

**THE TRENDLINES GROUP LTD.
ANNUAL REPORT 2016**

Creating & Developing Companies
To Improve the Human Condition



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The Trendlines Group Ltd. (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 26 November 2015. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This annual report has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the 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.

SHORTENED FORMS & ACRONYMS IN THIS ANNUAL REPORT

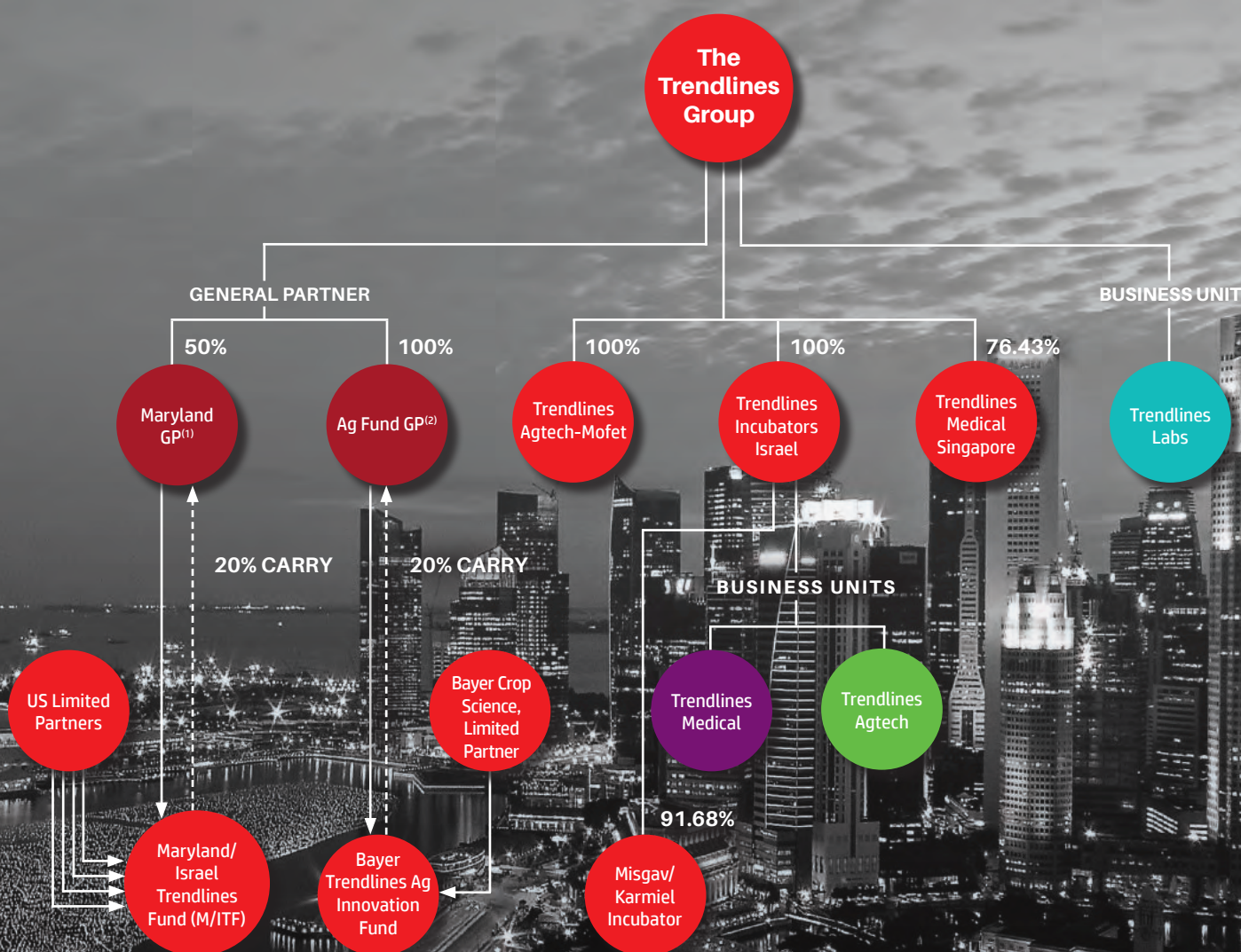
American Depositary Receipt ("ADR")
 Bayer Crop Science LLC ("Bayer Crop Science" or "BCS")
 Bayer Trendlines Ag Innovation Fund ("Bayer Trendlines Ag Fund" or "Ag Fund")
 B. Braun Melsungen AG ("B. Braun")
 Board of Directors ("Board")
 Catalist of the Singapore Exchange Securities Trading Limited ("Catalist of the Singapore Exchange" or "SGX" or "Singapore Exchange")
 Chief Executive Officer ("CEO")
 Chief Financial Officer ("CFO")
 Chief Operating Officer ("COO")
 Chief Technology Officer ("CTO")
 Compound Annual Growth Rate ("CAGR")
 Fair Value ("FV")
 Financial Year ended 31 December 2015 ("FY2015")
 Financial Year ended 31 December 2016 ("FY2016")
 General Partner ("GP")
 Initial Public Offering ("IPO")
 Israel Innovation Authority (previously, Israel's Office of the Chief Scientist of the Ministry of Economy and Industry, or "the OCS")
 Maryland/Israel Trendlines Fund GP LLC ("Maryland GP")
 Maryland/Israel Trendlines Fund L.P. ("MIT/F")
 Memorandum of Understanding ("MOU")
 Merger and Acquisition ("M&A")
 Misgav/Karmiel Technology Incubator, Management Services Ltd. ("Misgav/Karmiel Incubator")
 PrimePartners Corporate Finance Holdings Pte. Ltd. ("PrimePartners" or "PrimePartners Holdings")
 Redeemable Convertible Loan ("RCL")
 Research and Development ("R&D")
 Singapore Dollar ("SGD")
 The Trendlines Group Ltd. ("Trendlines" or the "Company," and together with its subsidiaries, the "Group" or "The Trendlines Group")
 Trendlines Agtech Ltd. ("Ag Fund GP")
 Trendlines Agtech-Mofet Ltd. ("Trendlines Agtech-Mofet")
 Trendlines Medical-Misgav Ltd. (now "Trendlines Incubators Israel Ltd."); Trendlines Incubators Israel Ltd. ("Trendlines Incubators Israel" comprises the business units Trendlines Medical and Trendlines Agtech)
 Trendlines Medical Singapore Pte. Ltd. ("Trendlines Medical Singapore")
 Vice President ("VP")

TRENDLINES' PORTFOLIO COMPANIES SHORTENED FORMS

Advanced Mem-Tech Ltd. ("MemTech")
 ApiFix Ltd. ("ApiFix")
 Aquinovo Ltd. ("Aquinovo")
 Arcuro Medical Ltd. ("Arcuro Medical")
 BioFishency Ltd. ("BioFishency")
 BioSight Ltd. ("BioSight")
 Breezy Industries Ltd. ("Breezy")
 Ceretrieve Ltd. ("Ceretrieve")
 CorAlert Ltd. ("CorAlert")
 CoreBone Ltd. ("CoreBone")
 EdenShield Ltd. ("EdenShield")
 ElastiMed Ltd. ("ElastiMed")
 Enolog Technologies Ltd. ("Enolog")
 Escala Medical Ltd. ("Escala Medical")
 E.T. View Medical Ltd. ("E.T. View" or "E.T. View Medical")
 Fidmi Medical Ltd. ("Fidmi Medical")
 Gordian Surgical Ltd. ("Gordian Surgical")
 GreenSpense Ltd. ("GreenSpense")
 Hargol FoodTech Ltd. ("Hargol FoodTech")
 Headway Ltd. ("Headway")
 InPlant Technologies Ltd. ("InPlant")
 LapSpace Medical Ltd. ("LapSpace Medical")
 Leviticus Cardio Ltd. ("Leviticus Cardio")
 liberDi Ltd. ("liberDi")
 Liola Technologies Ltd. ("Liola")
 Magdent Ltd. ("Magdent")
 MetoMotion Ltd. ("MetoMotion")
 MiRobot Ltd. ("MiRobot")
 Nephera Ltd. ("Nephera")
 NeuroQuest Ltd. ("NeuroQuest")
 OB Smart Ltd. ("OB Smart")
 Omeq Medical Ltd. ("Omeq Medical")
 OrthoSpin Ltd. ("OrthoSpin")
 ProArc Medical Ltd. ("ProArc Medical")
 Saturas Ltd. ("Saturas")
 Seger Surgical Solutions Ltd. ("Seger Surgical")
 Sol Chip Ltd. ("Sol Chip")
 Stimatix G.I. Ltd. ("Stimatix GI")
 S.T.S. Medical Ltd. ("ST Stent")
 Tandem Technologies Ltd. ("Tandem Technologies")
 Valentis Nanotech Ltd. ("Valentis")
 Vensica Medical Ltd. ("Vensica Medical")
 ViAqua Therapeutics Ltd. ("ViAqua Therapeutics")
 VisiDome Ltd. ("VisiDome")
 VivoText Ltd. ("VivoText")
 Zeev Implants Ltd. ("Zeev Implants")
 ZygoFix Ltd. ("ZygoFix")

GROUP STRUCTURE

Our corporate structure as at 20 March 2017.



(1) Maryland GP is a Maryland limited liability company which is the general partner of the M/ITF, a Maryland limited partnership which is a Shareholder of our Company and has invested in certain of our portfolio companies. The remaining 50% shareholding in Maryland GP is held by Maryland/Israel Development Corporation, an Unrelated Third Party. In its capacity as the general partner of M/ITF, Maryland GP is entitled to receive 20% of distributions (cash or property) made by M/ITF as carried interest ("20% Carry"), after all the limited partners in M/ITF have received in aggregate distributions equal to their capital contributions to M/ITF.

(2) Ag Fund GP acts as the GP of an Israeli limited partnership, the Bayer Trendlines Ag Fund. 100% of the interest in the Bayer Trendlines Ag Fund is held by Bayer Crop Science LP, an unrelated third party. In its capacity as the GP of the Bayer Trendlines Ag Fund, Ag Fund GP is entitled to receive 20% of distributions made by the Bayer Trendlines Ag Fund as carried interest, after all the partners have received in aggregate distributions equal to their respective capital contributions to the Bayer Trendlines Ag Fund. In addition, in its capacity as the GP of the Bayer Trendlines Ag Fund, Ag Fund GP has the sole, complete and exclusive right, power and discretion to operate, manage, and control the affairs and property of the Bayer Trendlines Ag Fund and to make all decisions concerning the operations and business of the Bayer Trendlines Ag Fund.

CORPORATE PROFILE

The Trendlines Group establishes, develops, and invests in technology-based medical and agricultural companies in accordance with its mission “to improve the human condition” by discovering, investing in, incubating, and providing extensive support to its portfolio companies.

When we invest in a new early-stage company, we provide it with intensive support, including R&D, business development, market and commercialization strategy, investment strategy, finance planning, legal consultancy, human resource recruitments, and marketing communications. In addition, during their first two or three years, our portfolio companies are located in our offices and receive extensive overhead support, including bookkeeping, accounting, administration, and logistics.

We operate principally through our wholly owned subsidiary Trendlines Incubators Israel, under which both medical and agtech activities are conducted. Additionally, we operate Trendlines Labs, our own in-house innovation center.

We explore cooperation opportunities through joint ventures, partnerships, or the formation of strategic alliances with parties that are interested in establishing incubators together with us in various countries. In 2016, we established the Bayer Trendlines Ag Innovation Fund, an Israeli fund, in collaboration with Bayer Crop Science, managed by Ag Fund GP and focused on investments in early-stage agtech portfolio companies of the Group. Also in 2016, we established Trendlines Medical Singapore, our first incubator outside of Israel. Through this incubator, we will discover, invest in, and incubate early-stage medical technology companies starting in 2017.

We create and develop medical and agricultural technology companies with a view toward successful exits in the marketplace, which may take the form of M&A transactions, listings on public stock exchanges, or other dispositions and earnings from our holdings, as appropriate to each company.

BRIEF CORPORATE HISTORY

In 2007, Trendlines acquired a technology incubator, established in 1995 and subsequently named Trendlines Incubators Israel, which focused on the discovery and development of medical devices and technologies to improve patient outcomes and reduce skyrocketing health care costs. Concurrently, we acquired control of another technology incubator initially founded in 1992. In 2011, we made a strategic decision to focus that incubator (subsequently named Trendlines Agtech-Mofet) to discover



The Trendlines Group senior management team (standing, l to r): COO **Yossi Ron**, CEO Trendlines Labs **Yosi Hazan**, CEO Trendlines Incubators Israel **Nitza Kardish**, Chairmen and CEOs **Steve Rhodes** and **Todd Dollinger** (seated, l to r): VP Business Development **Moshe Katzenelson**, CFO **Gabi Heller**. Not pictured: CEO Trendlines Medical Singapore **Eric Loh**.

and develop innovation-based companies focused on improving agricultural technologies and increasing yields. In March 2016, we consolidated operations of the two incubators under one subsidiary, Trendlines Incubators Israel.

In 2011, we established Trendlines Labs as a business unit of Trendlines to invent and develop technologies – either as principal or in collaboration with global and local companies and partners – to address unmet market needs. The technologies developed by Trendlines Labs may be sold, or licensed to others, or further developed for commercialization under the auspices of The Trendlines Group.

We established Trendlines Medical Singapore in July 2016 as a platform for investment in and incubation of early-stage medical technology companies in Singapore. In December 2016, we signed and executed a definitive investment and cooperation agreement with B. Braun and PrimePartners Holdings as shareholders and partners in Trendlines Medical Singapore. (Under the agreement, B. Braun Singapore Pte. Ltd., a subsidiary of B. Braun, will be a minority shareholder in Trendlines Medical Singapore.)

We continue to investigate additional collaboration opportunities to expand our incubator model through joint initiatives, partnerships or strategic agreements in other countries, including Singapore, China, and Germany.



A PART OF THE ISRAELI START-UP ECOSYSTEM

Cultivating an entrepreneurial spirit through a combination of government support and substantial investment in civilian R&D has led Israel to become an international innovation powerhouse, especially in medical and agricultural technologies.



AN EXTENSIVE NETWORK OF RELATIONSHIPS

Our extensive global network of industry leaders, investors, lawyers, bankers, venture capitalists, and other professionals helps us generate quality deal flow.



A FOUNDATION OF INTENSIVE SUPPORT

The significant support provided to our portfolio companies (either by our staff or third-party providers) extends from our physical facilities — where our portfolio companies are located for two to three years — to extensive involvement in R&D, business development and marketing support, and legal and financial services, which allow our companies to flourish and to improve their chances of success.

OUR STRENGTHS

Through these six strengths Trendlines has become a leader in establishing early-stage innovation-based medical and agricultural technology companies.



AN EXPERIENCED MANAGEMENT TEAM

We have assembled a senior management team of veteran businesspeople with expertise in a broad range of industries and technologies.



AN EFFICIENT USE OF FUNDS

In Israel, our average direct investment of approximately US\$110,000 in each portfolio company leverages on an initial grant each company receives of approximately US\$625,000 from the Israel Innovation Authority. In addition, we make an in-kind investment of approximately US\$450,000 per company.



A STRONG REPUTATION, BRAND & TRACK RECORD

The strength of our reputation for early-stage investing and business incubation is built on the decades' long partnership of our chairmen and their reputation in the relevant industries, along with our track record of successful company building, exits, awards, strategic partnerships, events we organize and sponsor, and media attention we garner.

CHAIRMEN'S STATEMENT

Trendlines creates and develops companies to improve the human condition through partnerships with our entrepreneurs and inventors, investors, research institutions, and industry leaders.

Stephen Louis Rhodes

Chairman and Chief Executive Officer

David Todd Dollinger

Chairman and Chief Executive Officer

DEAR SHAREHOLDERS,

On behalf of the Board of Directors and Management, we are pleased to present this annual report of The Trendlines Group for the financial year ended 31 December 2016.

FY2016 was a year of meaningful milestones for the Group.

- We completed our first full year as a public company traded on the Singapore Exchange.
- We exited one company and established 10 new medical and agtech portfolio companies.
- Bayer Crop Science committed US\$10 million to our Bayer Trendlines Ag Innovation Fund.
- We executed collaboration agreements with three multinationals, including Bayer.
- We established Trendlines Medical Singapore; B. Braun is an active minority shareholder.
- We launched our American Depositary Receipt program in the United States.
- We renewed our incubator license from the Israeli government's Israel Innovation Authority for a period of eight years through 2023. Our renewed license covers both medical and agtech investments.

We entered our 10th year of operations. Over the last decade, we built our current portfolio of 46 active companies. We facilitated

two IPOs and sold six companies in M&A transactions (two of the six were the companies that we had previously listed). We opened our first incubator outside of Israel, created our highly innovative Trendlines Labs unit, and broadened our investment reach, all with a view to creating value for the Company and its shareholders.

In 2016, our total assets decreased by US\$6.4 million to approximately US\$102.6 million as at 31 December 2016. This was mainly due to the reduction in cash and cash equivalents and short-term investments in the amount of approximately US\$7.2 million, which was used for the Group's operating and investment activity.

The investments in portfolio companies of approximately US\$83.7 million as at 31 December 2016 were made up of 46 portfolio companies presented at their fair value.

Trendlines Labs' revenue nearly tripled to US\$1.14 million.

Our total income of US\$0.1 million includes US\$8.0 million net fair value loss, Trendlines Labs' revenue of US\$1.14 million, and US\$2.1 million gain from the sale of E.T.View Medical held by The Trendlines Group under the equity method.

Our net loss was US\$6.6 million.

BUILDING VALUE THROUGH OUR PORTFOLIO

In FY2016, Ambu A/S, a Danish medical device company, acquired our portfolio company E.T.View Medical for US\$16 million, generating US\$3.6 million in cash for Trendlines. At the end of 2016, about 18 of our portfolio companies were five years old or older and had achieved many value-building milestones. In accordance with our business model, more mature portfolio companies such as these, as well as younger portfolio companies, may generate significant value for Trendlines in the coming years.

Trendlines creates and develops companies to improve the human condition through partnerships with our entrepreneurs and inventors, investors, research institutions, and industry leaders. We established 10 new portfolio companies in FY2016.

- Six medical companies: Ceretrieve, CorAlert, liberDi, OB Smart, Seger Surgical Solutions, and ZygoFix
- Four agtech companies: Aquinovo, Hargol FoodTech, InPlant Technologies, and MetoMotion

Seventeen portfolio companies raised a total of more than US\$20 million in follow-on capital. Among the companies that raised funds: ApiFix, EdenShield, Gordian Surgical, MemTech, Saturas, and Vensica. A number of portfolio companies reached major milestones such as regulatory approvals, developments toward commercialization, and successful clinical/field trials.



PARTNERING WITH MULTATIONALS

Our business rests on strong partnerships. In 2016, we entered into multiple collaboration agreements with multinationals in Germany, Japan, and the United States.

- B. Braun invested in Trendlines Medical Singapore, invested approximately US\$4 million in portfolio companies, and is working with Trendlines Labs. In 2015, B. Braun invested US\$5 million in our IPO.
- We established the Bayer Trendlines Ag Innovation Fund with Bayer Crop Science, one of the world's leading agrochemical companies. The five-year partnership agreement includes a commitment from Bayer Crop Science to invest US\$10 million in the fund, which targets Trendlines agtech portfolio companies.
- Our Trendlines Labs unit signed a collaboration framework agreement with a Japanese multinational medical device corporation. Under the agreement, Trendlines Labs works together with the multinational to identify clinical opportunities and develop products.
- Trendlines Labs is also working with a large U.S. medical device company. At the beginning of 2016, the U.S. company began marketing a device designed and developed by Trendlines Labs, and additional projects are under way.

VENTURING ABROAD

We established Trendlines Medical Singapore in keeping with our plan to establish incubators outside Israel. Trendlines Medical Singapore is a platform for investment in and incubation of early-stage medical technology companies in Singapore, and will benefit from an SGD2.2 million grant from SPRING Singapore, the enterprise development agency of the Singapore Ministry of Trade and Industry.

CHAIRMEN'S STATEMENT



BUILDING INVESTOR EXPOSURE

We launched our American Depositary Receipt program to facilitate trading for American investors. Our ADRs are listed in the United States on the OTCQX® Best Market.

Throughout FY2016, we held more than 75 one-on-one investor meetings, an additional 20 analyst meetings, and presented to more than 20 groups of investors. In addition, we conducted two Asia-focused road shows. The road shows were organized in partnership with government offices, private investment funds, banks, law firms, and insurance companies.

In Israel, we held our 6th Annual Company Showcase, attended by more than 400 participants from Israel, Singapore, Europe, China, and the United States. We led the 4th AgriVest conference, an agtech-focused investment event that attracts industry players and investment funds from around the world. The event drew more than 400 attendees from 20 countries.

These events showcase our portfolio companies to investors and industry partners and play an important part in our ongoing marketing and business development activities.

THE CAPITAL MARKETS

The early part of 2016 was marked by declines in many of the world's stock markets and, like many other companies, our share price was adversely affected by this general trend. We remain focused on building long-term value for our shareholders and are confident in our business and in our corporate strategy. We continue to focus on making the right investment decisions, building our companies and achieving the best possible results.

ACKNOWLEDGEMENTS AND APPRECIATION

As we enter our second decade of operations this year, we want to take this opportunity to thank our Board, Management, and employees for their hard work, and our partners, sponsors, shareholders, and the governments of the State of Israel and the Republic of Singapore for their continued support and confidence in the Company.

David Todd Dollinger

Chairman and Chief Executive Officer

Stephen Louis Rhodes

Chairman and Chief Executive Officer

20 March 2017



Ag Robotics

Rising labor costs coupled with a severe agricultural labor shortage, stronger labor laws, and the increasing availability of technology are driving this sector. Robots perform accurately, precisely, and promise "fatigueless functioning." *

The global agricultural robot market is projected to exceed US\$15 billion by 2020. Europe is the largest market; however, the United States is the fastest-growing market with a 50% CAGR over the period. **

OUR PORTFOLIO COMPANIES OPERATING IN THIS SECTOR



See references on page 39.



