444	12.00
4	Luminor Pacific Fund 1 Ltd.	102,120,176	7.79	-	-
5	Luminor Capital Pte. Ltd. ("Luminor Capital") [4]	-	-	102,120,176	7.79
6	Biomedical Sciences Investment Fund Pte Ltd ("BMSIF")	66,596,116	5.08	-	-
7	EDB Investments Pte Ltd ("EDB Investments")[5]	-	-	66,596,116	5.08
8	Bio*One Capital Pte Ltd ("Bio*One Capital") [6]	-	-	66,596,116	5.08
9	EDBI Pte Ltd ("EDBI")[6]	-	-	66,596,116	5.08
10	Economic Development Board of Singapore ("EDB")[7]	-	-	66,596,116	5.08

Notes:

(1) 3,457,000 shares are held in the name of UOB Kay Hian Pte Ltd and 150,430,339 shares are held in the name of Citibank Nominees Singapore Pte Ltd.

(2) Three Arch Management is the general partner of Three Arch Partners and Three Arch Associates. Accordingly, Three Arch Management is deemed interested in 153,887,339 shares held by Three Arch Partners IV, L.P. and the 3,397,105 shares held by Three Arch Associates IV, L.P..

(3) Mark Allen Wan is a managing member of Three Arch Management, the general partner of Three Arch Partners IV, L.P. and Three Arch Associates IV, L.P. and is deemed to have share voting and dispositive power over the shares held by Three Arch Partners IV, L.P. and Three Arch Associates IV, L.P.. Accordingly, Mark Allen Wan is deemed interested in 153,887,339 shares held by Three Arch Partners IV, L.P. and the 3,397,105 shares held by Three Arch Associates IV, L.P..

(4) Luminor Capital is the investment manager of Luminor Pacific Fund 1 Ltd. Accordingly, Luminor Capital is deemed interested in 102,120,176 shares held by Luminor Pacific Fund 1 Ltd.

(5) BMSIF is a wholly-owned subsidiary of EDB Investments. Accordingly, EDB Investments is deemed interested in 66,596,116 shares held by BMSIF.

(6) Bio*One Capital is the fund manager of BMSIF and is a wholly-owned subsidiary of EDBI. Accordingly, Bio*One Capital and EDBI is deemed interested in 66,596,116 shares held by BMSIF.

(7) EDB Investments and EDBI are wholly-owned by EDB. Accordingly, EDB is deemed interested in 66,596,116 shares held by BMSIF.

SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 3 May 2017, approximately 72.75% of the issued ordinary shares of the Company was held in the hands of the public and therefore, Rule 723 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited, is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of QT Vascular Ltd will be held at 3A International Business Park, #09-10/11/12 ICON @ IBP Tower B, Singapore 609935 on Wednesday, 31 May 2017 at 8.00 a.m. ("**AGM**") for the purpose of considering and, if thought fit, passing with or without modifications by way of poll, the following Resolutions:

ORDINARY BUSINESS

AS ORDINARY RESOLUTIONS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. (Resolution 1)

2. To approve the payment of Directors' fees of US$222,000 for the financial year ended 31 December 2016 (2015: US$222,000).
(Resolution 2)

3. To re-elect Dr Eitan Konstantino who is retiring pursuant to Article 98 of the Company's Constitution as a Director of the Company.
(See explanatory note (i)) (Resolution 3)

4. To re-elect Mr Mark Allen Wan who is retiring pursuant to Article 98 of the Company's Constitution as a Director of the Company.
(See explanatory note (ii)) (Resolution 4)

5. To re-elect Dr Amir Belson who is retiring pursuant to Article 102 of the Company's Constitution as a Director of the Company.
(See explanatory note (iii)) (Resolution 5)

6. To re-appoint KPMG LLP as the Company's auditors for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration. (Resolution 6)

7. To transact any other ordinary business which may be properly transacted at the AGM.

SPECIAL BUSINESS

AS ORDINARY RESOLUTIONS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. Authority to allot and issue shares

THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "Act") and Rule 806 of the Listing Manual Section B: Rules the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") ("Catalist Rules"), the Directors of the Company be authorised and empowered to:

(I) (a) allot and issue ordinary shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

(b) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures, or other instruments convertible into Shares;

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF **ANNUAL GENERAL MEETING**

(II) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that

(a) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments, made or granted pursuant to this Resolution), shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below) or such other limit as may be prescribed by the Catalist Rules as at the date of this Resolution is passed;

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (a) above, the percentage of the issued Shares shall be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from exercising of share options or vesting of share awards which are outstanding and/or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), and all applicable legal requirements under the Act and the Company's Constitution for the time being; and

(d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the Company's next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

(See explanatory note (iv)) (Resolution 7)

9. Authority to allot and issue shares under the QTV 2013 Share Plan (the "QTV 2013 Share Plan"), the TriReme Medical, LLC 2005 Stock Plan ("2005 Stock Plan") and the Quattro Vascular Pte. Ltd. 2010 Equity Incentive Plan ("2010 Equity Incentive Plan").