Cardiovascular

Interventional cardiology procedures such as catheterization and intracoronary stents are moving to outpatient hospital settings as hospitals “transition from volume to value.” In 2014, payments to physicians for hospital outpatient cardiology services exceeded payments to physicians for hospital inpatient cardiology services.*

OUR PORTFOLIO COMPANIES OPERATING IN THIS SECTOR

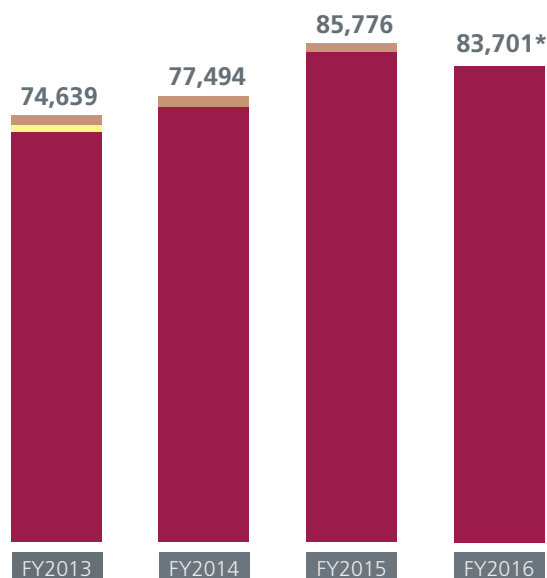
CorAlert Elastimed  Leviticus Cardio  Nephra

See references on page 39.

FINANCIAL HIGHLIGHTS

FAIR VALUE OF PORTFOLIO COMPANIES

(US\$,000)

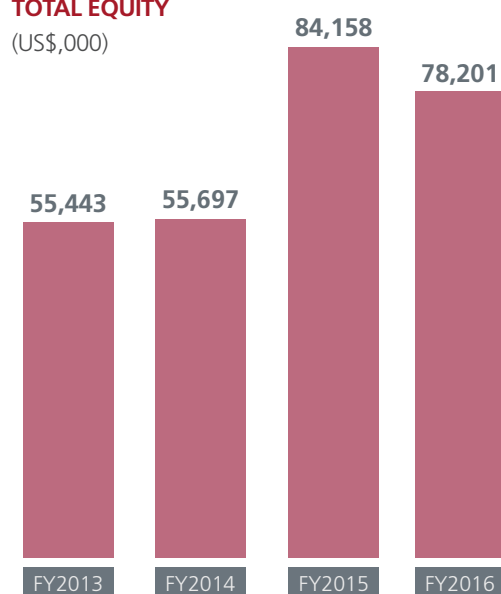


*After net proceeds of US\$3.6 million from the sale of E.T.View Medical and receipt of a US\$0.9 million dividend from our Most Valuable Portfolio Company

- Portfolio Value
- FV of investments in companies accounted for under the equity method
- FV of investments in consolidated non-operating subsidiaries

TOTAL EQUITY

(US\$,000)



OUR 10 MOST VALUABLE COMPANIES

Total estimated fair market value of our 10 most valuable portfolio companies: approximately US\$57.0 million, representing 68.1% of total portfolio value of approximately US\$83.7 million as at 31 December 2016.

Company Name	Year of Initial Investment	% Owned (Fully Diluted)
ApiFix	2011	26.33
Arcuro Medical	2013	37.36
EdenShield	2012	36.54
LapSpace Medical	2011	54.58
Leviticus Cardio	2010	23.71
Liola Technologies	2010	29.14
Omeq Medical	2013	33.83
Stimatix GI	2009	27.17
ST Stent	2013	35.37
VivoText	2008	22.90

FINANCIAL SUMMARY (US\$,000)

	FY2013	FY2014	FY2015	FY2016
Total Portfolio Fair Value*	74,639*	77,494*	85,776*	83,701**
Total Income	29,707	8,553	9,939	74
Total Expenses	6,798	11,408	11,713	10,008
Income/(Loss) before Income Taxes	22,909	-2,855	-1,774	-9,934
Net Income/(Loss)	16,723	-4,210	-3,568	-6,578

* Including FV of investments in companies accounted for under the equity method (as described in the Company's offer document dated 16 November 2015)

** After net proceeds of US\$3.6 million from the sale of E.T.View Medical and receipt of a US\$0.9 million dividend from our Most Valuable Portfolio Company

BUSINESS REVIEW

For additional information, see the Chairmen's Statement, Senior Management, and the News section of the Trendlines website (www.trendlines.com/trendlines-news).

As an innovation commercialization company, Trendlines invents, discovers, invests in, and incubates innovation-based medical and agricultural technologies. The Trendlines Group consists of four business units, three incubators focused on medical and agricultural technologies and an in-house innovation center, also focused on medical and agricultural technologies.

Over the past 10 years, Trendlines has earned an international reputation as a leader in early-stage investing. This reputation has attracted the attention of leading multinational medical and agtech corporations, allowing us to enter into numerous partnership agreements, including new agreements in 2016.

Our staff of nearly 40 professionals provides intense support for our portfolio companies and entrepreneurs in technology and business development, R&D, finance, marketing communications, and administration.

CORPORATE

On 11 February 2016, we signed a **definitive collaboration framework agreement with a Japanese multinational** medical device corporation. Under the agreement, Trendlines Labs and the Japanese multinational are working together to identify clinical opportunities in agreed-upon fields, and Trendlines Labs is developing products that are intended for manufacturing and distribution by the Japanese company.

We executed a **collaboration agreement with B. Braun**, one of the world's leading health care suppliers, for the purpose of establishing mutual deal flow, identifying potential new investments, cooperating in the establishment of accelerators and incubators in selected markets worldwide, and collaborating on the development of new medical technologies, solutions and products. The agreement,



signed on 1 March 2016, pursuant to an MOU we entered into with B. Braun on 13 October 2015 prior to our IPO; B. Braun invested SGD7.1 million (US\$5 million) in our 2015 IPO. The relationship between B. Braun and Trendlines has developed to the great satisfaction of both parties: B. Braun has invested in Trendlines' portfolio companies ApiFix and Gordian Surgical; is working with Trendlines Labs; has invested in Trendlines Medical Singapore pursuant to a collaboration agreement executed between us, B. Braun, and Trendlines Medical Singapore; and initiated new areas of cooperation.

On 18 April 2016, we announced an **agreement with Bayer Crop Science** for the establishment of the Bayer Trendlines Ag Innovation Fund, focusing on investments in early-stage agricultural technology companies. The five-year partnership agreement includes a US\$10 million investment into the fund by Bayer Crop Science. The fund is managed by Trendlines.



In accordance with our plan to establish incubators outside Israel, we formed **Trendlines Medical Singapore** as a platform for investment in and incubation of early-stage health care-related companies in Singapore. We continue to explore cooperation opportunities through partnerships or the formation of strategic alliances with parties who are interested in establishing incubators, together with us, in other countries, including, currently, in Germany and China.



We launched a sponsored **Level 1 ADR program** in September 2016. The program supports the expansion of the Company's investor base in the United States. Each Trendlines ADR represents 50 ordinary shares of the Company, trading on the Catalist of the Singapore Exchange (SGX: 42T). Our ADRs are traded on the OTCQX® International market under the symbol TRNLY.



Awarded a US\$25,000 grant, National Capital Consortium for Pediatric Device Innovation Competition
Completed over 100 surgical procedures
Raised US\$3.3 million



Completed US\$500,000 finance round



Launched Asia sales, with installations in multiple countries



These senior staff joined the Company in 2016 (l to r): **Jonathan Henen**, VP Trendlines Agtech, Bayer Trendlines Ag Fund; **Barak Singer**, VP Business Development, Trendlines Medical; **Yuval Almougy**, VP New Ventures, Trendlines Medical; **Judith Kleinman**, Director, Investor Relations & Corporate Communications. Not pictured: **Eric Loh**, CEO, Trendlines Medical Singapore.

TEAM

For additional information, see *Senior Management and the Our Team* page on the Trendlines website (www.trendlines.com/about/team).

Trendlines and its business units welcomed **senior staff** to its corporate, Israel, and Singapore incubator teams during 2016. Shahar Harari became our full-time CTO for Trendlines Medical and Trendlines Agtech (previously, he was a part-time subcontractor). As well, in response to the need created by the growth of our business, we expanded the Trendlines Labs team. The total number of the Group's employees was 36 as at 31 December 2016.

TRENDLINES INCUBATORS ISRAEL

In June 2016, the Israel Innovation Authority approved our request for the **inclusion of agtech investments** under our Trendlines Incubators Israel license. The Israel Innovation Authority also approved our goal of establishing 9 to 11 new portfolio companies annually (approximately five each in medical and agtech).

With this change, we closed the Trendlines Agtech-Mofet offices south of Jerusalem at the end of September 2016 and consolidated our Israeli incubator medical- and agtech-related operations into our Misgav facility in northern Israel. We began office renovations and expansion to accommodate the Trendlines Agtech team members and our agtech portfolio companies — and to support our overall growth.

After six years as CEO of Trendlines Incubators Israel, **Eran Feldhay, M.D.**, moved to the position of CEO of ApiFix, one of Trendlines' 10 most valuable portfolio companies. **Nitza Kardish, Ph.D.**, previously Trendlines Agtech-Mofet's CEO, was named CEO of Trendlines Incubators Israel, where she manages Trendlines' medical and agricultural technology incubators in Israel. Our Trendlines Medical and Trendlines Agtech incubators are business units of Trendlines Incubators Israel. Given the leading global positions of the individual incubators, we continue to operate under the Trendlines Medical and Trendlines Agtech brands.



Raised US\$6.5 million



Received CE mark and ISO certification
Raised US\$120,000



Received Phase 1 approval in Horizon 2020 program
Received a U.S. patent
Reported successful field trial results in Italy
Launched Mediterranean region sales
Raised US\$1.3 million

BUSINESS REVIEW

TRENDLINES MEDICAL

NEW COMPANIES

In 2016, Trendlines Medical invested in six new portfolio companies:

- Ceretrieve, developing a device for treating ischemic strokes
- CorAlert, developing a noninvasive device to diagnose heart failure in real time
- liberDi, introducing a portable system for peritoneal dialysis
- OB Smart, developing a home-use device to accurately measure dilation and effacement of the cervix
- Seger Surgical, developing an anastomotic closure device for laparoscopic bowel resection
- ZygoFix, developing a miniature screwless spinal fusion implant

TEAM

Yuval Almougy joined the Trendlines Medical team in January 2016 as VP New Ventures. He brings over 15 years of business development, project management, and funding experience. Previously, he founded and managed a medical device accelerator.



Barak Singer joined Trendlines Medical in December 2016 as VP Business Development. A lawyer, Barak previously held senior management positions at investment banks, medical start-ups, and business accelerators.



TRENDLINES AGTECH

NEW COMPANIES

In 2016, Trendlines Agtech invested in four new portfolio companies:

- Aquinovo, developing proprietary materials to block reproductive hormone receptors, thereby inhibiting puberty and enhancing fish growth
- Hargol FoodTech, developing optimized methods and technology to enable grow large quantities of grasshoppers quickly in captivity
- InPlant, developing technologies to increase the mobility of active agrochemical ingredients in the plant
- MetoMotion, developing a robotic system to reduce reliance on human labor in greenhouse vegetable production

TEAM

In November 2016, **Jonathan Henen** was named VP Trendlines Agtech, responsible for overseeing deal flow and investments of the Bayer Trendlines Ag Innovation Fund. Previously, Jonathan held management positions at Adama (formerly, Makhteshim Agan Industries Ltd.), the world's largest off-patent agrochemical manufacturer.



Started first-in-human trials in India and Israel
Received FDA clearance and CE mark
Raised US\$2.2 million



Received the Sustainable Packaging New Product Innovation Award (Frost & Sullivan)
Raised US\$150,000



Received CE mark and launched sales

Initial Invest.	Company	Technology Dev.	Technology Proven	Follow-On Capital	Clinical/Field Trials	Commercialization	Exits (by Company Start Date)
2008	NeuroQuest Nephro VivoText						
2009	Breezy Stimatrix GI SolChip Magdent						FLOWSENSE Est. 2009 / IPO 2012 ETVIEW Est. 2009 / IPO 2012 PainTouch Medical Est. 2009 / Est. 2011 Undisclosed Est. 2009 / Est. 2016
2010	ProArc Medical Liola Technologies Advanced Mem-Tech Leviticus Cardio ApiFix LapSpace Medical						FLOWSENSE Est. 2009 / Est. 2012 ETVIEW Est. 2009 / Est. 2016 PainTouch Medical Est. 2009 / Est. 2011 Undisclosed Est. 2009 / Est. 2016
2011	GreenSense MiRobot CoreBone						
2012	EdenShield Gordian Surgical BioFishery Saturis						innovent Est. 2012 / Est. 2016
2013	Omeg Medical VisiDome STS Medical Valentis Arcuro Medical						
2014	Vensica Medical Fidmi Medical VIAqua Therapeutics Escala Medical OrthoSpin						
2015	Enolog Technologies ElastiMed Zeev Implants Tandem Technologies AquiNova InPlant Technologies DB Smart Hargol FoodTech CorAlert MetaMotion UberDI CereRetrieve Sager Surgical Solutions ZygeFix						
2016							

* Current portfolio companies as at 31 December 2016; 25 written-off companies and 2 companies established before September 2007 not included. IPO indicates reverse mergers into public companies.

OUR PORTFOLIO COMPANIES

The **46 Trendlines' portfolio companies** (as at 31 December 2016) develop innovation-based medical and agricultural technologies and products in keeping with our mission to improve the human condition. We believe that in the right environment, and with substantial support, significant benefit can be derived from establishing, investing in, and supporting early-stage companies for potential higher returns and rapid growth.

The table above presents currently active portfolio companies* that we invested in since we began operations in September 2007. It provides a visual representation of our business model – and illustrates how our portfolio builds value over time.

The portfolio companies are listed according to the year of our initial investment in each, from the earliest at the top to the most recent at the bottom. The companies in bold are our 10 most valuable companies as at 31 December 2016.

The green columns from left to right represent our understanding of our portfolio companies' achievement of value-building milestones. We believe, as reflected in the table, that the older a company, the more likely it will have achieved significant milestones. The companies that have achieved exits are represented at the far right of the table, listed by year of our first investment in each.

EXITS

After reporting a 57% increase in Q1 sales compared to the same period in the prior year, **E.T. View Medical** announced in June 2016 that it signed a definitive agreement to be acquired by Danish medical device company Ambu A/S, for US\$16 million. The acquisition closed in September 2016. Pursuant to such acquisition, the Group received net proceeds of US\$3.6 million.



Received Chinese and U.S. patents
Received CE mark for its inflatable
retractor

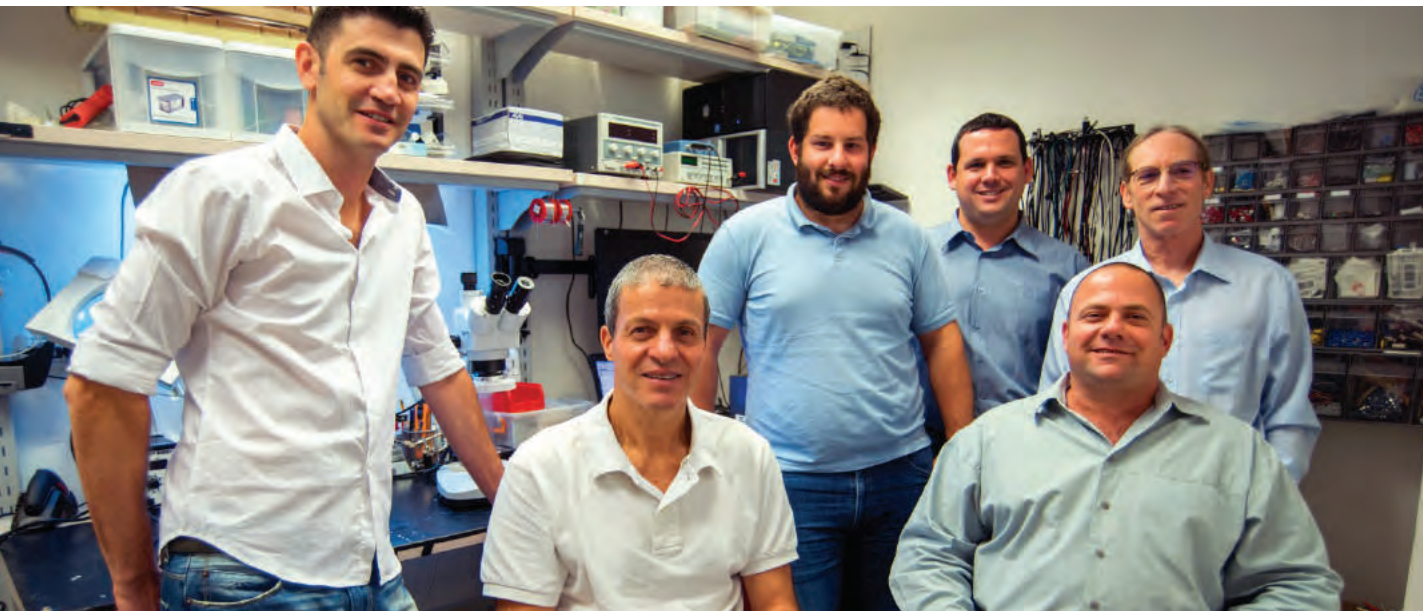


Raised US\$800,000



Raised US\$800,000

BUSINESS REVIEW



TRENDLINES LABS

In partnership with multinational corporations and leading research institutions, Trendlines Labs creates and develops technologies and products to meet unmet market needs, thereby representing a **“hidden value” for Trendlines** by building an in-house IP portfolio to create new companies and as a source of recurring revenues.

Our dedicated Trendlines Labs team relies on extensive technological, engineering, and management experience in their highly focused, extremely efficient approach to innovation. Together with our partners' in-depth market knowledge, Trendlines Labs creates the environment for shaping ideas into products and bringing them to market.

Expanding its relationships and cooperation agreements with multinationals in North America, Europe, and Asia in 2016, the Labs team achieved a number of significant milestones in sectors that include women's health, cardiology, and diagnostics:

- One of Trendlines Labs' large medical device partners successfully launched a new product that was invented and developed by Trendlines Labs.
- Labs began two development programs with new strategic partners and three new strategic, revenue-producing agreements.
- Two Trendlines Labs' technologies are entering commercialization stage: EUS FNA biopsy needles (incubator company in process) and a device for stress urinary incontinence (in collaboration with a Singaporean partner).
- sZone is a company in formation that is based on a technology of Trendlines Labs' to quickly measure and monitor hydration levels.



Completed US\$900,000 finance round



Started field tests in Singapore



Completed US\$500,000 finance round



TRENDLINES MEDICAL SINGAPORE

Eric Loh was named the CEO of Trendlines Medical Singapore in August 2016. A former senior VP at Biosensors International Ltd., a Singapore-based interventional cardiology and critical care procedures company, Eric played a critical role in taking Biosensors International public on the Singapore Stock Exchange.

Construction began in November 2016 on Trendlines Medical Singapore's **480 square meter office space** (~5,200 square feet) in Launchpad@One North, a start-up hub managed by JTC, a Singaporean government agency specializing in infrastructure. (The facility opened in January 2017 and the opening ceremony was 22 February 2017.)

In December 2016, Trendlines, B. Braun, and Trendlines Medical Singapore executed an **investment and cooperation agreement** for the investment in, and operation of, Trendlines Medical Singapore, under which each of B. Braun and Trendlines invested in Trendlines Medical Singapore. In January 2017,

PrimePartners Holdings* also invested in Trendlines Medical Singapore. Following such investments, Trendlines became the majority shareholder in Trendlines Medical Singapore (holding approximately 76.43%), and each of B. Braun and PrimePartners Holdings became minority shareholders in Trendlines Medical Singapore (holding approximately 20.00% and 3.57%, respectively).

* PrimePartners Holdings is the holding company of PrimePartners Corporate Finance Pte. Ltd. ("PPCF"), which is the sponsor for the Group, therefore: (i) none of the PrimePartners Holding or PPCF personnel will be on the board of Trendlines Medical Singapore, or be involved in the management and day-to-day operations thereof; and (ii) annual confirmation of sponsor independence and potential conflicts shall be submitted to the Singapore Exchange.

OUR PORTFOLIO COMPANIES

● medical ● agtech ● other

Companies in **bold** are our 10 most valuable companies as at 31 December 2016.

Portfolio Company	Short Description	Year Established	Outstanding Holdings (%)	Fully Diluted Holdings (%)
● ApiFix	Minimally invasive device for adolescent scoliosis	2011	28.71	26.33
● Aquinovo	Accelerated growth of farmed fish	2016	50.00	47.57
● Arcuro Medical	All-suture, all-inside meniscus repair system	2013	41.17	37.36
● BioFishency	All-in-one water treatment system for aquaculture	2013	50.00	49.75
● BioSight	Cancer-targeted pharmaceuticals	prior to 2007	4.31	3.10
● Breezy	Oral hygiene technology platform	2008	32.19	31.98
● Ceretrieve	Device for treating ischemic stroke	2016	50.00	45.78
● CorAlert	Noninvasive heart failure monitoring device	2016	50.00	50.00
● CoreBone	Bioactive coral-based bone graft material	2011	42.63	40.81
● EdenShield	Nontoxic odor-masking insect control solutions	2012	41.87	36.54
● ElastiMed	Easy-to-wear compression stocking from smart materials	2015	43.35	40.90
● Enolog Technologies	Automatic, real-time monitoring for improving wine quality	2015	63.00	62.70
● Escala Medical	Nonsurgical, incision-free pelvic organ prolapse treatment	2014	50.00	42.16
● Fidmi Medical	Device for improved nutrition delivery	2014	63.75	61.53
● Gordian Surgical	Trocar with built-in closure device	2012	22.41	20.43
● GreenSpense	Propellant-free dispensing technology	2011	32.61	27.08
● Hargol FoodTech	Optimized methods for growing grasshoppers	2016	38.70	38.50
● Headway	Computer-controlled treatment table for relief of head and neck pain	prior to 2007	3.730	3.340
● InPlant	Increased mobility of agrochemical actives in plants	2016	50.00	46.70
● LapSpace Medical	Inflatable laparoscopic retractor	2011	66.10	54.58
● Leviticus Cardio	Wireless coplanar ventricular assist energy transfer device	2010	25.95	23.71
● liberDi	Advanced peritoneal dialysis device	2016	50.00	48.05
● Liola Technologies	Exponential manufacturing optimizer	2010	33.79	29.14
● Magdent	Miniature electromagnetic dental implant device	2010	14.25	12.39
● MemTech	Advanced water filtration membranes	2010	29.00	15.45
● MetoMotion	Multipurpose robotic system for greenhouse vegetable production	2016	50.00	49.75
● MiRobot	Multi-stall automatic robotic milking system	2011	42.27	37.54
● Nephera	Protecting kidneys while treating acute heart failure patients	2008	21.69	18.98
● NeuroQuest	Simple blood test for early diagnosis of Alzheimer's	2008	76.09	32.11
● OB Smart	Cervical dilation and effacement measurement	2016	50.00	49.69
● Omeq Medical	Smart epidural needle	2013	36.15	33.83
● OrthoSpin	Smart external fixation system	2014	50.00	45.27
● ProArc Medical	Minimally invasive solution for enlarged prostate	2010	32.96	27.49
● Saturas	Stem water potential sensor for optimal irrigation	2013	40.20	34.85
● Seger Surgical	Anastomotic closure device for laparoscopic bowel resection	2016	50.00	45.77
● Sol Chip	Maintenance-free, everlasting solar battery	2009	15.21	12.85
● Stimatix GI	Low-profile colostomy appliances	2009	28.17	27.17
● ST Stent	Sinus surgery removable stent	2013	40.89	35.37
● Tandem Technologies	Device to remove and retrieve polyps in the colon	2015	50.00	47.70
● Valentis	Coating platform for food packaging, agtech, and more	2013	68.29	65.03
● Vensica Medical	Ultrasound-assisted overactive bladder drug-delivery treatment	2014	44.53	40.67
● ViAqua Therapeutics	Feed-based aquaculture drug delivery	2014	57.00	53.50
● VisiDome	Accommodative intraocular lens	2013	53.00	47.10
● VivoText	Expressive text to speech	2008	28.52	22.90
● Zeev Implants	Modular dental implants	2015	50.00	49.75
● ZygoFix	Miniature screwless spinal fusion implant	2016	50.00	45.78



Crop Protection

The global crop protection market (herbicides, insecticides, fungicides) is projected to reach ~US\$70.6 billion by 2021, at a CAGR of 5.2% from 2016 to 2021. Herbicides are most widely used and are projected to be the fastest-growing solution in the coming five years.*

Important pesticide patents of agrichem giants, including BASF, Bayer, and Syngenta, will expire in the coming years. Industry players are also keeping a close watch on regulatory changes and consumer pressures to spot new opportunities in the sector.**

OUR PORTFOLIO COMPANIES OPERATING IN THIS SECTOR



See references on page 39.



Orthopedics

The increasing adoption of advanced technologies and materials and the rising geriatric population are driving market growth. Stringent regulatory approval processes and high device and surgical costs are limiting the market's growth.

The global orthopedic devices market is anticipated to reach \$43.1 billion by 2024. In 2015, North America captured the largest market share, with 51.4%, and is expected to maintain its dominance through 2024. Asia Pacific is expected to experience a CAGR of 8.6% through 2024.*

OUR PORTFOLIO COMPANIES OPERATING IN THIS SECTOR

ApiFix

Arcuro
Medical

OrthoSpin

ZygoFix

See references on page 39.

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The comparative performance for the assets, liabilities, and equity are based on the Group's financial statements as at 31 December 2016 and 31 December 2015.

Total assets decreased by approximately 5.9% from US\$109.0 million as at 31 December 2015 to US\$102.6 million as at 31 December 2016. This was mainly due to the reduction in cash and short term investment in the amount of US\$7.2 million which was used for the operating activity.

NON-CURRENT ASSETS

INVESTMENTS IN PORTFOLIO COMPANIES

The investments in portfolio companies of approximately US\$83.7 million as at 31 December 2016 were made up of 46 portfolio companies presented at their fair value.

The decrease in value of our investments in portfolio companies by US\$0.7 million was derived from the following:

- a decrease of approximately US\$1.9 million in the aggregate fair value of some of our portfolio companies mainly due to general commercial and technological difficulties demonstrated during FY2016 and as a result of the completion of fund-raising exercises at less favorable terms to the Company; and
- the write-off of nine portfolio companies amounting to approximately US\$9.4 million.

The decrease in investments in portfolio companies was partially offset by:

- the increase in fair value of The Most Valuable Portfolio Company by approximately US\$0.8 million (net of dividend received at the amount of approximately US\$0.9 million) as a result of a higher valuation ascribed to the royalties on future net sales expected to be received under the 2014 Asset Purchase Agreement. The fair value of the Most Valuable Portfolio Company as at 31 December 2016 was estimated using a probability-weighted discounted cash flow valuation model conducted by an independent valuation specialist;
- the investments in 10 new portfolio companies which contributed approximately US\$6.6 million to the fair value of our portfolio companies as at 31 December 2016; and
- an aggregate increase of approximately US\$3.1 million (net of the decrease of approximately US\$0.6 million as a result of the exit of a Portfolio Company) in the fair value of 15 of our portfolio companies mainly due to the completion of fund raising exercises at favorable terms to the Company, and general commercial or technological progress demonstrated in some portfolio companies in FY2016.

CURRENT ASSETS

As at 31 December 2016, current assets amounted to approximately US\$17.3 million and mainly comprised of cash and cash equivalents, short-term investments, accounts and other receivables, and short-term loans to portfolio companies.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents remained relatively unchanged in FY2016 as compared to FY2015.

SHORT-TERM INVESTMENTS

Our short-term investments which represented 53.3% of our total current assets decreased by approximately US\$7.2 million mainly due to the use of the money for operating and investing activities.

ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables amounted to approximately US\$0.9 million as at 31 December 2016, mainly comprised of other receivables of approximately US\$0.4 million and trade receivables of approximately US\$0.5 million which were non-interest bearing and were generally with a credit terms of 90 days. The increase of US\$0.5 million in accounts and other receivables was mainly due to higher R&D services provided by Trendlines Labs to a third party as mentioned above.

LONG-TERM LIABILITIES

Our total liabilities stood at approximately at US\$24.4 million as at 31 December 2016. Our long-term liabilities, representing approximately 78.7% of our total liabilities, decreased by approximately US\$2.0 million or 9.3% from approximately US\$21.2 million as at 31 December 2015 to approximately US\$19.2 million as at 31 December 2016.

LONG-TERM DEFERRED REVENUE

The increase of approximately US\$1.5 million in the deferred revenue is mainly due to more new companies added to the portfolio in FY2016 as compared to FY2015.

OTHER LONG-TERM LIABILITIES

Other long-term liabilities comprising the liability for employee severance benefits increased by approximately US\$92,000 as the value of the deposit-related funds covering the liability for employee severance benefits was less than the value of that liability.

DEFERRED TAXES, NET

Net deferred taxes decreased by approximately US\$3.5 million or 21.7% mainly due to the declining Israeli tax rate (25% until 31 December 2016, 24% in 2017, and 23% from 1 January 2018 onward).

FINANCIAL REVIEW

CURRENT LIABILITIES

Our current liabilities increased by approximately US\$1.5 million or 42.3% from approximately US\$3.7 million as at 31 December 2015 to approximately US\$5.2 million as at 31 December 2016, mainly due to the increase in the short-term deferred revenues.

TRADE AND OTHER PAYABLES

Trade and other payables increased by approximately US\$0.3 million or 27.7% mainly due to the increase in accrued expenses for the end of the year.

SHORT-TERM DEFERRED REVENUES

Deferred revenue increased by approximately US\$1.2 million or 48.4% mainly due to higher number of companies added to the portfolio in FY2015 and FY2016 compared to the number of new companies in FY2014 and FY2015.

EQUITY

As at 31 December 2016, equity attributable to equity holders of the Company amounted to approximately US\$78.2 million, representing a decrease of approximately US\$5.9 million from US\$84.1 million as at 31 December 2015. The decrease is mainly due to the net loss in FY2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Total income decreased by approximately US\$9.9 million or 99.3% from US\$9.9 million in FY2015 to US\$0.1 million in FY2016.

GAIN (LOSS) FROM CHANGE IN FAIR VALUE OF INVESTMENTS IN PORTFOLIO COMPANIES

The loss in fair value of investments in portfolio companies was approximately US\$8.0 million in FY2016 as compared to a gain of approximately US\$5.0 million in FY2015 mainly due to:

- (i) the write-off of nine portfolio companies of approximately US\$9.8 million as a result of lack of funding in those companies; and
- (ii) a decrease of approximately US\$2.9 million in the fair market value of various portfolio companies mainly as a result of the completion of fund-raising exercises at less favorable terms to the Company, and general commercial or technological difficulties demonstrated in some portfolio companies in FY2016.

The loss in fair market value of investments in portfolio companies was partially offset by:

- (i) a gain of approximately US\$1.7 million in the fair value of the Most Valuable Portfolio Company (as defined in the Company's offer document dated 16 November 2015) due to commercial progress; and

- (ii) an increase of approximately US\$2.2 million in the fair market value of various portfolio companies mainly as a result of the completion of fund-raising exercises at favorable terms to the Company, and general commercial or technological progress demonstrated in some portfolio companies in FY2016.

INCOME FROM SERVICES TO PORTFOLIO COMPANIES

Income from services to portfolio companies comprised approximately US\$0.3 million received as overhead reimbursement from our portfolio companies and approximately US\$3.9 million value of non-cash benefits received from the OCS in Israel. Income from services to portfolio companies decreased by approximately US\$0.1 million or 2.2% due to a decline in overhead reimbursement from our portfolio companies as there were a lower number of portfolio companies being serviced by the Group in FY2016 as compared to FY2015.

GROUP'S SHARE OF LOSSES OF COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD, NET

The Company recorded loss from companies accounted for under equity method in FY2016 in the amount of approximately US\$0.2 million, as compared to a loss of approximately US\$0.3 million in FY2015. The holding represents the loss incurred by the newly incorporated incubator in Singapore, Trendlines Medical Singapore Pte Ltd ("Trendlines Medical Singapore").

GAIN FROM DISPOSAL OF INVESTMENT ACCOUNTED FOR UNDER THE EQUITY METHOD

In FY2016, the Company sold its shareholding in E.T. View Medical, resulting in a gain of approximately US\$2.1 million.

INCOME FROM CONTRACTED RESEARCH AND DEVELOPMENT ("R&D") SERVICES

Income from contracted R&D services increased by approximately US\$0.7 million or 168.6% due to the new collaboration agreements and increasing activity with existing collaboration agreements in relation to R&D services provided by Trendlines Labs to a third party.

FINANCIAL INCOME

Financial income increased by approximately US\$0.3 million or 151.6% in FY2016 mainly due to a revaluation income arising from reduction in the fair market value of loans from the OCS.

OTHER INCOME

Other income remained relatively unchanged in FY2016 as compared to FY2015.

EXPENSES

OPERATING, GENERAL, AND ADMINISTRATIVE EXPENSES

Operating, general, and administrative expenses increased by approximately US\$2.0 million or 29.12%. The increase was mainly attributable to the (i) increase of employment cost by US\$1.2 million mainly due to recruitment of new high-level employees as part of the company expansion and salary increases compared to FY2015, (ii) listing expenses as a public company amounted to approximately US\$0.9 million in FY2016, (iii) increase in depreciation and amortization by approximately US\$5,000 was mainly due to the depreciation and amortization of unused items. The above is partially offset by a decrease in share-based payments of approximately US\$0.8 million in accordance with the accounting treatment.

MARKETING EXPENSES

Marketing expenses increased by approximately US\$0.1 million mainly due to a higher use of marketing experts in FY2016.

R&D EXPENSES, NET

In line with the increase in contracted R&D services provided by our Group as mentioned above, net R&D expenses increased by approximately US\$0.2 million or 38.2% due to higher salary and options granted to the R&D team personnel and the higher usage of Trendlines Labs' materials during FY2016.

FINANCIAL EXPENSES

Financial expenses decreased by approximately US\$0.3 million or 77.6% due mainly to the absence of Convertible Debentures expenses incurred in FY2015. The Convertible Debentures were converted into the Company's shares on 16 November 2015.

NON-RECURRING, NON-CASH EXPENSES RELATED TO DISCOUNT ON PRE-IPO RCL UPON IPO CONVERSION

In June 2015, the Company raised an aggregate amount of SGD13,700,000 (approximately US\$10.2 million) from the issuance of RCLs to certain pre-IPO investors. Upon the conversion of the RCL to Company's shares at the IPO, the RCL was evaluated to approximately US\$13.6 million, resulting from the RCL discount on IPO share price. Such an increase in the value of the RCL was expensed in the statement of comprehensive income. In FY2016, no such expense was incurred by the Company.

In view of the above, loss before income tax in FY2016 was US\$10 million as compared to a loss before income tax of US\$1.8 million in FY2015, mainly due to the loss from change in fair value of investments in portfolio companies.

TAX BENEFITS (INCOME TAX)

Tax benefits in FY2016 was approximately US\$3.4 million as compared to a tax expense of approximately US\$1.8 million in FY2015 mainly due to higher taxable loss in FY2016 and the reduction in deferred taxes arising from the declining Israeli tax rate (25% until 31 December 2016, 24% in 2017 and 23% from 1 January 2018 onward).

CONSOLIDATED STATEMENT OF CASH FLOW

Net cash used in operating activities of approximately US\$8.8 million in FY2016 was mainly due to a net loss of approximately US\$6.6 million and adjustments for non-cash items such as (i) loss from changes in fair value of investments in portfolio companies of approximately US\$8.0 million; (ii) investments in portfolio companies of approximately US\$3.4 million; and (iii) income from services to portfolio companies of approximately US\$3.9 million; and (iv) net working capital outflows of approximately US\$242,000, which was mainly due to an increase of approximately US\$0.5 million in accounts and other receivables, offset by an increase of approximately US\$0.3 million in trade and other payables.

Net cash provided by investing activities of approximately US\$8.3 million in FY2016 was mainly due to the proceeds from bank deposits and short-term investments of approximately US\$7.3 million and approximately US\$2.1 million from the sale of a company accounted for under the equity method, offset by investments in Trendlines Medical Singapore of approximately US\$0.9 million.

Net cash provided by financing activities of approximately US\$0.5 million in FY2016 was mainly due to approximately US\$0.5 million from long-term loans received from the Israel OCS.

BOARD OF DIRECTORS



TODD DOLLINGER

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Todd Dollinger brings decades of entrepreneurial experience to his position at Trendlines.

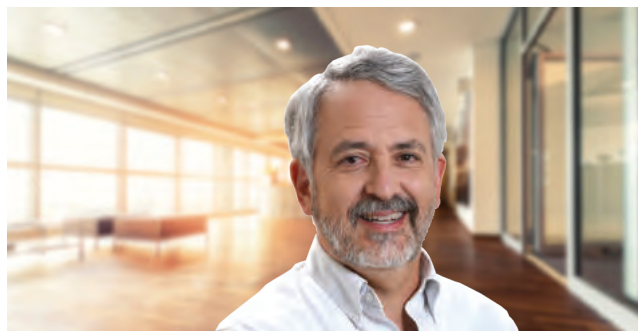
Todd was appointed as our Director upon the formation of our Company on 1 May 2007 and was appointed as our Chairman and CEO on 24 February 2016. He serves as the Chairman of Trendlines Medical Singapore and as Investment Committee Chairman of Trendlines Incubators Israel. As well, Todd is a director and chairman of a number of Trendlines' portfolio companies. He founded The Trendlines Group with Steve Rhodes in 2007 and shares the positions of Chairman and CEO of Trendlines with Steve. Together, they lead the Group's strategy.

In 1991, Todd joined the marketing department of Israeli medical device start-up SRD Medical and went on to become SRD's CEO. It was at SRD that Todd met Steve.

In 1993, Todd and Steve founded Trendlines International. Under their leadership, Trendlines International grew to become one of Israel's leading business development consulting firms. They merged the principal consulting activities of Trendlines International into the Group in 2008.

Under the strength of their longstanding partnership, Todd and Steve oversaw the Singapore Stock Exchange IPO in 2015, took two companies public on the Tel Aviv Stock Exchange, and expanded the Group's activities internationally, including raising funds for Trendlines' portfolio companies around the world.

He holds a high school diploma.



STEVE RHODES

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Steve Rhodes brings decades of business, finance, and banking experience to his position at Trendlines.

Steve was appointed as our Director upon the formation of our Company on 1 May 2007 and was appointed as our Chairman and CEO on 24 February 2016. He serves as the Chairman of Trendlines Incubators Israel and as Investment Committee Chairman of Trendlines Medical Singapore. Steve is a director and chairman of a number of Trendlines' portfolio companies. He founded The Trendlines Group with Todd Dollinger in 2007 and shares the positions of Chairman and CEO of Trendlines with Todd. Together, they lead the Group's strategy.

In 1988, Steve joined SRD Medical. After serving as its CFO, he became its VP Sales and Marketing. It was at SRD that Steve met Todd. In 1993, Steve and Todd founded Trendlines International. Under their leadership, Trendlines International grew to become one of Israel's leading business development consulting firms. In 2004, Steve became CEO of the incubator that is now Trendlines Incubators Israel, a position he held until 2010.

Todd and Steve founded The Trendlines Group in 2007 and merged the principal consulting activities of Trendlines International into the Group the following year.

Under the strength of their longstanding partnership, Todd and Steve oversaw the Singapore Stock Exchange IPO in 2015, took two companies public on the Tel Aviv Stock Exchange, and expanded the Group's activities internationally, including raising funds for Trendlines' portfolio companies around the world.

Steve received his MBA from the University of Chicago and a B.A. from Harvard University. He is a Certified Public Accountant in the State of Illinois.



ZEEV BRONFELD
NON-EXECUTIVE DIRECTOR

Zeev Bronfeld, together with Chairmen and CEOs Todd Dollinger and Steve Rhodes, founded the Company and was appointed as a Director upon the formation of our Company on 1 May 2007. He was last re-elected on 11 November 2015. He is a Non-Executive Director.

Zeev is currently the CEO of M.B.R.T. Development and Investment Ltd. He has significant experience in the management and building of medical device and biotechnology companies. He co-founded Bio-Cell Ltd., an Israeli publicly traded holding company, at the time specializing in biotechnology companies, and was its director and CEO until 25 December 2014 and 11 October 2015, respectively. Zeev is a director and chairman of a number of private and public companies.

He received his B.Sc. in economics from the Hebrew University of Jerusalem.



ELKA NIR
LEAD INDEPENDENT DIRECTOR

Elka Nir was appointed as our Director on 15 October 2015 and was last re-elected to the Board to serve as our External Director under the Israeli Companies Law on 24 February 2016. She is our Lead Independent Director.

Elka is currently the founder and CEO of E.LeadIN Ltd., a company that provides business, strategy, marketing, strategic alliances, and investment consultancy services. In addition, she is the CEO of Carmel Ltd. (the economic corporation of Haifa University, Israel), where she is responsible for, inter alia, leading commercial and business activities. In particular, she founded and serves as the CEO of Carmel Innovations Ltd. (a microfund that invests in projects from Haifa University, Israel) and holds directorships in Carmel Innovations Ltd.'s subsidiaries.

She served as the VP marketing, sales, and customer support at a subsidiary of GE Medical before joining General Electric Medical, Israel, as their VP engineering and research. She was the COO and director of development and operations at Biosense Webster (Israel), Ltd., a subsidiary of Johnson & Johnson. She was the managing director and general partner of Giza Venture Capital Fund ("Giza VC Fund"), a venture capital fund that invests in innovative high-tech and life sciences companies. She was also a member of Giza VC Fund's investment committee and had strong connections to its global investors, specifically in Asia. Elka served as a board director and investment committee member at the Van Leer Technology Ventures, a technological incubator that invests in innovative medical and information technology companies.

She received her B.Sc. in computer sciences from the Technion-Israel Institute of Technology and her diploma (magna cum laude) in business administration from the University of Haifa, Israel.

BOARD OF DIRECTORS



PROFESSOR STEPHEN HASLETT
INDEPENDENT DIRECTOR

Professor Stephen Haslett was appointed as our Director on 15 October 2015 and was last re-elected on 19 April 2016. He is our Independent Director.

Professor Haslett provides consultancy services in business development and commercialization through Silver Fox Pte Ltd, a company he founded. He has more than 30 years of experience in the IT business, and held executive positions at Hewlett Packard, Dell Computer, and various technology start-ups where he assisted in the commercialization and globalization of their technologies. He is also a professor of entrepreneurship at INSEAD, where he teaches postgraduate and executive courses on, among other things, corporate entrepreneurship, business building in Silicon Valley, private equity, venture capital, and computer-based business simulations.

He holds an M.Sc. and B.Sc. (honors), both in aeronautical engineering, from Imperial College, London, and a Diploma of Imperial College from the University of London. He is also an associate of the City and Guilds Institute, London, and a member of the Singapore Institute of Directors.