THAT pursuant to Section 161 of the Act, authority be and is hereby given to the Directors to allot and issue from time to time such number of fully paid-up Shares as may be required to be issued pursuant to the exercise of options under the QTV 2013 Share Plan, the 2005 Stock Plan and the 2010 Equity Incentive Plan, such authority (unless revoked or varied by the Company in general meeting) to continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

(See explanatory note (v)) (Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

10. Authority to allot and issue Shares under the 2014 QTV Employee Share Option Scheme ("Scheme")

THAT the Directors of the Company be and are hereby authorised to:

(I) offer and grant options to purchase Shares ("**Options**") in accordance with the provisions of the Scheme;

(II) pursuant to Section 161 of the Act, allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the exercise of the Options; and

(III) (notwithstanding the authority conferred by this Resolution may have ceased to be in force), pursuant to Section 161 of the Act, allot and issue fully paid-up Shares pursuant to the exercise of any Options granted by the Directors in accordance with the Scheme while this Resolution was in force,

such authority to continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
(See explanatory note (vi)) (Resolution 9)

11. Authority to allot and issue Shares under the QT Vascular Restricted Share Plan 2015 ("Share Plan")

THAT the Directors of the Company be and are hereby authorised to:

(I) grant awards of Shares ("Awards") in accordance with the provisions of the Share Plan;

(II) pursuant to Section 161 of the Act, allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the vesting of the Awards; and

(III) (notwithstanding the authority conferred by this Resolution may have ceased to be in force), pursuant to Section 161 of the Act, allot and issue fully paid-up Shares pursuant to the vesting of any Award granted by the Directors in accordance with the Share Plan while this Resolution was in force,

such authority to continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
(See explanatory note (vii)) (Resolution 10)

For Resolutions 11 and 12 below, all capitalised terms in this Notice shall have the same meanings ascribed to them in the Appendix to Shareholders of the Company dated 16 May 2017 (the "Appendix"), unless otherwise defined herein or where the context otherwise requires.

12. Proposed renewal of the Share Buy-Back Mandate

THAT:

(a) for the purposes of Sections 76C and 76E of the Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchase(s) (each a "**Market Purchase"**) on the SGX-ST transacted through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with an equal access scheme as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Catalist Rules and the Act,

on the terms of the Appendix and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Constitution of the Company and the Catalist Rules as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-Back Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the Relevant Period (as hereinafter defined) and expiring on the earliest of:

(i) the conclusion of the next annual general meeting of the Company is held or date by which such annual general meeting is required to be held;

(ii) the date on which the share buy-backs are carried out to the full extent of the Share Buy-Back Mandate; or

(iii) the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked;

(c) for purposes of this ordinary resolution:

"**Maximum Limit**" means ten per cent. (10%) of the total issued Shares of the Company as at the date of the passing of this ordinary resolution, unless the Company has effected a reduction of the share capital of the Company (other than a reduction by virtue of a share buy-back) in accordance with the applicable provisions of the Act, at any time during the Relevant Period (as hereinafter defined) in which event the issued Shares of the Company shall be taken to be the total number of the issued Shares as altered by such capital reduction (the total number of Shares shall exclude any Shares that may be held as treasury shares by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of the passing of this ordinary resolution and expiring on the earliest of the date on which the next annual general meeting of the Company is held or is required by law to be held, the date on which the share buy-backs are carried out to the full extent of the Share Buy-Back Mandate, or the date the said mandate is revoked or varied by the Company in a general meeting;

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, five per cent. (5%) above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded before the day on which the Market Purchase was made by the Company and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, ten per cent. (10%) above the average of the closing market prices of the Shares over the five (5) Market Days on which transactions in the Shares were recorded before the day on which the Company makes an announcement of an offer under the Off-Market Purchase scheme stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

NOTICE OF ANNUAL GENERAL MEETING

(d) the number of Shares which may in aggregate be purchased or acquired by the Company during the Relevant Period shall be subject to the Maximum Limit;

(e) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased by the Company, pursuant to the Share Buy-Back Mandate in any manner as they think fit, which is permitted under the Act; and

(f) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

(See explanatory note (viii)) (Resolution 11)