PROFESSOR HANG CHANG CHIEH, PH.D.
INDEPENDENT DIRECTOR

Professor Hang Chang Chieh was appointed as our Director on 15 October 2015 and was last re-elected to the Board to serve as our External Director under the Israeli Companies Law on 24 February 2016. He is our Independent Director.

Professor Hang is currently the executive director of the Institute for Engineering Leadership at the National University of Singapore ("NUS") since its founding in 2011.

Professor Hang worked as a computer and systems technologist in the Shell Eastern Petroleum Company (Singapore) and the Shell International Petroleum Company (The Netherlands) from 1974 to 1977 before joining NUS. Professor Hang served in various positions in NUS, including the Vice-Dean of Engineering, head of the Department of Electrical Engineering and Deputy Vice-Chancellor (Research and Business Ventures). Professor Hang was seconded to the Agency for Science, Technology and Research ("A*STAR") and acted as A*STAR's executive deputy chairman. Upon completion of the secondment to A*STAR, Professor Hang returned to NUS in January 2004 as the Founding Director of the Centre for Management of Science and Technology, Faculty of Engineering, NUS. He served as the founding head, Division of Engineering & Technology Management, Faculty of Engineering, NUS, from 2007 to 2016.

Professor Hang has served as a board member of several public organizations, including his appointment as the founding deputy chairman of Singapore's National Science and Technology Board, founding chairman of the Intellectual Property Office of Singapore, founding chairman of the IP Academy of Singapore, and a member of the board of trustees of the Singapore Institute of Technology.

Professor Hang received his Ph.D. in control engineering from the University of Warwick and a B.Sc. (Eng.) (honors) from NUS.



DIRECTORSHIPS HELD BY DIRECTORS IN OTHER LISTED COMPANIES (CURRENT AND PRECEDING THREE YEARS)

	Current Directorships	Past Directorships (Preceding 3 Years)
David Todd Dollinger	–	E.T.View Medical (until September 2016)
Stephen Louis Rhodes	–	E.T.View Medical (until September 2016)
Zeev Bronfeld	• D.N.A. Biomedical Solutions Ltd. • Protalix BioTherapeutics, Inc.	• Bio-Cell Ltd. (until December 2014) • MacroCure Ltd. (until January 2017)
Elka Nir	• Hadasit Bio-Holdings Ltd. • IceCure Medical Ltd.	• BATM Advanced Communications Ltd. (until June 2015) • B.S.P Biological Signal Processing Ltd. (until July 2016)
Prof. Stephen Haslett	–	–
Prof. Hang Chang Chieh	Temasek Foundation Nurtures CLG Ltd.	–

SENIOR MANAGEMENT



TODD DOLLINGER

See bio in Board of Directors.

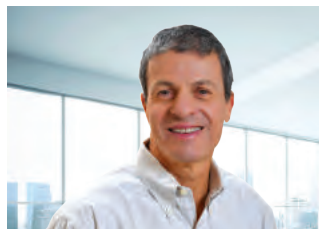


NITZA KARDISH, PH.D.

Nitza Kardish, Ph.D., CEO Trendlines Incubators Israel and VP The Trendlines Group, is responsible for the overall management and activities of the medical and agricultural technology incubators in Israel. Nitza joined the Trendlines management team in June 2011 as CEO of Trendlines Agtech-Mofet.

A plant geneticist, Nitza brings 20 years of experience working in senior management positions at life science companies. Prior to joining Trendlines, she served as VP Business Development at the Technion R&D Foundation 2, Ltd. ("Technion Seed"), where she was responsible for the life sciences and cleantech fields. She previously served as CEO of Clal Life Sciences, an R&D center for emerging life sciences companies; CEO of UroGyn, a start-up that developed minimally invasive surgical tools; and Business Development Manager at Rafael Development Corporation, Ltd.

Nitza earned her doctorate (life sciences) from Tel Aviv University and was a post-doctoral research fellow in the Department of Plant Genetics at the Weizmann Institute of Science. She received an M.Sc. (cum laude) from Tel Aviv University.



YOSEF (YOSI) HAZAN

Yosi Hazan, CEO Trendlines Labs and VP The Trendlines Group, is responsible for the overall management of Trendlines Labs. He joined Trendlines Labs in December 2011, bringing considerable experience in global R&D management and marketing.

Yosi held executive positions in engineering and development, and has more than 25 years of experience in markets spanning the military, semiconductor equipment, and medical devices. Prior to joining Trendlines Labs, Yosi was COO at CogniFit Ltd.; General Manager at Biosense Webster, a medical device company of Johnson and Johnson; and General Manager at KLA-Tencor Ltd., a semiconductor equipment company.

Yosi holds an M.Sc. and B.Sc. in electrical engineering from the Technion-Israel Institute of Technology.



ERIC LOH

Eric Loh, CEO Trendlines Medical Singapore, joined The Trendlines Group in 2016 and is responsible for the overall management of the Trendlines Medical Singapore incubator.

Eric brings more than 20 years of experience in the medical device industry. Previously, he had a significant role in developing Biosensors International, an early-stage cardiovascular device company, to a successful, publicly traded company on the Singapore Stock Exchange. As Managing Director, he oversaw the establishment of a joint venture operation in China that resulted in Biosensors' successful entry into the fast-growing Chinese market. He led successful sales and marketing efforts, and commercialized Biosensors' products in other markets in Asia Pacific while managing two manufacturing facilities in Singapore. In 2005, Eric was involved with the company's IPO on the Singapore Stock Exchange.

After leaving Biosensors, Eric was the CEO of another start-up, EPI Mobile Health, where he achieved regulatory clearance from the FDA, CE, and HSA of a novel mobile ECG device that enabled the commercialization of the products in key markets in Asia.

Eric holds an M.Sc. in medical engineering and a B.Eng. (Hons.), both from the National University of Singapore; is a graduate of an Executive MBA program affiliated with the Helsinki School of Economics; and is a CFA charter holder.



GABRIELA (GABI) HELLER

Gabi Heller, CFO, joined Trendlines in July 2010 and is responsible for finance, reporting, taxation, investor relations, and certain legal matters. Gabi has extensive financial experience, having previously worked as an accountant, CFO, and as a director of public and private companies.

Prior to joining Trendlines, she served as CFO of Walden Israel Ventures' funds and as senior manager with Kost Forer Gabbay & Kasierer (a Member of Ernst & Young Global). She currently serves as a director of Nasdaq- and Tel Aviv Stock Exchange ("TASE")-listed Camtek Ltd. and two companies listed on the TASE, Ashtrom Group Ltd. and Elco Ltd.

She holds an LL.M. from Bar-Ilan University and a B.A. in economics and accounting from the Hebrew University of Jerusalem. She is also a Certified Public Accountant in the State of Israel.



YOSEF (YOSSI) RON

Yossi Ron, COO and Joint Company Secretary, joined the Trendlines corporate team in July 2011, where he is responsible for operational matters and provides guidance and support to Trendlines Incubators Israel on matters related to the Israel Innovation Authority. As the Company's Israeli Secretary, Yossi is responsible for the Company's compliance with applicable Israeli rules and regulations.

Yossi brings more than 35 years of extensive managerial experience to Trendlines, having served as CEO of Trendlines Agtech-Mofet and its predecessors (prior to his appointment as COO). He established and managed AEROMAOZ Ltd., an aviation electronics equipment company, which became a global company under his leadership. Thereafter, he served as a senior organizational consultant at TEOM.

He received a B.Sc. in industrial engineering from Tel Aviv University.



MOSHE KATZENELSON

Moshe Katzenelson, VP Business Development, joined Trendlines in November 2015. He is responsible for Trendlines' corporate business development activities: starting new Trendlines-owned operations outside Israel as well as assisting Trendlines' portfolio companies to develop their own businesses.

Moshe's diverse experience combines R&D work as an engineer in the Israeli Air Force; management of large commercial projects in the telecom industry (ECI Telecom Ltd. and Pelephone Ltd.) and in the agricultural industry (Netafim Ltd., the world leader in drip irrigation); venture capital work, including six years as CEO of two start-up incubators (StageOne Ventures and the Technion incubator); and as a consultant (Goldratt Consulting, working with management of large companies mostly in India).

He received an MBA from Tel Aviv University and a B.Sc. in aeronautical engineering from the Technion-Israel Institute of Technology.

COMMUNITY INVOLVEMENT

Our commitment to “create and develop companies to improve the human condition” is reflected in the companies we establish whose technologies are aimed at reducing health care costs or optimizing the food chain and in our ongoing involvement in social initiatives.

TMURA

Tmura, the Israeli Public Service Venture Fund, shares in the success of Israel’s thriving technology sector. Tmura (www.tmura.org) receives equity donations from Israeli and Israel-related high-tech companies. When the companies go public or are acquired, Tmura donates its earnings to educational initiatives and youth-related charities.



As a Tmura member, we have donated Trendlines’ shares, and we strongly encourage all our portfolio companies to allot equity to this meaningful program. In 2016, 10 portfolio companies granted options to Tmura, giving us a total of 27 portfolio companies that have granted options to the organization.



MENTORING

Academic and business organizations around the world are interested in learning about Israeli entrepreneurship generally, and the unique Israeli incubator model more specifically.

We take great pride in presenting to and discussing these topics with the professional, business, and academic groups that regularly visit our facilities. Our employees and the CEOs of our portfolio companies embrace these opportunities to share their business experiences and knowledge, discuss innovation, and describe the challenging process of bringing great ideas from concept to product.

As part of our community involvement efforts, we encourage our staff to support programs for young entrepreneurs and inventors from high school through university, and act as mentors to first-time entrepreneurs.



An all-in-one water treatment system for aquaculture reduces water use, improves yields, and is easy to install (no special infrastructure) and maintain

With the BioFishency system installed in tanks, to produce one kilogram of fish requires 2 cubic meters of water compared to 20 cubic meters without the system, which represents up to a 90% water savings. Earthen ponds with the BioFishency system yielded twice the number of fish (5,000 versus 2,500) and net meat (1 ton versus ½ ton) compared to similar sized ponds without the system.*



Efficient production of high-protein food source (grasshoppers) with minimal resources — and at low cost

To produce one kilogram of insects requires 15 square meters of arable land compared to 45 square meters for chickens and 200 for beef.** It takes 100 gallons of water to produce 238 grams of cricket protein as compared to 6 grams of cow protein.***

ADOPT-A-SOLDIER PROGRAM

As part of the Association for the Wellbeing of Israel's Soldiers program (www.awis.org.il), we adopted the Israel Defense Force's 188th Barak ("Lightning") Armored Brigade.

We support social programs for the soldiers in this unit by organizing reciprocal visits, attending special events at the army base, donating computers and equipment, assisting with career counseling for soldiers at the end of their service, and planning joint community events.

HOLIDAY GIFT BOXES

During the holiday season, we send gift boxes to soldiers from underprivileged or disadvantaged backgrounds.



In addition to our involvement in the community, we endeavor to maintain sustainability efforts in the workplace, including placing paper recycling receptacles in all offices and dispatching an electronic version of our annual report to our shareholders, rather than printing.



Discreet feeding device for enhanced nutrition delivery and improved quality of life



Wireless energy transfer of left ventricular assist devices for reduced complications and greatly improved quality of life

* BioFishency field tests and customer production results.

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CORPORATE INFORMATION

DIRECTORS

David Todd Dollinger

Chairman and CEO

Stephen Louis Rhodes

Chairman and CEO

Zeev Bronfeld

Non-Executive Director

Elka Nir

Lead Independent Director

Prof. Stephen Philip Haslett

Independent Director

Prof. Hang Chang Chieh

Independent Director

BOARD COMMITTEES

NOMINATING COMMITTEE

Prof. Stephen Philip Haslett, Chairman

Prof. Hang Chang Chieh

Elka Nir

Stephen Louis Rhodes

REMUNERATION COMMITTEE

Elka Nir, Chairperson

Prof. Hang Chang Chieh

Prof. Stephen Philip Haslett

AUDIT COMMITTEE

Elka Nir, Chairperson

Prof. Hang Chang Chieh

Prof. Stephen Philip Haslett

JOINT COMPANY SECRETARIES

Lynn Wan Tiew Leng

Yosef Ron

INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS

Judith Kleinman

Director, Investor Relations and Corporate Communications

The Trendlines Group

judith@trendlines.com

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Singapore 049318

AUDITOR

Kost Forer Gabbay & Kasierer

A Member of Ernst & Young Global

2 Pal-Yam Avenue, Brosh Building

Haifa 3309502, Israel

Audit Partner: Ari Aslan (appointed in 2014)

SHARE REGISTRAR

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Singapore 048623

Tel: +65.6536.5355

PRINCIPAL BANKER

The Bank of East Asia, Limited

60 Robinson Road, BEA Building

Singapore 068892

DEPOSITARY BANK

The Bank of New York Mellon Corporation

225 Liberty Street

New York, New York 10286

United States of America



Aquaculture

Aquaculture is the fastest-growing food production system in the world due to the lack of naturally available varieties of fish harvested in natural environments.* The global aquaculture market was valued at US\$156.3 billion in 2015 and is expected to reach US\$209.4 billion in 2021, growing at a CAGR of 5.0% between 2016 and 2021.** The aquaculture market in China is expected to reach ~US\$100.0 billion by 2019.***

OUR PORTFOLIO COMPANIES OPERATING IN THIS SECTOR

AquiNovo



BioFishency
AQUACULTURE TECHNOLOGY



See references on page 39.



Minimally Invasive Surgery

Minimally invasive surgery ("MIS") is growing, with ~9.0 million MIS procedures performed in the United States in 2013. Typical reasons: smaller incisions, less pain, shorter stays, faster recoveries. These procedures provide superior short-term clinical and economic outcomes, fewer complications, and even lower overall costs per procedure.*

The MIS market is anticipated to reach US\$50.6 billion in 2019.** The MIS instruments market is projected to grow to US\$21.5 billion by 2021 from US\$13.9 billion in 2016, at a CAGR of 9.1%.***

OUR PORTFOLIO COMPANIES OPERATING IN THIS SECTOR



See references on page 39.

INVESTOR RELATIONS

The Trendlines Group maintains a strong commitment to effective communications with our investor community around the world. We strive to provide transparent, timely, and relevant information regarding corporate developments that is material to our investors and that complies with all applicable legal and regulatory requirements of the SGX. We convey to our investors, in a factual and clear manner, well-timed information regarding significant developments about the Company and our portfolio companies.

It is through our announcements via SGXNet, the Trendletter (our corporate newsletter), and regular press releases that our shareholders, potential investors, and partners learn of our operations and corporate developments and gain a deeper understanding of our business. We do this so that all our shareholders and potential investors may make informed investment decisions.

BROADENING OUR INVESTOR RELATIONS EFFORTS

Our November 2015 Singapore IPO introduced Trendlines to the Singaporean capital market. Since then, we have embarked on a program to broaden our investor relations efforts for the purpose of increasing awareness among our international investors.

In 2016, Steve Rhodes and Todd Dollinger held more than 75 personal investor meetings, made more than 20 presentations to groups of investors, and had more than 20 analyst meetings. They participated in two capital markets conferences, one in Hong Kong in July and the other in Los Angeles in December. During our Asia Road Show in July, we held an investor relations-focused event at the SGX, which was attended by some 150 Trendlines' shareholders. At this event, investors had an opportunity to meet representatives of some of our portfolio companies.



- In May 2016, **Judith Kleinman** joined our staff as Director, Investor Relations & Corporate Communications. Judith came to Trendlines with 25 years' experience in investor relations and equity market research and sales.

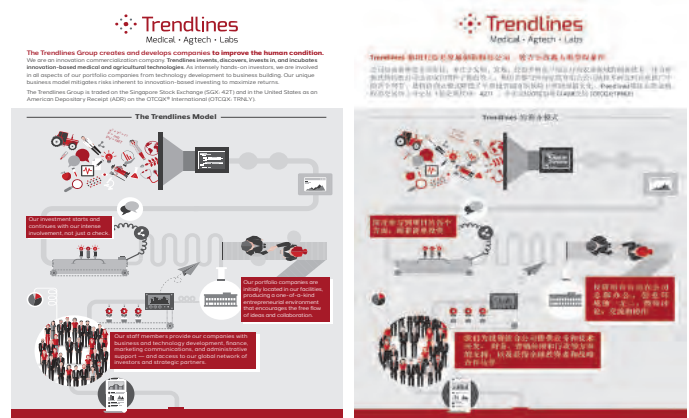
- In May 2016, working with Bank of New York Mellon, the Company launched Trendlines' **ADR program** in the U.S. market to facilitate trading for American investors and further raise visibility of The Trendlines Group in the North American investment community; in September 2016, our ADRs were listed in the United States on the OTCQX Best Market and trading began.
- Trendlines Medical **team members spoke** at the funding-focused 2nd Annual GIA (Government, Investors and Accelerators) conference in Tel Aviv. Members of the Trendlines Agtech team were among the speakers and panelists at CannaTech, the Pioneers Festival, F&A Next, World Agri-Tech Investment Summit, and the St. Louis Ag Innovation Showcase.
- Overseas investors** attended our Company Showcase and AgriVest conferences in Israel and participated in investor-focused company visits.

In 2017, our investor relations strategy will focus on increasing awareness of the Trendlines' model and the Trendlines' portfolio. We have scheduled non-deal road shows to reach out to investors throughout Asia, North America, and Europe, and we aim to increase participation in global investor conferences.

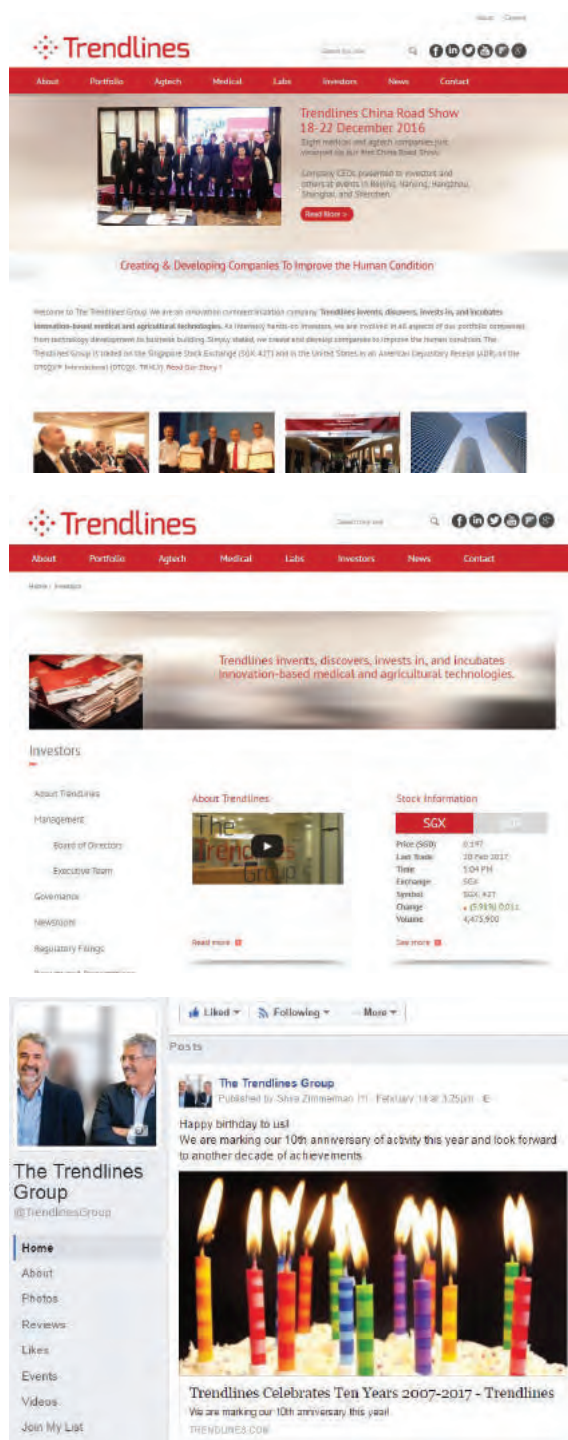
A COMMITMENT TO COMMUNICATION PRINT, DIGITAL & SOCIAL MEDIA

We utilize a variety of media to engage and communicate with our investor community.

We distribute **print brochures** for Trendlines, Trendlines Medical, Trendlines Agtech, and Trendlines Labs at conferences and events. All four brochures are available in English and Chinese. Electronic versions can be downloaded from our website.



INVESTOR RELATIONS



Our **website** (www.trendlines.com) provides a comprehensive overview of our organization, including information about our business units, management team and latest news. In 2016, our website welcomed more than 50,000 unique visitors, an increase of more than 20% compared to the number of such visitors in 2015. Each portfolio company has a dedicated page on our website that contains technology or pertinent product and market information, as well as relevant information about the company team and achievements. In 2017, we plan to refresh the overall look of our general website and to develop a Chinese-language website.

Through the **Investors section of our website** (investors.trendlines.com), we make regular announcements related to our regulatory filings, our unaudited quarterly and full year financial reports and presentations, and news items of interest to our shareholders. Up-to-date stock information (SGX and OTCQX), management team, corporate governance policies, and other practical information are also available in this section. We alert investors about announcements, filings, and other news by e-mail and through a monthly investor-focused update. Investors may subscribe to both of these information sources. Shareholders and potential investors can contact our investor relations team, the contact details of which are listed on our site, for information or for answers to specific questions.

We send the **Trendletter**, our monthly newsletter, to thousands of subscribers around the world. We share information about our organization and our portfolio companies, the events we organize or attend, and news items in the media that feature the Company and our portfolio companies. In 2016, news about Trendlines and our companies appeared in more than 90 articles or interviews in Israeli, Asian, and international media. Current and previous issues of the Trendletter are available on our website. Anyone visiting our website may subscribe via the subscription form, and subscribers may unsubscribe at any time.