13. The Proposed Grant of Options to Mr Mark Allen Wan, an Affiliate of a Controlling Shareholder of the Company, under the 2014 QTV Employee Share Option Scheme ("Scheme")

That:

(a) the proposed grant of options ("**Options**") to Mr Mark Allen Wan, an Affiliate of a Controlling Shareholder of the Company, pursuant to and in accordance with the terms under the Scheme be and is hereby approved, confirmed and ratified and the Directors and each of them be and are hereby authorized to allot and issue or deliver from time to time such number of Shares upon the exercise of such Options:

i) Date of grant: 2 March 2017 ("Date of Grant")

ii) Exercise price: S$0.057 for each option granted

iii) Number of shares comprised under the Options: 2,006,611 ordinary shares in the capital of the Company ("**Shares**") (representing approximately 0.15% of the total issued Shares as at the Latest Practicable Date)

iv) Vesting period of Options: Between one (1) and four (4) year(s), as follows:

One fourth (1/4th) of the Options shall vest on the one (1) year anniversary of the vesting commencement date, and an additional one forty-eighth (1/48th) of the Options shall vest on the last day of each full calendar month thereafter, subject to the option holder continuing to be a service provider through each such date.

v) Market price* of the Company's Shares on the date of grant: S$0.057 per Share on 2 March 2017

**Market price refers to the weighted average of the last dealt price for a Share, as determined by reference to the daily Official List published by the SGX-ST on the Date of Grant of an Option (and where the Date of Grant is not a day where Shares are traded on Catalist, the last-dealt price for a Share will be determined by reference to the daily Official List published by the SGX-ST for the trading day immediately preceding the Date of Grant of an option).*

vii) Validity/term of Options granted: Five (5) years from the Date of Grant

(See explanatory note (ix))

(Resolution 12)

By Order of the Board

Lee Pih Peng
Company Secretary
16 May 2017

NOTICE OF **ANNUAL GENERAL MEETING**

EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESSES TO BE TRANSACTED

ORDINARY BUSINESS

(i) Ordinary Resolution 3, if passed, will re-elect Dr Eitan Konstantino as Director of the Company. Dr Eitan Konstantino is an executive Director and the Chief Executive Officer of the Company. Dr. Eitan Konstantino, will upon the re-election, remain as a member of the Nominating Committee.

(ii) Ordinary Resolution 4, if passed, will re-elect Mr Mark Allen Wan as Director of the Company. Mr Mark Allen Wan is a non-executive Director of the Company. Mr Mark Allen Wan will, upon the re-election, remain as a member of the Remuneration Committee.

(iii) Ordinary Resolution 5, if passed, will re-elect Dr Amir Belson, who was appointed as Director during the course of the financial year ended 31 December 2016. Dr Amir Belson is an Independent Director of the Company. Dr Amir Belson will, upon the re-election, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee. The Board considers Dr Amir Belson to be independent for the purpose of Rule 704(7) of the Catalist Rules.

SPECIAL BUSINESS

(iv) Ordinary Resolution 7, if passed, will empower the Directors of the Company, from the date of the AGM until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares, make or grant Instruments and to issue Shares pursuant to such Instruments, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors of the Company may consider would be in the best interests of the Company. The aggregate number of Shares (including Shares to be made in pursuance of Instruments made or granted pursuant to this Resolution) to be allotted and issued would not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution. For issue of Shares (including Shares to be made in pursuance of instruments made or granted pursuant to this Resolution) other than on a pro-rata basis to all shareholders shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) at the time of the passing of this Resolution.

(v) Ordinary Resolution 8, if passed, will empower the Directors, from the date of the AGM until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied and revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares to holders of outstanding options which were awarded under the QTV 2013 Share Plan, the 2005 Stock Plan and the 2010 Equity Incentive Plan pursuant to the exercise of such outstanding options. Options granted under the 2005 Stock Plan and the 2010 Equity Incentive Plan had been assumed by the Company pursuant to the restructuring exercise entered into prior to the listing of the Company on Catalist. The Company had ceased issuing additional options under the QTV 2013 Share Plan since 25 April 2014. However, subsisting options granted prior to such date are not affected by the discontinuation and remain exercisable in accordance with the rules of the QTV 2013 Share Plan, the 2005 Stock Plan and the 2010 Equity Incentive Plan.

(vi) Ordinary Resolution 9 above, if passed, will empower the Directors, from the date of the AGM until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied and revoked by the Company in a general meeting, whichever is the earlier, to (i) offer and grant Options under the terms of the Scheme and (ii) allot and issue Shares pursuant to the exercise of Options to be granted under the Scheme.