Through our presence on **social media platforms** such as Facebook, LinkedIn, and Twitter, we regularly post and share corporate or industry-related news to reach a broader global audience.

Recent Updates

Trendlines - Creating & Developing Companies To Improve the Human Condition CALL FOR COMPANIES We're running an open competition for early-stage medical technology companies. See the link for all the details!



Trendlines Medtech Open 2017

trendlines.com - Trendlines discovers and invests in Israeli medical device and agricultural technologies - Trendlines update

Organic
Targeted to: All Followers
722 impressions 0 clicks 5 interactions 1.94% engagement



EVENTS

In addition to these publications, we believe in the strength of face-to-face meetings and events with our shareholders and potential investors and partners, and endeavor to increase the number of such meetings.



On 27 January 2016, we held our **6th Annual Company Showcase**. This event, our largest to date, attracted an audience of more than 400, including delegations from Singapore, China, and the United States. The centerpiece of the event: presentations by 10 of our portfolio companies. Gerald Ong, CEO of PrimePartners, was the keynote speaker. Prof. Dr. Hanns-Peter Knaebel, Chairman of the Management Board of B. Braun's Aesculap Division and a member of the Management Board of B. Braun, presented ways for companies to work effectively with multinational corporations. Our 7th Annual Showcase is scheduled for 29 March 2017.



At the end of May 2016, we participated in the 15th Annual **IATI-Biomed Conference** in Tel Aviv, Israel. This year marked our 11th appearance at this three-day conference; Israel's most important medical conference. As in previous years, the Trendlines booth showcased our medical portfolio companies and served as a meeting point for inventors and entrepreneurs, investors, and Trendlines' staff.



From 4 to 8 July 2016, Trendlines Medical took seven portfolio companies on a **Trendlines Asia Road Show**. This represented Trendlines first Asia-only road show. The CEOs of these portfolio companies presented their companies and answered questions about their products and businesses and networked with hundreds of investors at events in Singapore, Hong Kong, Shenzhen, Shanghai, and Beijing.

INVESTOR RELATIONS

JULY
8
2016

In early July 2016, Steve Rhodes spoke at the **Scaling New Heights Asia Investment Forum** 2016 in Shenzhen China, which featured 31 listed companies in Hong Kong, China, and Singapore.

SEPTEMBER
7
2016

Todd Dollinger presented "Israel & the Mystique of Entrepreneurship" at **Invest in Israel** in September 2016, a conference organized by the Singapore Business Circle and Israeli government ministries, and at the China-Israel Technology Cooperation Summit (CITCS) in Xiamen, China.

SEPTEMBER
27
2016

Coordinated by Conference founder and lead organizer Trendlines Agtech, the **4th AgriVest Conference**, which took place on 27 September 2016, brought together agtech entrepreneurs, investors, and industry experts from around the world. Conference highlights: start-up competition of 12 pre-selected agtech companies, two industry panels, and keynote speakers from global leaders Bayer Crop Science and Rabobank. The Conference was followed by a one-day agtech innovation tour that included visits to agtech companies and research organizations. The 5th AgriVest Conference will be held in early May 2018.

DECEMBER
6
2016

At the **9th Annual LD MicroCap Main Event**, which took place on 6 to 8 December 2016 in Bel Air, California, Steve Rhodes met with investors and spoke about the Trendlines opportunity.

DECEMBER
17
2016

On 17 December 2016, Todd Dollinger addressed the subject of Israeli innovation at the **Shoushan Wealth Management Group's** annual client conference in Beijing.

DECEMBER
18
2016

Based on the success of our Asia Medical Road Show in July, we organized the **Trendlines China Road Show** from 18 to 22 December 2016. Eight medical and agtech portfolio companies presented at events in Beijing, Shanghai, Nanjing, Hangzhou, Shanghai, and Shenzhen. At each event, our CEOs networked with investors and answered questions about their novel products.



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"Agriculture Producers Can't Sit on the Sidelines Waiting for Farm Robotics to Come to Them," by Nathan Dorn. AgFunder News. 22 December 2016. <https://agfundernews.com/agriculture-producers-cant-sit-sidelines-waiting-robotics-come.html>.

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* "Global Aquaculture Market 2016-2020." 22 September 2016. Technavio. <http://www.technavio.com/report/global-general-retail-goods-and-services-global-aquaculture-market-2016-2020>.

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* "Crop Protection Chemicals Market by Type (Herbicides, Insecticides, and Fungicides), Origin (Synthetic, and Biopesticides), Crop Type (Cereals & Oilseeds, Fruits & Vegetables), Mode of Application, Form, and by Region - Global Forecasts to 2021." August 2016. Markets and Markets. <http://www.marketsandmarkets.com/PressReleases/crop-protection.asp>.

** "Global Crop Protection Chemicals (Pesticides) Market." September 2016. Mordor Intelligence. <https://www.mordorintelligence.com/industry-reports/global-crop-protection-chemicals-pesticides-market-industry>.

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* "Latest Trends in the Global Orthopedic Devices Market" (from a Grand View Research report), by Anuja Vaidya. 15 July 2016. Becker's Spine Review. www.beckersspine.com/orthopedic-a-spine-device-a-implant-news/item/32299-34-latest-trends-in-the-global-orthopedic-devices-market.html.

CORPORATE GOVERNANCE REPORT

The Trendlines Group Ltd. ("**Trendlines**" or the "**Company**", and together with its subsidiaries, the "**Group**") recognizes the importance of corporate governance and the offering of high standards of accountability to the shareholders of the Company ("**Shareholders**"). Good corporate governance establishes and maintains a legal and ethical environment in the Group to protect the interests of the Shareholders and to maximize long-term Shareholders' value.

The Company has implemented recommended practices in the Code of Corporate Governance 2012 (the "**Code**"), subject however to compliance with the various corporate governance requirements under the Israeli Companies Law (the "**Israeli Companies Law**") with which the Company, as a company incorporated in Israel whose shares are publicly traded on a stock exchange, is required to comply.

This Corporate Governance Report outlines the Company's corporate governance practices that were adopted during the financial year ended 31 December 2016 ("**FY2016**"), with specific reference made to the principles of the Code and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**"). The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations and/or alternative corporate governance practices adopted by the Company have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.

Board Matters

Principle 1: The Board's Conduct of Affairs

Guideline 1.1: Primary Functions of the Board

As at the date of this Corporate Governance Report, the Board of Directors of the Company ("**Board**") comprises two Executive Directors and four Non-Executive Directors, out of which three are Independent Directors. The composition of the Board is as follows:

Name of Director	Designation
Mr. David Todd Dollinger	Chief Executive Officer and Chairman of the Board
Mr. Stephen Louis Rhodes	Chief Executive Officer and Chairman of the Board
Mr. Zeev Bronfeld	Non-Executive Director*
Ms. Elka Nir	External Director (Lead Independent Director)
Prof. Stephen Philip Haslett	Independent Director
Prof. Hang Chang Chieh	External Director (Independent Director)

* As at 21 February 2017, Mr. Zeev Bronfeld has a total shareholding interest of 14.30% in the Company.

Under the Israeli Companies Law and the Company's Articles of Association (the "**Articles**"), the Company's business and affairs are managed under the direction and oversight of the Company's Board, which may exercise all powers and may take all actions that are not specifically granted to the Shareholders or to any other organ of the Company. The Board determines the Company's policy and supervises the performance of the Chief Executive Officers' duties and actions and is authorised, amongst other things, to:

- determine the Company's business plans, principles for funding them and the priorities between them;
- review the financial status and determine the credit the Company is authorised to obtain;
- determine the Company's organisational structure and remuneration policy;
- resolve to issue series of debentures;
- be responsible for the preparation of financial statements and approve the financial statements;

- report to the Company's Shareholders on the status of the Company's affairs and the results of its business operations at its annual general meeting;
- appoint and remove the Chief Executive Officers;
- resolve whether to approve (or disapprove) certain transactions, which require the approval of the Board under the Israeli Companies Law or the Articles;
- issue securities and securities convertible into shares up to the limit of the Company's authorised share capital;
- resolve to effect a distribution in accordance with the Israeli Companies Law;
- provide the Company's opinion in respect of a special tender offer as stipulated in the Israeli Companies Law; and
- determine the minimum number of Directors who should have accounting and financial expertise.

Guideline 1.2: Independent Judgment and Fiduciary Duties of Directors

In accordance with the Israeli Companies Law, every Director by virtue of his or her office occupies a fiduciary position with respect to the Company. A Director is not permitted to place him or herself in a situation where his or her interests conflict with his or her duty. Without derogating from the generality of the foregoing, Directors shall (i) refrain from any conflict of interest between the performance of their duties in the Company and the performance of their other duties or their personal affairs, (ii) refrain from any activity that is competitive with the Company's business, (iii) refrain from taking advantage of any business opportunity of the Company in order to obtain a personal gain for themselves or others, and (iv) disclose to the Company any information or documents relating to the Company's affairs which the Director received by virtue of his or her position as an office holder. If a Director knows that he or she has a personal interest in an existing or proposed transaction of the Company, then – without delay and not later than the Board's meeting at which the transaction is first discussed – he or she must disclose to the Company the nature of his personal interest, including any material fact or document. Generally, a Director who has a personal interest in a transaction (except with respect to a non-extraordinary transaction) which is considered at a meeting of the Board or any Board Committees (as defined below) of the Company may not be present at such a meeting or vote on that matter unless the chairman of the Board or Board Committee (as applicable) determines that such Director should be present in order to present the transaction that is subject to approval. If a majority of the members of the Board or Board Committee (as applicable) have a personal interest in the approval of a transaction, then all Directors may participate in discussions of the Board or Board Committee (as applicable) on such transaction and vote on approval thereof, but Shareholders' approval will also be required for such transaction.

The Company's Nominating Committee is responsible for determining on an annual basis whether or not a Director is independent or whether an individual qualifies as an External Director, in accordance with the guidelines in the Code and the Israeli Companies Law. Please refer to Principle 2 in this Corporate Governance Report for further information regarding the Company's Independent Directors.

Guideline 1.3: Delegation by the Board

The Board may, subject to the provisions and limitations of the Israeli Companies Law, delegate any or all of its powers to committees, each consisting of one or more persons (all of whose members must be Directors), and it may from time to time revoke such delegation or alter the composition of any such committee. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board. Under Israeli Companies Law, a public company must have an audit committee and a remuneration committee, each comprised of at least three Directors and in which all of the Company's External Directors shall be members.

To assist the execution of its responsibilities, the Board has established three committees, namely, the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**"), all collectively referred to hereafter as the "**Board Committees**". The Board Committees were formed at the time of the Company's listing on the Catalist of the SGX-ST and a majority of their members are Independent Directors.

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The compositions of the Board Committees are as follows:

	AC	NC	RC
Chairperson	Ms. Elka Nir	Prof. Stephen Philip Haslett	Ms. Elka Nir
Member	Prof. Stephen Philip Haslett	Ms. Elka Nir	Prof. Stephen Philip Haslett
Member	Prof. Hang Chang Chieh	Prof. Hang Chang Chieh	Prof. Hang Chang Chieh
Member	–	Mr. Stephen Louis Rhodes	–

Clear written terms of reference for each of the Board Committees set out basic guiding principles for the establishment and activities of such Board Committee. Each Board Committee shall review and re-assess, on an annual basis, the adequacy of its applicable terms of reference and submit such evaluation, including any recommendations for change, to the Board for consideration, review, discussion and approval.

Please refer to Principles 4, 5, 7, 8, 11 and 12 in this Corporate Governance Report for further information regarding each of the Board Committees.

Guideline 1.4: Key Features of Board Processes

In accordance with the Articles and the Israeli Companies Law, the Board may meet and adjourn its meetings according to the Company's needs and otherwise regulate such meetings and proceedings as the Board deems fit, provided however, that the Board meeting shall convene at least once every financial quarter.

In order to ensure that the Group's operations are not disrupted, the Directors are notified of the meetings of the Board and the Board Committees in advance. Ad-hoc meetings are also convened when circumstances require, and/or resolutions in writing of the Board are circulated for matters that require the Board's approval.

In addition, in accordance with their applicable terms of reference, the AC shall meet at least once every financial quarter, and each of the NC and RC shall meet at least twice in a financial year. Additional meetings are convened according to the Company's needs. Minutes of all meetings of the Board and Board Committees are recorded and duly entered in books provided for that purpose. Such minutes shall, in all events, set forth the names of the Directors present at the meeting and all resolutions adopted thereat. The Articles and the applicable terms of reference of the Board Committees allow for the meetings of its Board and the Board Committees to be held by means of a conference call or any other device or means of communication allowing each Director participating in such meeting to hear all the other Directors participating in such meeting. The Board and Board Committees may also make decisions by way of written resolutions.

The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings held during FY2016 are as follows:

Number of meetings held (*):	Board	AC	NC	RC
	5	4	4	4
Name of Director	Number of meetings attended			
Mr. David Todd Dollinger	5	–	–	–
Mr. Stephen Louis Rhodes	5	–	4	–
Mr. Zeev Bronfeld	5	–	–	–
Ms. Elka Nir	5	4	4	4
Prof. Stephen Philip Haslett	5	4	4	4
Prof. Hang Chang Chieh	5	4	4	4

Notes:

(*) Not including written resolutions.

Guideline 1.5: Board Approval

Matters reserved for the Board's decision are specified in detail under the Israeli Companies Law, as detailed in Guideline 1.1 above. Apart from the matters that specifically require the Board's approval as set forth above, the Board approves certain transactions of the Group exceeding certain threshold limits, while delegating authority for transactions below those limits to the Group's management and/or the Group's investment committees so as to optimize operational efficiency.

The Board has adopted a set of written internal guidelines which set out authorization and approval limits for financing and/or realization of interest transactions between the Company's incubators and their portfolio companies.

Guideline 1.6: Induction and Training of Directors

All new Directors appointed to the Board are briefed on the Group's activities, strategic direction and policies, key business risks, and the regulatory environment in which the Group operates, as well as their statutory and other duties and responsibilities as Directors and are provided with copies of the Group's applicable policies including, *inter alia*:

- Disclosure Policy;
- Securities Dealing Policy;
- Whistle Blowing Policy;
- Anti-Bribery and Anti Corruption Policy;
- Code of Business Conduct and Ethics; and
- Any other corporate policy as may be adopted by the Group which is applicable to, or supervised, by the Board.

The Company's management updates the Board, at least on a quarterly basis, on business and strategic developments of the Group, and the Directors are also provided with updates and/or briefings from time to time by professional advisors in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislations and regulations, risk management and financial reporting standards. In addition, the Directors are also at liberty to approach the Company's management should they require any further information or clarification concerning the Group's operations.

In addition, the Company gave the Directors a tour of the Company's operational facilities to familiarize them with the business environment and governance practices of the Company during the first half of the FY2016. No new Directors were appointed during FY2016.

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. The Company is responsible for arranging and funding the training of Directors.

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

Name of Director	Training	Training Provider
Prof. Stephen Philip Haslett	Nominating Committee Workshop	Singapore Institute of Directors
Ms. Elka Nir	Training on new accounting standards, risk management, corporate governance and regulatory related topics.	Kost Forer Gabay & Kasierer, a member of Ernst & Young Global ("EY")
Prof. Stephen Philip Haslett		
Prof. Hang Chang Chieh		

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In addition, Directors are regularly updated in areas of Directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Israeli Companies Law and industry-related matters, to keep themselves apprised on the latest corporate, regulatory, legal and other requirements.

Principle 2: Board Composition and Guidance

Guidelines 2.1-2.2: Board Independence

The Company's Chief Executive Officers also serve as Chairmen of the Board (please refer to Principle 3 in this Corporate Governance Report for further information on this matter), therefore, it is recommended under the Code that the Company has at least half the members of its Board be independent directors as defined in the Code. In addition, under Israeli Companies Law, shareholders of public companies must elect, by a Disinterested Majority (as under the Israeli Companies Law), at least two members of the Board who qualify as "External Directors" under the Israeli Companies Law. External Directors must meet certain standards of independence at the time of their appointment and during the two-year period prior to their appointment. For further details on the External Directors, please refer to pages 297 to 300 of the Company's offer document dated 16 November 2015.

The Board currently comprises six members, three of whom, namely, Ms. Elka Nir, Prof. Stephen Philip Haslett and Prof. Hang Chang Chieh are considered to be independent Directors, in accordance with both the Israeli Companies Law and the Code (the "Independent Directors"). As such, the recommendation under the Code that at least half of the members of the Board should comprise of independent directors, has been met.

Guidelines 2.3-2.4: Independence Review

The Board considers an Independent Director as one who has no relationship with the Company, the Company's related companies, ten percent Shareholders or the Company's officers, which could interfere, or be reasonably perceived to interfere, with the exercise of that Director's independent business judgment with a view to the best interests of the Company. The independence of each Director is reviewed annually by the NC in accordance with the definition of independence in the Code.

None of the Company's Independent Directors has served as a member of the Board for more than nine consecutive years since the date of his or her first appointment (all of whom were appointed to the Board in October 2015).

The NC has reviewed and has identified each of the Independent Directors to be independent. As half of the Board is made up of Independent Directors, the NC believes the Board shall be able to exercise independent judgment on corporate affairs and ensure that no one individual or groups of individuals dominate any decision making process. The NC is of the view that the Board has a good balance of Directors who have extensive business, financial, accounting and management experience who as a group provide core competencies necessary to meet the Group's objectives.

Each member of the NC had abstained from deliberations in respect of assessment of his/her own independence.

The Board has reviewed and confirmed the independence of the Independent Directors. The Independent Directors have also confirmed their independence by providing the Company with written declarations in accordance with the Israeli Companies Law and the Code.

There are no Directors who are deemed by the Board to be Independent Directors, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him or her not to be independent.

The Company has appointed Ms. Elka Nir to serve as its Lead Independent Director (please refer to Principle 3 of this Corporate Governance Report for further information on the Lead Independent Director).

Guidelines 2.5-2.6: Board Size and Composition

Under the Articles, the Board must consist of at least five and not more than ten Directors, including at least two External Directors required to be appointed under the Israeli Companies Law. The Board believes that, considering the scope and nature of the operations of the Company, the Board's current size (as detailed above) is an appropriate size for the Board to facilitate effective decision making.

Under Israeli Companies Law, at least one of the External Directors must have “accounting and financial expertise” and the rest of the External Directors must have either “professional competence” or “accounting and financial expertise”. The conditions and criteria for a director qualifying as having accounting and financial expertise or professional competence are set out in regulations adopted under the Israeli Companies Law.

The Board is responsible for determining the minimum number of Directors, who should have accounting and financial expertise. In determining the number of Directors required to have accounting and financial expertise, the Company's Board must consider, among other things, the type and size of the Company, the scope and complexity of its operations and the number of its Directors. The Board has determined that at least two of the Directors must possess accounting and financial expertise as defined under Israeli Companies Law. In this regard, the Board has determined that Mr. Zeev Bronfeld, Mr. Stephen Louis Rhodes and Ms. Elka Nir each possesses “accounting and financial expertise” as such term is defined under the Israeli Companies Law.

In addition, under Israeli Companies Law, a public company must appoint at least one director of each gender.

Apart from gender diversity, the Board aims to have its members comprise an appropriate mix of members with complementary skills, core competencies and experience for the Company.

The Board's current composition includes members with a diversity of gender and skills, including accounting and finance expertise, business acumen, management experience, industry knowledge, familiarity with regulatory requirements and knowledge of risk management.

The Board considers that its current Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

The Directors' academic and professional qualifications are presented in pages 24 to 27 of the Company's FY2016 Annual Report (“**Annual Report**”).

The Board has taken the following steps to maintain or enhance its balance and diversity:

- Annual review by the NC to evaluate the size, composition and role of the Board and Board Committees and the methods and processes for evaluating Board and Board Committees effectiveness in fulfilling their duties and responsibilities.
- The NC shall identify gaps in the mix of skills, experience and other qualities required in an effective Board and recommend suitable candidates to fill these gaps.
- 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.

Guidelines 2.7-2.8: Non-Executive Directors' Participation

The Company's Non-Executive Directors, namely, Ms. Elka Nir, Prof. Stephen Philip Haslett, Prof. Hang Chang Chieh and Mr. Zeev Bronfeld are persons from different professions and working backgrounds, bringing to the Company their wealth of knowledge, business expertise and contacts in the business community and play an important role in helping the Company shape its business strategy by allowing the Company to draw on their diverse backgrounds and working experience. Although the Non-Executive Directors are not involved in the day-to-day running of the Company's operations, they play an invaluable role in furthering the business interests of the Company by contributing their experience and expertise. To ensure that the Non-Executive Directors are well supported by accurate, complete and timely information, they have unrestricted access to the Company's management. In addition, three out of the four Non-Executive Directors also sit on various Board Committees and provide constructive inputs and oversight of the Company and its management.

The Non-Executive Directors would meet as regularly as warranted, to discuss concerns or matters such as the effectiveness of management, without the presence of key management personnel of the Company (the “**KMP**”).

The Non-Executive Directors met on 24 February 2016 and 10 May 2016 in the absence of KMP.

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Principle 3: Chairman and Chief Executive Officer

Guidelines 3.1-3.2: Role of Chairman and the Chief Executive Officer

Under the Israeli Companies Law, a company's chief executive officer may serve as the chairman of the board of directors of such company, subject to the required approvals, including shareholders' approval with a special majority to be renewed every 3 years, as required under the Israeli Companies Law.

The NC (with Mr. Stephen Louis Rhodes abstaining from all discussions and decisions concerning his own appointment) has determined that it is in the best interests of the Company for the positions of Chairmen of the Board and Chief Executive Officers to be held by the same persons for the following reasons:

- The existing dual Chief Executive Officers and Chairmen management structure has worked well for the Company. Messrs. David Todd Dollinger and Stephen Louis Rhodes have held the same designations of Chairmen since the co-founding of the Company in 2007; Mr. Stephen Louis Rhodes was named Co-Chief Executive Officer in July 2010. Since then, Messrs. David Todd Dollinger and Stephen Louis Rhodes have been the key personnel whose contributions and expertise in their capacities as Chief Executive Officers and Chairmen have largely resulted in the success of the Company to-date, with a reputation as the operators of one of the best government-franchised incubators in Israel, and a strong track record of developing and executing exit strategies for its portfolio companies. Moving forward, it is expected that the continued growth and development of the Company will be largely dependent on the preservation of the existing management structure which has served the Company well.
- The Company is not aware of any objections or complaints raised by any of the existing Shareholders in relation to the dual roles of Messrs. David Todd Dollinger and Stephen Louis Rhodes since the founding of the Company.
- The Company believes that the concept of having two Chief Executive Officers and Chairmen is practical both based on the Company's experience of the past nine years and because there are other listed companies which also have a similar dual role management structure.

Following the recommendation of the NC and the Board, the Company had at the Special General Meeting held on 24 February 2016 (the "**2016 SGM**"), obtained Shareholders' approval (by the special majority as required under Israeli Companies Law) on the appointment of the Chief Executive Officers, Messrs. David Todd Dollinger and Stephen Louis Rhodes, to serve as Chairmen of the Board. For further information regarding the appointment of the Chief Executive Officers to serve as Chairmen of the Board, please refer to the Company's circular to the Shareholders dated 19 January 2016.

Mr. David Todd Dollinger is responsible for the overall management of our Group's business operations (particularly, in the areas of budget and operations) and is also primarily responsible for business development in China.

Mr. Stephen Louis Rhodes is responsible for the overall management of our Group's business operations (particularly, in the areas of finance and compliance reporting functions) and is also primarily responsible for the establishment of strategic partnerships in Europe and the United States.

Notwithstanding that the Chairmen of the Board are the Chief Executive Officers, the Board is satisfied that there is sufficient transparency and accountability in view of the strong independent element on the Board.

Guidelines 3.3-3.4: Lead Independent Director

In view that the Chief Executive Officers, Messrs. David Todd Dollinger and Stephen Louis Rhodes, also serve as Chairmen of the Board as detailed above, the Company is required under the Code to designate an Independent Director to serve as Lead Independent Director. The Company has appointed Ms. Elka Nir to serve as its Lead Independent Director.

The Lead Independent Director may be available to the Shareholders where they have concerns and for which contact through the normal channels of the Chairman and Chief Executive Officer or the Chief Financial Officer (or equivalent) has failed to resolve or is inappropriate. The Lead Independent Director makes herself available to Shareholders via email to the email address (auditcommittee@trendlines.com) which can be found in the corporate website: <http://investors.trendlines.com/governance>. The Lead Independent Director is also responsible for leading the meetings of Independent Directors and providing feedback to the Chairmen on matters discussed at such meetings.

Led by the Lead Independent Director, the Independent Directors, constituting all of the members of the AC, shall meet at least annually without the presence of the Company's management and Non-Independent Directors, to discuss matters of significance. The Independent Directors met on 24 February 2016 and 10 May 2016 in the absence of KMP and Non-Independent Directors.

Principle 4: Board Membership

Guideline 4.1: Establishment and Composition of Nominating Committee

The NC is established, *inter-alia*, for the purposes of ensuring that the Company has a formal and transparent process for all Board appointments. The NC is comprised of 4 Directors, a majority of whom are Independent Directors, including the NC Chairman. The Lead Independent Director is a member of the NC. The names of the members of the NC are set out in page 42 of this Report.

Guidelines 4.2-4.4: Authority and Duties of Nominating Committee

The authority and duties delegated by the Board to the NC are detailed in written Terms of Reference approved by the Board, and include, *inter alia*:

- Developing corporate governance guidelines and principles for the Company;
- Identifying individuals qualified for nomination to the Board and reviewing and recommending the nomination or re-nomination of the Directors, having regard to the Director's contribution and performance;
- Considering the structure and composition of the Board and Board Committees;
- Evaluating the performance and effectiveness of the Board, the Board Committees and each of their members;
- Succession planning, including the appointment recommendations, training and evaluation of the Directors and senior management;
- Determining on an annual basis whether or not a Director is independent or whether an individual qualifies as an External Director in accordance with the Israeli Companies Law;
- Reviewing and approving any new employment of related persons and the proposed terms of their employment, subject to the requirements under Israeli Companies Law; and
- making recommendations from time to time to the Board concerning such other matters, including matters related to corporate governance, as appropriate.

Each member of the NC shall abstain from all discussions and voting on any resolution in respect of the assessment of his or her performance or re-nomination as a Director.

The NC considers and recommends to the Board the appropriate structure, size and needs of the Board, with regard to the appropriate skills mix, personal qualities and experience required for the effective performance of the Board. The NC also recommends all appointments and retirements of Directors and considers candidates to fill new positions created by expansion or vacancies that occur by resignation, retirement or for any other reasons.

Candidates are selected based on their character, judgment, business experience and acumen. The Company also considers Company-specific factors (such as size and composition of the Board, nature and scope of the Group's operations and size) in deciding on the capacity of Directors.

Where a Director has multiple board representations, the NC will evaluate if a Director is able to and has been adequately carrying out his or her duties as Director of the Company, taking into consideration the number of his or her listed company board representations and other principal commitments which involve significant time commitment. Despite some of the Directors having other board representations, and other principal commitments, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. In addressing competing time commitments faced when Directors serve on multiple boards, the NC has determined that each Director should hold not more than 6 listed company board representations, unless otherwise approved by the NC under special circumstances. The details of directorships and/or chairmanships in other listed companies and other principal commitments of the Directors are set out in the "Board of Directors" section of the Annual Report in page 27.

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

- In the case of a Director who has multiple board representations or a significant number of principal commitments, the NC shall consider whether he or she is able to and has been adequately carrying out his or her duties as a Director, taking into consideration the number of his or her listed company board representations and other principal commitments which involve significant time commitment; and
- Annual confirmations by each Director on his or her ability to devote sufficient time and attention to the Company's affairs, having regard to his or her other commitments.

Having assessed the capacity of the Directors based on factors disclosed above, the Board is of the view that 6 listed company board representations would allow Directors to have increased exposure to different boards and broaden their experience and knowledge in relation to Board matters, hence ultimately benefitting the Company.

Each Director serves less than 6 listed company board representations.

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 effectively for FY2016.

Guideline 4.5: Alternate Directors

Alternate directors will be appointed as and when the applicable Board member deems necessary.

The Company currently does not have any alternate directors.

Guideline 4.6: Process for Board Selection, Appointment and Re-appointment

The NC is responsible for identifying individuals qualified for nomination to the Board and/or any Board Committee and reviewing and recommending the appointment or re-appointment of the Directors and/or members of the various Board Committees, having regard for amongst others: (i) the education, track record, experience and capabilities of the candidate; (ii) whether the candidate's competencies, skills and personal qualities are aligned with the Company's needs and any criteria for selecting new Directors established by the Board; and (iii) whether the candidate understands the demands and expectations of a Director of the Company.

With respect to new directors, the NC would usually consider candidates drawn from the contacts and networks of existing Directors and may approach relevant institutions to source for a suitable candidate. The NC would, meet or interview the candidates via teleconference or other means deemed appropriate to assess their suitability. With respect to re-appointment of Directors, the NC shall also assess the performance of the Director in accordance with performance criteria to be determined by the Board from time to time, and the current needs of the Board.

Subject to the NC's satisfactory assessment, the NC would recommend to the Board the proposed appointment or re-appointment of the Director to the Board and/or any Board Committee for its consideration and approval.

Pursuant to the Articles, each of the Directors, other than the External Directors (for whom special election requirements apply under the Israeli Companies Law as detailed below) will be appointed by a simple majority vote of holders of the Company's voting shares, participating and voting at an annual general meeting of the Shareholders. Other than External Directors, the Directors are divided into three groups with staggered three-year terms. Each group of Directors consists, as nearly as possible, of one-third of the total number of Directors constituting the entire Board (other than the External Directors). At each annual general meeting of the Shareholders, the election or re-election of Directors following the expiration of the term of office of the Directors of that group of Directors will be for a term of office that expires on the third annual general meeting following such election or re-election, such that from 2016 and after, at each annual general meeting, the term of office of only one group of Directors will expire (i.e. the term of office of Group I will initially expire at the annual general meeting held in 2016 and thereafter at 2019, 2022, etc.). Each Director will hold office until the annual general meeting of the Shareholders in which his or her term expires, unless they are removed by a vote of more than fifty percent of the total voting power of the Shareholders present and voting at an annual general meeting of the Shareholders or upon the occurrence of certain events, in accordance with the Articles.

The Directors (other than External Directors) are divided among the three groups as follows:

- i. The initial Group I Director is Prof. Stephen Philip Haslett and his term of office will expire at the annual general meeting of the Shareholders to be held in 2019 and when his successor will be elected and qualified or he will be re-elected;
- ii. The initial Group II Directors are Messrs. David Todd Dollinger and Zeev Bronfeld and their term of office will expire at the upcoming annual general meeting of the Shareholders in 2017 and when their successors will be elected and qualified or they will be re-elected; and
- iii. The initial Group III Director is Mr. Stephen Louis Rhodes and his term of office will expire at the first annual general meeting of the Shareholders following the meeting referred to in clause (ii) above and when his successor will be elected and qualified or he will be re-elected.

External Directors are elected for an initial term of three years and may be elected for two additional three-year terms under the circumstances set forth under the Israeli Companies Law. External Directors may be removed from office only under limited circumstances set forth in the Israeli Companies Law.

Following the recommendation of the NC (with Ms. Elka Nir and Professor Hang Chang Chieh abstaining from all discussions and decisions concerning their respective appointments) and the Board, the Shareholders approved (by the special majority as required under Israeli Companies law) the election of Ms. Elka Nir and Professor Hang Chang Chieh, both Independent Directors of the Company, to serve as External Directors of the Company at the 2016 SGM.

Following the recommendation of the NC and the Board, at the 2017 annual general meeting, to be held on 26 April 2017 (the "**2017 AGM**"), the Board shall propose to its Shareholders to approve the re-appointment of Group II Directors (i.e. Messrs. David Todd Dollinger and Zeev Bronfeld) as Directors of the Company for a term of office that shall expire at the annual general meeting of the Company to be held in 2020.

The NC had reviewed, at its meeting held on 21 February 2017, the experience, and the contemplated contributions of Messrs. David Todd Dollinger and Zeev Bronfeld and resolved that Messrs. David Todd Dollinger and Zeev Bronfeld provide to the Company beneficial service and advice.

Moreover, given the Company's nature of business and scope of activities, and the fact that the Company is a company incorporated under Israeli Companies Law, managed in Israel, and listed on the Catalist of SGX-ST, and considering the specific expertise, and understanding expected from and provided by Messrs. David Todd Dollinger and Zeev Bronfeld, the NC is of the opinion that the Company and its Shareholders shall continue to benefit from the service of Messrs. David Todd Dollinger and Zeev Bronfeld.

If re-elected, in accordance with Article 40(c) and (d) of the Articles, Mr. David Todd Dollinger will remain as the Chief Executive Officer of the Company and Chairman of the Board.

If re-elected, in accordance with Article 40(c) and (d) of the Articles, Mr. Zeev Bronfeld will remain as the Non-Executive Director of the Company.

Guideline 4.7: Key Information on Directors

The key information of the Directors, including their appointment dates and directorships held in other listed companies for the past three years, are set out on page 27 of the Annual Report.

Principle 5: Board Performance

Guidelines 5.1-5.3: Board and Board Committees Performance Evaluation Process

The NC is responsible for evaluating the effectiveness of the Board and Board Committees as a whole and for assessing the contribution by the Chairmen and each individual Director to the effectiveness of the Board and Board Committees. The Board, in accordance with the recommendations of the NC, agreed that collective evaluation in lieu of individual evaluation is a more appropriate method of evaluation for the Company, as it provides for more effective and objective input (and whereas individual evaluation can inhibit Board dynamics and group performance). As such, no formal assessment of the contribution by the Chairmen and each individual Director to the effectiveness of the Board and Board Committees has been conducted.

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The Board has not engaged any external facilitator in conducting the assessment of the performance of the Board and the Board Committees. If and where relevant, the NC will consider such engagement.

The table below 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. 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.

Performance criteria for the Board and Board Committees are as follows:

1. Size and composition

2. Access to information

3. Board processes

4. Inputs to strategic planning

5. Board accountability

6. Risk management

7. Succession planning

For FY2016, the review process was as follows:

1. All Directors individually completed an evaluation questionnaire on the effectiveness of the Board and Board Committees;
2. The Singaporean Company Secretary collated the results of the questionnaires to the NC Chairperson, a separate report is prepared for each AC, NC, RC and Board performance evaluation and areas with low scores requiring improvement highlighted to the NC Chairperson;
3. The NC discussed the reports and concluded the performance results during the NC meeting; and
4. The results of the evaluation was reviewed by the NC and the Board with proposed follow-up actions planned and/or taken for areas requiring improvements.

The NC, having reviewed the overall performance of the Board and Board Committees in terms of their role and responsibilities and the conduct of their affairs as a whole, is of the view that the performance of the Board and Board Committees have been satisfactory in FY2016 and that the Board and Board Committees have met their performance objectives in FY2016.

Principle 6: Access to Information

Guidelines 6.1-6.2: Complete, Adequate and Timely Information

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).

To enable the Board to fulfill its responsibilities and make informed decisions, the Board obtains from the Company's management information which it deems adequate, complete and in a timely manner.

Prior to each meeting, members of the Board and Board Committees are provided with the notice and agenda of the meeting and documentation containing background or explanatory information relating to the matters brought before the relevant meeting, including, where applicable, copies of disclosure documents, budgets, forecasts and internal financial statements. In respect of budgets, any material variance between the projections and actual results are disclosed and explained to the Board. 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 and Board Committees meetings at least 3 days prior to the meetings to allow sufficient time for the Directors' review.

The Company's management, legal advisors and auditors who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings, subject to and in accordance with the provisions of the Israeli Companies Law regarding such participation by non-members in such meetings.

The minutes of meetings of the Board and Board Committees are circulated to all Board or Board Committee members (as applicable) after the respective meetings for their approval.

KMP 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 KMP to facilitate direct and independent access to management.

Guideline 6.3: Role of Company Secretary (Secretaries)

All Directors have separate and independent access to the joint Company Secretaries namely, Mr. Yosef Ron, the Company's Israeli Secretary, and Ms. Lynn Wan Tiew Leng, the Company's Singaporean Secretary, (collectively, the "**Company Secretaries**") and independent auditors.

The role of the Company Secretaries has been clearly defined and includes responsibility for ensuring that Board procedures are followed and that applicable rules and regulations are complied with, specifically, the Company's Israeli Secretary is responsible with respect to the Company's compliance with applicable Israeli rules and regulations, and the Company's Singaporean Secretary is responsible with respect to the Company's compliance with applicable Singapore rules and regulations. Under the direction of the Chairmen of the Board and Chief Executive Officers, the Company Secretaries' responsibilities also include ensuring good information flows within the Board and Board Committees and between management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required.

At least one of the Company's Secretaries is present at the meetings of the Board and Board Committees, subject to applicable law.

Guideline 6.4: Appointment of Company Secretary (Secretaries)

Under the Articles, the appointment of the Company Secretaries is subject to the approval of the Board, however the Board may delegate such authority to the Chief Executive Officers.

Guideline 6.5: Independent Professional Advice

Under Israeli Companies Law, the Directors may, under special circumstances and in the furtherance of their duties, receive independent professional advice at the Company's expense subject to the approval by the Board or competent court. No independent professional advice were obtained during FY2016.

Principle 7: Procedures for Developing Remuneration Policies

Guideline 7.1: Establishment and Composition of Remuneration Committee

The RC is comprised of 3 Directors, all of whom are Independent Directors, including the RC Chairperson. The names of the members of the RC are set out in page 42 of this Report.

Under the Israeli Companies Law, a public company must have a remuneration committee comprised at least three directors, including all of the external directors who must be the majority members and one thereof must serve as the chairman of the committee, and all the remaining members must receive remuneration for their service as directors of the company, in accordance with the regulations under the Israeli Companies Law governing the remuneration of the external directors. The remuneration committee must not include the chairman (or chairmen) of the board of directors, any controlling shareholder or a relative of a controlling shareholder or any director employed by the company or by the company's controlling shareholder or by an entity under the control of the company's controlling shareholder, or a director who provides services, on a regular basis, to the company, to its controlling shareholder or to any entity under the control of such controlling shareholder, as well as any director whose principal livelihood derives from the company's controlling shareholder.

CORPORATE GOVERNANCE REPORT

Guidelines 7.2, 7.4: Authority and Duties of Remuneration Committee

The authority and duties delegated by the Board to the RC are detailed in written terms of reference approved by the Board, and include, *inter alia*:

- Reviewing and making recommendations to the Board with respect to the approval of the compensation policy with respect to the terms of office and employment of office holders and any extensions thereof;
- Periodically reviewing the implementation of the compensation policy and providing the Board with recommendations with respect to any amendments or updates thereto;
- Reviewing and resolving whether or not to approve arrangements with respect to the terms of office and employment of office holders;
- Determining whether or not to exempt a transaction with a candidate for Chief Executive Officer from Shareholders' approval because such approval would preclude the engagement with such candidate, provided that such transaction is consistent with the compensation policy;
- Overriding a determination of the Shareholders in relation to certain compensation related issues, subject to the approval of the Board and under special circumstances, such as, the approval of the Company's compensation policy, after such compensation policy was reconsidered by the RC and on the basis of detailed reasons, the RC and thereafter the Board determined that the adoption of the compensation policy is in the best interests of the Company despite the objection of the Shareholders;
- The establishment of key human resources and compensation policies, including all incentive and equity-based compensation plans;
- Evaluating the Company's executive and senior management; and
- Recommending to the Board a framework of remuneration for the Directors and other office holders, including KMP, and determining specific remuneration packages for each Director and office holder, including, without limitation, directors fees, salaries, allowances, bonuses, benefits in kind, pension rights, compensation payments (including any compensation payable for loss or termination of office, service or appointment), incentive payments, options and share-based incentives and awards.

In addition, the RC will perform an annual review of the remuneration of employees related to the Directors and/or substantial shareholder of the Company (as defined in the Catalyst Rules) to ensure that their remuneration packages are in line with the Company's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increases and/or promotions for these employees.

Each member of the RC shall abstain from all discussions and voting on any resolutions in respect of his or her remuneration package or that of employees related to him or her. The remuneration of the External Directors is also subject to the limitations under the Israeli Companies Law and applicable regulations thereunder.

Guideline 7.3: Guidance of Remuneration Committee

The RC has unrestricted access to the Company's independent external auditors and is authorized by the Board to seek any information it requires from any employee of the Company for the purpose of performing its duties. In addition, the RC has the sole authority, without having to seek Board or any other approval, to obtain, at the reasonable expense of the Company, advice and assistance services in any of the matters which are within its scope of responsibilities, from internal or external legal, accounting or other advisors (including compensation consultants), as it determines necessary in its sole discretion, to provide oversight on work performed by such advisor, to determine fees for such services and to terminate such advisors' services. In FY2016, in connection with the establishment of the Company's compensation policy and the Management By Objectives plan for the officers of the Company for FY2016 ("**2016 MBO Plan**"), the Company engaged Ernst & Young (Israel) Ltd. as an independent remuneration consultant, who, *inter alia*, provided the Company with benchmarks regarding actual compensation of office holders in comparable companies and regarding compensation policies in comparable companies. The remuneration consultant is a separate entity from the Company's External Auditor and does not have any relationships with the Company.

Under the Israeli Companies Law, within nine months following a company's public listing, a compensation policy with respect to the terms of office and employment of office holders must be approved by the board of directors of such company, after considering the recommendations of its remuneration committee, and by a special majority of the company's shareholders. The Company had at the Special General Meeting held on 2 August 2016, obtained Shareholders' approval (by the special majority) for the adoption of the compensation policy for the Company's executives and Directors ("**Compensation Policy**").

The following is a brief overview of the Compensation Policy (capitalized terms used herein shall bear the same meanings ascribed to them in the Compensation Policy):

- **Global Strategy Guidelines:** The Company's business success largely relies on the excellence of its human resources at all levels. In particular, the Company believes that the Company's ability to achieve its goals requires it to recruit, motivate and retain a high quality and experienced leadership team (including Directors). Therefore, the Company believes in creating a comprehensive, customized compensation policy for the Office Holders which shall enable the Company to attract and retain highly qualified senior leaders.
- **Compensation Instruments:** Fixed components, which shall include annual base salary and benefits; Variable components, which may include: cash incentives and equity based compensation; Separation package; Directors & Officers (D&O) Insurance, exculpation and indemnification; and other components, which may include among others: change in control payment, special bonus, signing or retention bonus, exit bonus, relocation benefits, study opportunities, leave of absence, etc.
- **Fixed Compensation:** The Compensation Policy provides guidelines and criteria for determining the fixed compensation of the Office Holders, which includes an annual base salary and benefits for Executives.
- **Cash Incentives:** The Compensation Policy provides for MBO payments, which are cash payments to the Executives that vary based on the Company's and unit's performance and on each Executive's individual performance and contribution to the Company, in accordance with rules or formulae for calculation of the MBO payment once actual achievement of the objectives is known (as predetermined annually by the Board and RC), and subject to the guidelines and criteria, including caps, set forth in the Compensation Policy. In addition, the Compensation Policy provides for payment of an Exit Bonus (as defined herein) in connection with an Exit Event (as such term is defined in the Compensation Policy) relative to the Company's portfolio companies, as may be approved by the Board and RC and in the amount which shall be calculated based on the proceeds actually received by the Company as a result of such Exit Event as set forth in the Compensation Policy and subject to the terms and caps determined therein for such Exit Bonus.
- **Equity-Based Compensation:** The Compensation Policy provides for the provision of equity-based compensation in the form of options to purchase shares, which may be awarded to Executives and Directors pursuant to the guidelines and criteria, including caps on the equity value of such grants, as set forth in the Compensation Policy.
- **Separation Package:** The Compensation Policy provides guidelines for determining advance notice period and separation packages for Executives, including caps thereon.
- **Others:** The Compensation Policy provides guidelines and criteria for additional compensation components, which includes relocation, leave of absence and one-time cash or equity incentives.
- **Clawback Policy:** The Compensation Policy provides that in the event of an accounting restatement, the Company shall be entitled to seek reimbursement from Executives and Directors of any payment made due to erroneous restated data that would not otherwise have been paid or in exceptional circumstances of misconduct resulting in financial loss to the Company.
- **Director's Remuneration:** The Compensation Policy provides guidelines for providing compensation to Directors.
- **Indemnification Exculpation and Insurance:** The Compensation Policy provides guidelines and criteria for providing Executives and Directors with indemnification, exculpation and insurance.