(vii) Ordinary Resolution 10, if passed, will empower the Directors, from the date of the AGM until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied and revoked by the Company in a general meeting, whichever is the earlier, to (i) grant awards under the terms of the Share Plan and (ii) allot and issue Shares pursuant to the vesting of the Awards to be granted under the Share Plan.

(viii) Ordinary Resolution 11 above, if passed, will provide the mandate to allow the Company to purchase or otherwise acquire Shares, on the terms and subject to the conditions set out in the Resolution and the Appendix. Please refer to the Appendix for more details.

(ix) Ordinary Resolution 12 above, if passed, will approve the grant of Options Mr Mark Allen Wan, an Affiliate of a Controlling Shareholder of the Company, under the QTV 2014 QTV Employee Share Option Scheme, on the terms and subject to the conditions set out in the Resolution and the Appendix. Please refer to the Appendix for more details.

FURTHER NOTES:

1. (a) A member (otherwise than a relevant intermediary) is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of share shall be specified)

   "Relevant intermediary" means:

   (i) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

2. A proxy need not be a member of the Company.

3. An instrument appointing a proxy must be deposited at 3A International Business Park, #09-10/11/12 ICON @ IBP Tower B, Singapore 609935 not less than 48 hours before the time for holding the AGM or any adjournment thereof.

NOTICE OF **ANNUAL GENERAL MEETING**

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

QT VASCULAR LTD.

Company Registration No. 201305911K
(Incorporated in the Republic of Singapore)

PROXY FORM
Annual General Meeting

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than 2 proxies to attend, speak and vote at the Annual General Meeting.
2. For SRS investors who have used their SRS monies to buy QT Vascular Ltd. Shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. SRS investors should contact their respective agent banks if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notes to this Proxy Form.

I / We _____ (Name), NRIC/Passport No. _____

of _____ (Address)

being a member(s) of QT **VASCULAR LTD.** (the "**Company**") hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholding (%)**
Address		

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholding (%)**
Address		

or failing whom the Chairman of the Annual General Meeting (the "**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting to be held at 3A International Business Park, #09-10/11/12 ICON @ IBP Tower B, Singapore 609935 on Wednesday, 31 May 2017 at 8.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion. All resolutions put to vote at the Meeting shall be decided by way of poll.

No.	**ORDINARY RESOLUTION**	**Number of votes For***	**Number of votes Against***
	ORDINARY BUSINESS		
1.	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon.		
2.	To approve the payment of Directors' fees of US$222,000 for the financial year ended 31 December 2016.		
3.	To re-elect Dr Eitan Konstantino who is retiring pursuant to Article 98 of the Company's Constitution as a Director of the Company.		
4.	To re-elect Mr Mark Allen Wan who is retiring pursuant to Article 98 of the Company's Constitution as a Director of the Company.		
5.	To re-elect Dr Amir Belson who is retiring pursuant to Article 102 of the Company's Constitution as a Director of the Company.		
6.	To re-appoint KPMG LLP as the Company's auditors for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
7.	To approve the authority to allot and issue shares.		
8.	To approve the authority to allot and issue shares pursuant to options granted by the Company under the QTV 2013 Share Plan and assumed by the Company under the 2005 Stock Plan and the 2010 Equity Incentive Plan.		
9.	To approve the authority to allot and issue shares under the 2014 QTV Employee Share Option Scheme.		
10.	To approve the authority to allot and issue shares under the QT Vascular Restricted Share Plan 2015.		
11.	To approve the proposed renewal of the Share Buy-Back Mandate		
12.	To approve the proposed grant of options to Mr Mark Allen Wan, an Affiliate of a Controlling Shareholder of the Company, under the 2014 QTV Employee Share Option Scheme		

* Note: If you wish to exercise all your votes "**For**" or "**Against**" the above resolution, please tick "√" within the box provided. Otherwise, please indicate the number of votes as appropriate.

Dated this ___ day of May 2017

Total Number of Shares held **(see Note 1)**	
CDP Register	
Member's Register	
TOTAL	

_____
Signature(s) of Member(s)/Common Seal
IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes to Proxy Form

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2. (a) A member (otherwise than a relevant intermediary) is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

   "Relevant intermediary" means:

   (i) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or

   (iii) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

3. A proxy need not be a member of the Company.

4. An instrument appointing a proxy must be deposited at 3A International Business Park, #09-10/11/12 ICON @ IBP Tower B, Singapore 609935 not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointer or by his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorized officer.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

QTVascular

(Company Registration No.: 201305911K)

3A International Business Park
#09-10/11/12 ICON @ IBP Tower B, Singapore 609935