For further information regarding the Compensation Policy, please refer to the Company's circular to the Shareholders dated 27 June 2016.

CORPORATE GOVERNANCE REPORT

Principle 8: Level and Mix of Remuneration

Guideline 8.1: Remuneration of Directors and Other Office Holders (Including KMP)

The Compensation Policy serves as the basis for decisions concerning the terms of employment or engagement of the Company's office holders, including exculpation, insurance, indemnification or any monetary payment, obligation of payment or other benefit in respect of employment or engagement.

Guideline 8.2: Long Term Incentive Schemes

The Compensation Policy relates to certain factors, including advancement of the Company's objectives, the Company's business plan and its long-term strategy, and creation of appropriate incentives for office holders. It also considers, amongst other things, the Company's risk management, size and the nature of its operations as well as the following additional factors and principles:

- The education, skills, expertise, professional experience and accomplishments of the relevant office holder;
- The office holder's roles and responsibilities and prior compensation agreements with him or her;
- The ratio between the cost of the employment terms offered to the office holder and the cost of salary of the Company's other employees, including those employed through manpower companies, and in particular the relation to the average pay and median pay of such employees;
- The impact of disparities in salary upon work relationships in the Company;
- The possibility of reducing variable compensation at the discretion of the Board; and the possibility of setting a limit on the exercise value of non-cash variable equity-based compensation;
- As to severance compensation, the period of service of the office holder, the terms of his or her compensation during such service period, the Company's performance during that period of service, the office holder's contribution towards the Company's achievement of its goals and the maximization of its profits, and the circumstances under which the person is leaving the Company;
- The link between variable compensation and long-term performance and measurable criteria;
- The relationship between variable and fixed compensation, and the ceiling for the value of variable compensation;
- The conditions under which an office holder would be required to repay compensation paid to him or her if it was later shown that the data upon which such compensation was based was inaccurate and was required to be restated in the Company's financial statements;
- The minimum holding or vesting period for variable, equity-based compensation; and
- The maximum limits for severance compensation.

Please refer to Guideline 7.3 above for further details on the Compensation Policy.

The Company seeks to advance the interests of the Company by affording to its selected employees and Directors, including Affiliated Companies (as defined under The Trendlines 2015 Share Option Plan and the Sub-Plan (the "**2015 Plan**"), who have contributed or will contribute to the growth and performance of the Company or its Affiliated Companies, and who satisfy the eligibility criteria set out in the 2015 Plan, an opportunity to acquire a proprietary interest in the Company or to increase their proprietary interest therein, as applicable, by the grant in their favour, of options, thus providing such employee or director an additional incentive to remain or retain employed or engaged by the Company or Affiliated Company, as the case may be, and encouraging such employee or director's sense of proprietorship and stimulating his or her active interest in the success of the Company and its Affiliated Companies by which he or she is employed or engaged. For this purpose, following the approval of the Shareholders at a Special General Meeting of the Company's shareholders held on 11 November 2015, the Company has adopted the 2015 Plan. On 2 August 2016, at the Special General Meeting of the Company, Shareholders approved certain amendment to the 2015 Plan. Information on the 2015 Plan and the information required under Catalyst Rule 851 is set out in the Directors' Report on pages 74 to 76 and the Financial Statements on pages 127 to 129 of the Annual Report.

During FY2016, the Company issued the following options in accordance with the 2015 Plan:

- (i) An aggregate of 3,776,298 options at the exercise price of S\$0.187 to grantees on 11 August 2016; and
- (ii) An aggregate of 1,302,822 options at the exercise price of S\$0.172 to grantees on 15 September 2016.

Guideline 8.3: Remuneration of External Directors

According to the regulations promulgated under the Israeli Companies Law concerning the remuneration of external directors (the “**Remuneration Regulations**”), external directors are generally entitled to an annual fee, a participation (attendance) fee for each meeting of the board of directors or any committee of the board of directors on which he or she serves as a member, and reimbursement of travel expenses for participation in a meeting which is held outside of the external director’s area of residence and of all direct expenses incurred in connection with attending meetings outside such external director’s home country, provided that the said reimbursement of expenses is based on the same criteria as the reimbursement paid by the company to the non-external directors and who are not residents of the country where the meeting takes place. The minimum, fixed and maximum amounts of the annual and participation fees are set forth in the Remuneration Regulations, based on the classification of the company according to the amount of its capital. The participation fees paid for participation in a board of directors’ meeting through the phone, or through any other means of communication shall be sixty percent of the ordinary participation fees. The participation fees paid with regard to the adoption of a resolution in writing (without convening an actual meeting) shall be fifty percent of the ordinary participation fees. According to the Remuneration Regulations, the remuneration committee and shareholder’s approval may be waived if the annual and participation fees to be paid to the external directors are within the range of the fixed annual fee or the fixed participation fee and the maximum annual fee or the maximum participation fee for the company’s level, respectively. However, remuneration of an external director in an amount which is less than the fixed annual fee or the fixed participation fee, respectively, requires the approval of the remuneration committee, the board of directors and the shareholders (in that order). The remuneration of external directors must be made known to the candidate for such office prior to his/her appointment and, subject to certain exceptions, will not be amended throughout the three-year period during which he or she is in office. A company may compensate an external director in shares or rights to purchase shares, other than convertible debentures which may be converted into shares, in addition to the annual remuneration, the participation fee and the reimbursement of expenses, subject to certain limitations set forth in the Remuneration Regulations.

Under the Israeli Companies Law, the terms of office and employment for other members of the remuneration committee that are not external directors should be the same as the terms of office of the external directors.

The Directors are also entitled to be paid reasonable travel, hotel and other expenses expended by them in attending board meetings and performing their functions as directors of the Company, according to the policy of the Company from time to time and subject to obtaining required corporate approvals.

Guideline 8.4: Contractual Provisions

The Compensation Policy provides that in the event of an accounting restatement, the Company shall be entitled to seek reimbursement from the “Office Holders” of the Company of any payment made due to erroneous restated data that would not otherwise have been paid or in exceptional circumstances of misconduct resulting in financial loss to the Company.

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Principle 9: Disclosure on Remuneration

Guidelines 9.1-9.2: Disclosure on Remuneration of Directors and Chief Executive Officers

The breakdown for the remuneration paid to or accrued to each individual Director and the Chief Executive Officers for FY2016 is as follows:

Directors and Chief Executive Officers Remuneration						
Name	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)*	Fair Value of Share Option (%)**	Total (\$)
Executive Directors						
Todd Dollinger (Chairman and Chief Executive Officer) (***)	–	59.78	8.16	3.55	28.51	926,309
Steve Rhodes (Chairman and Chief Executive Officer) (***)	–	58.54	8.38	3.83	29.26	902,580
Non-Executive Directors (****)						
Zeev Bronfeld (*****)	100.00	–	–	–	–	35,677
Elka Nir	100.00	–	–	–	–	37,992
Stephen Philip Haslett	100.00	–	–	–	–	36,858
Hang Chang Chieh	100.00	–	–	–	–	36,858

(*) Refers to benefits in kind such as car, housing allowances, etc., made available to office holders as appropriate.

(**) Refers to the value of the options granted as of the date of grant (based on Binomial Option Pricing Model) per year of vesting (taking into account the cost of previous vesting grant for that year).

(***) The salary, benefits and other compensation under the employment agreement between the parties relate only to the position as Chief Executive Officers. There is no additional remuneration for the office as Chairmen of the Board.

(****) Excluding amounts the Company had expended for expenses (including business travel) reimbursed to its directors.

(*****) The fees also include participation fees for each meeting of the board of directors or any committee of the board of directors of the Group's subsidiaries on which he serves as a member, all as approved according to the requirements under the Remuneration Regulations and additional regulations promulgated under the Israeli Companies Law with respect to relief in approval of certain related party transactions (the "Relief Regulations").

There were no termination, retirement or post-employment benefits granted to the Directors and Chief Executive Officers in FY2016.

Guidelines 9.1 and 9.3: Disclosure of Remuneration of KMP (who are not Directors or Chief Executive Officers)

The breakdown for the remuneration of the top 6 KMP (who are not Directors or Chief Executive Officers) for FY2016 is as follows:

Name	Salary (%)	Bonus (%)	Other benefits (%)	Fair value of share option (%)	Total (\$)
Gabriela Heller	63.43	19.93	5.87	10.77	478,605
Yosef Ron	64.15	20.06	6.38	9.40	475,589
Yosef Hazan	77.69	9.46	6.84	6.01	393,040
Nitza Kardish	78.84	4.51	7.03	9.61	385,149
Eran Feldhay(*)	76.62	5.53	6.07	11.78	314,344
Moshe Katzenelson(**)	90.74	5.01	–	4.25	315,851
Aggregate remuneration =					2,362,578

(*) Mr Feldhay has accepted the position of Chief Executive Officer (CEO) at the Company's portfolio company, ApiFix Ltd. Accordingly, his employment as CEO of Trendlines Medical-Misgav Ltd (Misgav) (now known as Trendlines Incubators Israel Ltd) and as Vice President of the Company was terminated by mutual consent with effect from 20 September 2016.

(**) Mr Katzenelson was appointed as Vice President of International Incubators on 15 March 2016, and redesignated as VP Business Development on 5 October 2016.

The annual aggregate remuneration paid to the top 6 KMP (who are not Directors or the Chief Executive Officers) for FY2016 was S\$2,053,094.

In connection with the termination of Mr. Feldhay's role in the Company and transition into the Company's portfolio company as detailed above, the Company approved the extension of 593,544 options of the Company which were previously granted to Mr. Feldhay and were already vested, for an additional period of 36 months (value of said options is approximately S\$10,000). There were no other termination, retirement or post-employment benefits granted to the KMP (who are not Directors or the Chief Executive Officers) in FY2016.

Guideline 9.4: Remuneration to Employees Who Are Immediate Family Members of a Director or the Chief Executive Officer for FY2016

Karen Kozek is the spouse of the Company's Chairman and Chief Executive Officer, Mr. Todd Dollinger, and is employed by the Company as a marketing communications coordinator. The remuneration of Ms. Kozek during FY2016 was between S\$50,000 and S\$100,000. Save for Karen Kozek, there are no other employees of the Group who are immediate family members of a Director or Chief Executive Officer of the Company.

Guideline 9.5: Details of Employee Share Option Scheme

Please refer to Principle 8.2 of the Corporate Governance Report, Directors' Report on pages 71 to 76 and the Financial Statements on pages 127 to 129 of the Annual Report for information regarding the 2015 Plan.

Guideline 9.6: Link between Remuneration and Performance

The remuneration received by the KMP (including the Chief Executive Officers of the Company) consisted of fixed and variable compensations. Variable compensation is determined based on the level of achievement of corporate and/or individual performance objectives and/or all or part on discretion.

The Company's Board of Directors and the RC had in 2016 approved the 2016 MBO Plan for its KMP, and at the Special General Meeting held on 2 August 2016, obtained Shareholders' approval (by the special majority) for the adoption of such 2016 MBO Plan for the Chief Executive Officers. For further information regarding the 2016 MBO Plan, please refer to the Company's circular to the Shareholders dated 27 June 2016.

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Under the 2016 MBO Plan, the Company has determined certain performance targets used to determine the KMP's eligibility to the Annual Operational Bonus (as defined under the Company's Compensation Policy) (the "**Performance Targets**"). The Performance Targets are comprised of 5 Company targets (including relating financial performance and business development) and, except with respect to the Company's CEOs (whose Performance Targets include Company targets only), also personal targets relating to the KMP's specific responsibilities in the Company. Not all Performance Targets were met for FY2016 mainly because of commercial and technological difficulties in some of the Company's portfolio companies during FY2016 which resulted in write off or write down of some portfolio companies. In addition, some of the fund raisings for portfolio companies were at less favorable terms to the Company than expected.

In addition, the Compensation Policy provides for payment of an Exit Bonus (as defined in the Compensation Policy) in connection with an Exit Event (as defined in the Compensation Policy) relative to the Company's portfolio companies, as may be approved by the Board and RC and in the amount which shall be calculated based on the proceeds actually received by the Company as a result of such Exit Event as set forth in the Compensation Policy and subject to the terms and caps determined therein for such Exit Bonus.

On 21 February 2017, the Company's Board of Directors and RC approved the Management By Objectives plan for the officers of the Company for FY2017 (the "**2017 MBO Plan**"), which, with respect to the Company's Chief Executive Officers, shall be brought before the Company's shareholders for further approval, at the 2017 AGM. For further information regarding the 2017 MBO Plan, please refer to the Company's circular to the Shareholders dated 20 March 2017 (with Messrs. David Todd Dollinger and Stephen Louis Rhodes abstaining from making any recommendation in respect of such resolution).

Principle 10: Accountability

Guidelines 10.1-10.2: Board Accountability

The Company is committed to: (a) ensuring that its Shareholders and the market are provided with timely and adequate disclosure of material information in relation to the Company; (b) complying with the continuous disclosure obligations contained in the relevant laws, regulations and rules in Singapore; and (c) ensuring that all Shareholders have fair and equal opportunities to receive information issued by the Company.

One of the Board's principal duties is to promote and protect the long-term value and returns to the Shareholders, and accepts that it is accountable to the Shareholders and adopts best practices to maintain Shareholders confidence and trust. The Company is required to release unaudited quarterly and annual financial results pursuant to the Catalist Rules. The Company's announcements are released via SGXNET within the respective periods stipulated in the Catalist Rules after review and approval by the Board and the Company's sponsor. In presenting results of financial statements, the Board strives to provide the Shareholders with detailed analysis and a balanced and understandable assessment of the Group's performance, financial position and prospects.

The Board also reviews legislation and regulatory compliance reports from management to ensure the Group's compliance with the relevant regulatory requirements.

Guideline 10.3: Management Accountability

The Company's Chief Executive Officers and its Chief Financial Officer provide management accounts and such explanation and information to the Board on a regular basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

The Board is of the opinion that sufficient information is provided to the Board on a timely basis which commensurates with the current level of Group activities and will review the frequency when there are any changes to the level of the Group's activities.

Principle 11: Risk Management and Internal Controls

Guidelines 11.1-11.3: Board Review of Risk Management and Internal Controls

The Board is responsible for the overall risk governance, risk management and internal control framework of the Company and is fully aware of the need to put in place a system of internal controls within the Company to safeguard shareholders' interests and the Company's assets, and to manage risks. The Board also oversees management in the design, implementation and monitoring of the risk management and internal control systems and is responsible for determining the Company's risk policies and levels of risk tolerance. The Company's internal controls structure consists of policies and procedures established to provide reasonable assurance to safeguard the assets of the Company against material misstatement, risks or loss. The Company's internal controls extend beyond the accounting and finance function – its scope addresses the financial, operational, compliance and information technology risks.

The Company has instituted an internal control framework covering financial, operational, compliance and information technology, as well as risk management policies and systems. The framework defines the roles and responsibilities of business units such as the Company's Incubators and other units. The design and implementation of risk management and internal control system are managed and reviewed by senior management. Key documentation including delegation of authority, control process and operational procedures are disseminated to the Group's employees.

To complement its internal control processes, the Company has in place a Whistle Blowing Policy which encourages employees and others who deal with the Company, and who have serious concerns about any aspects of the Company's work, to voice such concerns in confidence (please refer to Principle 12 below for further information regarding the Company's Whistle Blowing Policy).

On 10 May 2016, the AC had approved the appointment of Mr. Yosef Ron, the Company's Israeli Secretary, as the Compliance Officer of the Company for the day to day administration of the Company's (i) Securities Dealing Policy; (ii) Anti Bribery Policy; and (iii) Code of Business Conduct Policy, with the AC being responsible and for the compliance, oversight and maintenance of the said policies.

The AC reviews the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and the risk management policies and systems established by the Group.

The Board with the concurrence of 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 as at 31 December 2016. The basis for the Board's view are as follows:

1. Assurance has been received from the Chief Executive Officers and Chief Financial Officer in respect of (a) proper maintenance of financial records and financial statements to give a true and fair view of the Company's operations and finances for FY2016; and (b) adequacy and effectiveness of the Company's risk management and internal control systems;
2. Management completed a scoping and risk assessment overview to identify the significant accounts and related classes of transactions and processes, in respect of internal controls over financial reporting, and has evaluated the design and operating effectiveness of such internal controls;
3. KMP regularly evaluates, monitors, and reports to the AC on material risks, if any;
4. Discussions were held between management, AC and the external auditors to review and address any potential concerns; and
5. An enterprise risk assessment and a fraud risks survey were conducted to identify and mitigate significant risks.

The Company is placing emphasis on sustainability and would be implementing appropriate policies and programmes in compliance with the requirement to publish its inaugural sustainability report in 2018. The Company's current efforts in respect of Community Involvement is found in pages 30 to 31 of the Annual Report.

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The internal controls system put in place by the Company's management provides reasonable assurance against material financial misstatements or loss, reliability, relevance and integrity of information (including financial information) completeness of records, safeguarding of assets, effectiveness and efficiency of operations and compliance with applicable policies, laws and regulations. However, the Board also notes that such assurance cannot be absolute in view of the inherent limitations of any audit and internal control systems against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities.

Principle 12: Audit Committee

Guidelines 12.1-12.2: Establishment and Composition of Audit Committee

The AC is comprised of 3 Directors, all of whom, including the Chairperson, are Independent Directors. The names of the members of the AC are set out in page 42 of this Report. The AC includes the Company's External Directors, namely Ms. Elka Nir and Professor Hang Chang Chieh, whose appointment as external directors was subject to Shareholders' approval obtained at the general meeting convened on 24 February 2016 in compliance with the Israeli Companies Law, whereupon the AC was constituted in compliance with the Israeli Companies Law. The Chairperson of the AC is Ms. Elka Nir.

At its current composition, the AC comprises members who are appropriately qualified, having relevant accounting or related financial management expertise and experience to discharge the authority and duties delegated by the Board to the AC.

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.

Guidelines 12.3-12.4: Authority and Duties of the Audit Committee

The authority and duties delegated by the Board to the AC are detailed in written terms of reference approved by the Board, and include, *inter alia*:

- Reviewing and recommending to the Board the approval of the Company's quarterly and annual financial statements and related management's discussion and analysis;
- Recommending to the Board and overseeing the external auditors of the Company, including reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- Making recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- Reviewing the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgments made by the external auditors so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- Pre-approving all audit and non-audit services to be provided to the Group by the external auditors;
- Identifying deficiencies in the administration of the Company (including reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties), and recommending remedial actions with respect to such deficiencies;
- Reviewing the effectiveness and adequacy of the Group's internal audit function;
- Reviewing the system of internal controls and management of financial risks with the internal and external auditors;
- Reviewing the cooperation of the Company's management with the external auditors and the internal auditors (without the presence of management), where applicable and at least annually;
- Reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalyst Rules, including such amendments made thereto from time to time;

- Reviewing of hedging policies and instruments to be implemented (if any);
- Reviewing and approving interested person transactions and review procedures thereof;
- Reviewing potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;
- Reviewing the risk management framework, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, to announce immediately via SGXNET;
- Investigating any matters within its terms of reference;
- Reviewing the policy and arrangements by which the staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and ensuring that arrangements are in place for the independent investigations of such matter and for appropriate follow-up;
- Administering and overseeing the implementation of the Disclosure and Insider Trading Policy, the Whistle Blowing Policy, the Anti-Bribery Policy, and any other corporate policy as may be adopted by the Company; and
- Undertaking such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

In addition, under the Israeli Companies Law, the AC is required, amongst other things, to:

- Identify deficiencies in the administration of the Company (including by consulting with the internal auditor or the external auditors of the Company), and recommend remedial actions with respect to such deficiencies;
- Determine with respect to transactions with related parties, including office holders and the controlling shareholder (if any), if such transactions are substantial actions (i.e. an action that is likely to materially affect the Company's profitability, assets or liabilities) or extraordinary transactions (i.e. a transaction that is not in a Company's ordinary course of business, not on market terms or that is likely to have a material impact on the Company's profitability, assets or liabilities) and may determine once a year, in advance, criteria for such determination;
- Determine with respect to extraordinary (and non-extraordinary) transactions with the controlling shareholder, the requirement to conduct a competitive procedure, or other procedures to be conducted prior to entry into such transactions;
- Review and approve or disapprove certain related-party transactions;
- Determine the procedure for approval of transactions with the controlling shareholder, which are not negligible transactions;
- Where the Board approves the working plan of the internal auditor, examine such working plan before its submission to the Board and proposing amendments thereto;
- Examine the internal audit controls and internal auditor's performance, including whether the internal auditor has sufficient resources and tools to fulfil his responsibilities;
- Examine the scope of the external auditor's work and compensation and submit a recommendation with respect thereto to the Board or general meeting, depending on which of them is considering the remuneration of the external auditor; and
- Adopt procedures with respect to processing employee complaints in connection with deficiencies in the administration of the Company, and the appropriate means of protection afforded to such employees.

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Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any Israeli law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. In the event that a member of the AC is interested in any matter being considered by the AC, he or she will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

The AC shall also commission an annual internal control audit until such time as the AC is satisfied that the Group's internal controls are robust and effective enough to mitigate the Group's internal control weaknesses (if any). Prior to the decommissioning of such an annual audit, the Board is required to report to the SGX-ST and the Company's sponsor on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal control audit. Thereafter, such audits may be initiated by the AC as and when it deems fit to satisfy itself that the Group's internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure will be made via SGXNET of any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by the Board.

Guidelines 12.5 and 12.8: Audit Committee Activities

The AC was constituted on 19 October 2015 (and as of the date of the Annual Report, its composition is in compliance with the Israeli Companies Law following the election of the External Directors).

The AC met with the external auditors 4 times without the presence of Management for the FY2016 audit.

The AC reviewed the audited consolidated financial statements for FY2016 and also discussed with management and the external auditors the significant accounting policies, judgment and estimate applied by the management in preparing the annual consolidated financial statements. The AC, reviewed, among others, on the following matters:

- valuation of portfolio companies;
- assessment of control over portfolio companies;
- appropriateness of the going concern assumptions in the preparation of the annual consolidated financial statements; and
- Significant adjustments resulting from the audit, if any.

AC's Commentary on Key Audit Matters for FY2016

In addition, the most material area of judgment in the annual consolidated financial statements related to valuation of portfolio companies. The investment in portfolio companies as at 31 December 2016 had a carrying amount of US\$83.7 million. The Company determined it was necessary to rely on the opinion of specialists to value the substantial majority of these investments, due to the complexity of the valuations. At each reporting period, the AC discusses with management and with the Company's auditor about the Company's valuation policy, methodologies and the procedures performed on the valuation of portfolio companies.

In addition, at least annually, the AC considers the going concern principle on which the annual consolidated financial statements are prepared. As the Group establishes and invests in new portfolio companies as well as supporting existing investments with further capital, the business model is currently inherently cash consuming. Based on the balance of cash and cash equivalents as of 31 December 2016 and management's operating plan, the AC is of the view that the Company has sufficient capital resources to finance its operations and meet its obligations as they come due for a period of at least twelve months from the date of the consolidated financial statements.

Following the review and discussions, the AC then recommended to the Board to approve the audited annual consolidated financial statements for FY2016.

Guidelines 12.6-12.7: Independence of External Auditors and Whistle Blowing Policy

The AC has reviewed the independence and objectivity of the external auditors through discussions with the external auditors as well as by reviewing the non-audit services provided by the Company's external auditors, namely EY as set out below and is satisfied that the nature and extent of such services would not prejudice the independence of the external auditors.

Fees Paid/Payable to EY for FY2016		
	(S\$'000)	% of total
Audit fees	386	73
Non-audit fees: (Tax advice, Office of Chief Scientist advisory services and enterprise risk mangament related advisory services.	143	27
Total	529	100

The non-audit services rendered by EY during FY2016 were not substantial (less than 50% of the aggregate fees paid/payable to EY). The Company is an Israeli incorporated company and EY has confirmed that it is a member firm of the global network of Ernst & Young firms, Ernst & Young Global (which includes Ernst & Young (Singapore)). For the purpose of compliance with Rule 712(2) of the Catalist Rules, EY has confirmed that it is a registered public accounting firm with the Public Company Oversight Board United States, which is a member of the International Forum of Audit Regulators.

On the basis of the above, the AC has recommended to the Board the re-appointment of EY as external auditors of the Company at the 2017 AGM.

EY Israel has been appointed to audit the financial statements of the Company, its significant subsidiaries and associated companies incorporated in Israel. The Singapore-incorporated associate, Trendlines Medical Singapore Pte. Ltd., is audited by EY Singapore. The Company confirms its compliance to the Catalist Rules 712 and 715.

The Company has adopted a whistle blowing policy (the "**Whistle Blowing Policy**") which encourages employees and others who deal with the Company, and who have serious concerns about any aspects of the Company's work, to voice such concerns in confidence. The Whistle Blowing Policy sets out the Company's commitment to thoroughly investigate concerns that are reported in good faith and to protect employees, contractors or other stakeholders who report wrongdoing from being discriminated against or disadvantaged. Pursuant to the Whistle Blowing Policy, those with a complaint or concern regarding the Company are expected to contact a member of the AC or another person designated as a compliance officer via emailing to the email address (whistleblowing@trendlines.com) which can be found in the corporate website: <http://investors.trendlines.com/governance>.

Guideline 12.8: Measures Taken by the AC to Keep Abreast of Changes to Accounting Standards and Issues Which Have a Direct Impact on the Financial Statements

In the first quarter of FY2016, the AC had attended training on new accounting standards, risk management, corporate governance and regulatory related topics. In addition, the external auditors would brief the AC and the Board, from time to time with respect to new accounting standards that are being introduced.

Principle 13: Internal Audit

The Company's internal audit function is outsourced to Mr. Doron Rosenblum from Ezra Yehuda-Rozenblum (members of Kreston International) (the "**Internal Auditor**" or "**IA**") that reports directly to the AC Chairperson. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is of the view that the IA has adequate resources to perform the functions and maintained their independence from the activities audited. The IA subscribes to, and is guided by the standard established by internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing (IPPF) set by The Institute of Internal Auditors (IIA) and has incorporated these standards into its audit practices. The focus of the Internal Audit function is to strengthen the internal control structure and risk management through the conduct of independent and objective reviews. The AC is satisfied that the IA is adequately

CORPORATE GOVERNANCE REPORT

qualified given, *inter alia*, his education (Accounting degree and MBA) and over 25 years of experience as an IA. The IA has confirmed that the team members working under him are corporate members of the Institute of Internal Auditors (IIA) and are practicing the recommended standards by the IIA. The IA has the appropriate standing in the Company to discharge its duties effectively 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. The AC met with the IA once during FY2016, for audit report with respect to Company's incubators – employee options.

The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis. The AC is also responsible for recommending to the Board regarding 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.

Principle 14: Shareholder Rights

Guideline 14.1: Shareholders Rights

Being committed to good corporate practices, the Company treats all of its Shareholders fairly and equitably. To facilitate the exercise of Shareholders' rights, the Company ensures that all material information relating to the Group and its financial performance is disclosed in an accurate and timely manner via SGXNET.

Guidelines 14.2-14.3: Participation in General Meetings of Shareholders

The Company encourages Shareholders' participation at the general meetings of its Shareholders which are held in Singapore.

All Shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. In accordance with the Articles, Shareholders may appoint one or two proxies to attend and vote at general meetings in their absence. The proxy forms must be deposited with the Company not less than forty-eight hours before the time set for the general meetings.

A 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. All polling procedures are being scrutinized by an independent scrutineer.

Principle 15: Communication with Shareholders

Guidelines 15.1-15.2: Timely Disclosure of Information to Shareholders

The Company ensures that its Shareholders are notified of all material information in an accurate and timely manner. The Company's unaudited quarterly and annual results are announced within the mandatory period prescribed by the Catalyst Rules. The financial statements and other materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and publicly released via SGXNET on a timely basis. All Shareholders receive the annual report of the Company and the notice of the Company's annual general meetings, which notice is also advertised in the press and released via SGXNET. Shareholders and investors may contact the Company or access information regarding the Company on its website (www.trendlines.com) which provides, *inter alia*, corporate announcements, press releases and the latest financial results as released by the Company on SGXNET, and contact details of its investor relations.

Guidelines 15.3-15.4: Interaction with Shareholders

Under the Company's Disclosure Policy, the Company's Chief Executive Officers, Chief Financial Officer as well as the Director of Investor Relations are authorized to speak to the media and the Company's investors. They are responsible to ensure that all information presented or made available contains only (i) information that has been already been disclosed on the SGXNET; and (ii) non-price sensitive information.

The Company solicits feedback from and addresses the concerns of shareholders via the following:

- one-on-one and group meetings;
- conferences and roadshows;
- annual general meetings and special general meetings;

- an external investor relations team whose contact details can be found on the Company's website;
- the Company's in-house corporate communications team;
- a detailed investor information section on its website;
- a monthly electronic newsletter; and
- investor/analyst briefings.

The Company held more than 75 one-on-one investor meetings, an additional 20 analyst meetings and presented to more than 20 groups of investors during FY2016.

Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website (www.trendlines.com).

Guideline 15.5: Dividend Policy

The Company currently does not have a fixed dividend policy. The form, frequency and amount of dividends that the Directors may recommend or declare in respect of any particular financial year or period will be subject to, *inter alia*, the Group's level of cash and retained earnings, actual and projected financial performance, projected levels of capital expenditure and expansion plans, working capital requirements and general financial condition, and any restrictions on payment of dividends imposed by the Group's financing arrangements. The Board has not declared or recommended any dividends for FY2016. Although the Company aspires to pay regular dividends, the Company currently intends to retain available funds to fund future development and growth of the Group's business.

Principle 16: Conduct of Shareholder Meetings

Guidelines 16.1, 16.2 and 16.5: Participation and Voting at General Meetings of Shareholders

The Company does not practice selective disclosure. Price-sensitive information is first publicly released on the SGXNET, either before the Company meets with any group of analysts or simultaneously with such meetings. Financial results and annual reports are announced or issued on the SGXNET within the mandatory periods under the Catalist Rules.

All Shareholders are provided with the annual report and notice of the convening of the annual general meeting. At the Company's annual general meeting, the Shareholders are given the opportunity to air their views and ask Directors or management questions regarding the Company.

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 are announced via SGXNET after the conclusion of the general meeting.

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of Shareholder's identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

Detailed information on each item in the general meeting agenda is provided in the explanatory notes to the notice of such general meeting.

Guideline 16.3: Management Participation at General Meetings

At least one of the Chairmen of the Company shall be present at general meetings, unless such presence is not reasonably possible in which case at least one of the Chairmen of the Company shall participate at general meetings via teleconference or other communication means, and an additional Director or office holder shall be present at such general meeting. In addition, the Company's Chief Financial Officer shall be present at annual general meetings to present the Company's annual financial statements and assist in addressing queries raised by the Shareholders with respect to such annual financial statements, unless such presence is not reasonably possible in which case the Chief Financial Officer shall participate in the meeting via teleconference or other communication means. The external auditors are 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. In the event that

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the external auditors is unable to be physically present at the annual general meetings, the external auditors will participate via teleconference or other communication means to assist in answering any questions of shareholders with respect to the Company's audited annual financial statements at such meetings.

The Company also ensures that, when required, its Israeli Legal advisors are present at its general meetings (either via teleconference or in person) to address any queries shareholders may have on matters relating to the Israeli Companies law.

Guideline 16.4: Minutes of General Meetings

All minutes of general meetings including the material comments and/or questions raised by Shareholders in relation to the meeting agenda and the responses from the representatives of the Company's Board and/or management (if applicable), will be made available to Shareholders upon their request.

Compliance with Applicable Catalyst Rules

Rule 1204(8): Material Contracts

Save for as disclosed in Notes 19b and 19c of the notes to the financial statements, there were no material contracts entered into by the Group involving the interest of the Chief Executive Officer, Director, or controlling shareholder of the Company, which are either still subsisting at the end of FY2016, or, if not then subsisting, were entered into since the end of the previous financial year.

Rule 1204(17): Interested Person Transactions

The AC reviews and approves all interested person transactions ("IPTs") to ensure that they are on normal commercial terms and on arm's length basis (that is, the transactions are transacted in terms and prices not more favorable to the interested persons than if they were transacted with a third party) and are not prejudicial to the interests of the Group or the Company's minority Shareholders in any way, and the transactions are in the best interests of our Group. The Board has approved written procedures and guidelines for such review and approval of IPTs by the AC. All IPTs are properly documented and reported on in a timely manner to the AC.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Nil	None exceeding the value of S\$100,000/- for FY2016.	The Company does not have a general mandate for IPTs.

Rule 1204(19): Securities Dealing Policy

The Company has adopted a securities dealing policy (the "Securities Dealing Policy") which sets out the policy on dealings in the Company's securities by the Company and the directors, officers, management and employees of the Group (the "Relevant Persons"). The Relevant Persons are to ensure that any trading by them in any of the Company's securities is undertaken within the framework set out in the Securities Dealing Policy and in accordance with the relevant laws, regulations and rules in relation to the dealing of the Company's securities. Pursuant to the Securities Dealing Policy, the Company and the Relevant Persons are prohibited from dealing with the Company's securities during the prescribed blackout periods 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. In any event, the Company and the Relevant Persons are prohibited from dealing with the Company's securities at any time when they are in possession of unpublished material price sensitive information. In addition, as a matter of good practice, the Company and the Relevant Persons are also prohibited from dealing in the Company's securities on short-term considerations. The AC is responsible for administering and overseeing the implementation of the Securities Dealing Policy.

Rule 1204(21): Non-Sponsor Fees

The Continuing Sponsor of the Company is PrimePartners Corporate Finance Pte. Ltd. ("**Sponsor**"). There were no non-sponsor fees paid to the Sponsor in FY2016.

Rule 1204(22): Use of IPO Proceeds

The net proceeds raised from the initial public offering of the Company ("**IPO**"), after deducting the cash expenses in relation to the IPO of approximately S\$5.7 million is approximately S\$19.3 million.

The following table sets out the breakdown of the use of proceeds from the IPO as at the date of the Annual Report:

Purpose	Amount allocated (S\$'000)	Amount utilised as at the date of the Annual Report (S\$'000)	Balance (S\$'000)
Follow-on investments in portfolio companies	10,000	4,858	5,142
Expansion of operations into new markets	5,000	1,783 ⁽¹⁾	3,217
Expansion of internal innovation centre, Trendlines Labs	2,875	1,283	1,592
Operational expenses to support potential increase in the number of portfolio companies	1,400	–	1,400
Listing expenses	5,726	5,726	–
Total	25,001	13,650	11,351

Notes:

- (1) Inclusive of S\$1.25 million (50% of the total subscription amount) utilised for the subscription of shares in Trendlines Medical Singapore in December 2016.

The above utilizations are in accordance with the intended use of IPO proceeds, as stated in the Company's Offer Document dated 16 November 2015.

DIRECTORS' REPORT

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

Directors

The Directors in office at the date of this report are as follows:

Name of Director	Designation
David Todd Dollinger	Chief Executive Officer and Chairman of the Board
Stephen Louis Rhodes	Chief Executive Officer and Chairman of the Board
Zeev Bronfeld	Non-Executive Director
Elka Nir	External Director (Lead Independent Director)
Prof. Stephen Philip Haslett	Independent Director
Prof. Hang Chang Chieh	External Director (Independent Director)

Directors' Interests

According to the share register kept by the Company for the purposes of Sections 127 and 128 of the Israeli Companies Law, 5759-1999 (the "**Law**"), and according to the information provided to the Company by our directors, particulars of interests of directors who held office at the end of FY 2016 (the "**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:

Except as listed hereunder, none of our directors who held office at the end of the Year had any direct interest in the Company's shares, debentures, warrants and share options – neither at the beginning of the Year, nor at the end of the Year, nor as at 21 January 2017.

Directors' Interests in the Company:

Name of director and corporation in which interests are held	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
	At the beginning of the Year	At end of the Year	At 21 January 2017	At the beginning of the Year	At end of the Year	At 21 January 2017
Ordinary Shares						
David Todd Dollinger	13,367,040	13,373,440 ⁽¹⁾	13,380,740 ⁽¹⁾	5,838,384 – Meitav Dash Benefits for the Benefit of David Dollinger	5,838,384 – Meitav Dash Benefits for the Benefit of David Dollinger	5,838,384 – Meitav Dash Benefits for the Benefit of David Dollinger
				9,411,768 (TIF Shares) ⁽²⁾	325,138 (TIF Shares) ⁽³⁾	325,138 (TIF Shares) ⁽³⁾

Name of director and corporation in which interests are held	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
	At the beginning of the Year	At end of the Year	At 21 January 2017	At the beginning of the Year	At end of the Year	At 21 January 2017
Stephen Louis Rhodes	13,367,040	13,373,440 ⁽¹⁾	13,380,740 ⁽¹⁾	5,838,384 – Meitav Dash Benefits for the Benefit of Stephen Louis Rhodes	5,838,384 – Meitav Dash Benefits for the Benefit of Stephen Louis Rhodes	5,838,384 – Meitav Dash Benefits for the Benefit of Stephen Louis Rhodes
				9,411,768 (TIF Shares) ⁽²⁾	325,138 (TIF Shares) ⁽³⁾	325,138 (TIF Shares) ⁽³⁾
Zeev Bronfeld	72,732,416	72,732,416	72,732,416	–	–	–
Prof. Stephen Philip Haslett	–	–	–	–	–	–
Elka Nir	–	–	–	–	–	–
Prof. Hang Chang Chieh	–	–	–	–	–	–

Directors' Interest in Related Corporation:

Headway Ltd.

Ordinary Shares

Stephen Louis Rhodes	30,000 ⁽⁴⁾	30,000 ⁽⁴⁾	30,000 ⁽⁴⁾
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LapSpace Medical Ltd.

Share options

Zeev Bronfeld	4,774	4,774	4,774
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Stimatix G.I. Ltd.

Share options

Zeev Bronfeld	2,320	2,320	2,320	2,000 ⁽⁵⁾	2,000 ⁽⁵⁾	2,000 ⁽⁵⁾
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S.T.S. Medical Ltd.

Ordinary Shares

Zeev Bronfeld ⁽⁵⁾				7,120	7,120	7,120
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Share options

Zeev Bronfeld				6,294	6,294	6,294
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IntelliBreathe Ltd.

Share options

Zeev Bronfeld	5,618	5,618	5,618
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ApiFix Ltd.

Share options

Zeev Bronfeld	2,263	2,263	2,263
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DIRECTORS' REPORT

- (1) In August 2016, each of David Todd Dollinger and Stephen Louis Rhodes gave his bank twelve irrevocable instructions to purchase NIS (New Israel Shekel) 3,000 worth of Shares on the 5th day (or the next Singapore and Israel business day if the 5th day falls on a non-business day in either countries) of each month, irrespective of the price per share on the date of the purchase. The first purchase of the Company's shares shall take place on 5 December 2016, with eleven subsequent monthly instructions executable once per month thereafter for eleven months, making a total of twelve purchases.
- (2) David Todd Dollinger and Stephen Louis Rhodes were indirectly interested in the Shares held by Trendlines Israel Fund L.P. ("TIF") that held 9,411,768 Trendlines' Shares ("TIF Shares"), as they had the exclusive right and power to manage the business and affairs of TIF which included the authority to dispose of, or to exercise control over the disposal of, the TIF Shares. In 2016, the TIF Shares were distributed among the limited partners of TIF, which correspondingly reduced the abovementioned indirect interest of Messrs. Dollinger and Rhodes, to only those 325,138 Trendlines Shares distributed to T.D.L International Directions Ltd. ("TDL") (formerly known as Trendlines International Ltd.) and Trendlines Venture Partners L.P..
- (3) Each of David Todd Dollinger and Stephen Louis Rhodes has 45% shareholding interest in TDL. TDL holds approximately 99.8% of the shareholding interest in Trendlines Venture Management Ltd., which is the general partner of Trendlines Venture Partners L.P.. David Todd Dollinger and Stephen Louis Rhodes are directors and shareholders of Trendlines Venture Management Ltd., which, is the general partner of Trendlines Venture Partners L.P., TDL and Trendlines Venture Partners L.P. hold 231,020 Ordinary Shares and 94,118 Ordinary Shares, respectively.
- (4) The shares are held for himself and in trust for the benefit of David Todd Dollinger.
- (5) The holding is through M.B.R.T. Developments and Investments Ltd, a company wholly owned by Zeev Bronfeld.

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

Since the end of the Year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share Options

The 2011 Global Incentive Option Scheme (the "**Old Option Plan**") was approved and adopted in 2011. The Old Option Plan is administered by the Board.

The following table sets out information regarding Old Options granted to the directors under the Old Option Plan:

Name of Participant	Aggregate options outstanding at 1 January 2016	Aggregate options granted during financial year under review	Aggregate options exercised during financial year under review	Aggregate options outstanding at 31 December 2016
David Todd Dollinger	13,272,928	—	—	13,272,928
Stephen Louis Rhodes	13,272,928	—	—	13,272,928
Zeev Bronfeld	—	—	—	—
Elka Nir	—	—	—	—
Prof. Stephen Philip Haslett	—	—	—	—
Prof. Hang Chang Chieh	—	—	—	—

No Old Options have been granted to Controlling Shareholders and Associates of Controlling Shareholders.

As at the end of the Year, a total of 65,762,200 Old Options exercisable into 65,762,200 Shares at exercise prices of between NIS0.00125 and US\$0.201125 were granted to 39 participants, of which 11,854,664 Old Options were exercised pursuant to which 11,854,664 Shares have been allotted and issued by the Company. As at the end of the Year, 50,711,464 Old Options exercisable into 50,711,464 Shares at exercise prices of between NIS0.00125 and US\$0.201125 remain outstanding. All outstanding Old Options granted under the Old Option Plan will be vested by 2 August 2018.

None of the Participants received 5% or more of the total number of options available under the Old Option Plan.

Since 2 August 2015, no Old Options have been granted under the Old Option Plan and Old Options are not permitted to be granted under the Old Option Plan and in lieu thereof options may be granted under the Trendlines Group Ltd. 2015 Global Share Option Plan ("**The Trendlines 2015 Share Option Plan**" or the "**Plan**") and its Sub-Plan.

The Old Option Plan provides that in the event of a transaction such as a merger, acquisition or reorganisation of our Company with another company, or the sale of substantially all of the assets of the Company, the outstanding unexercised Old Options shall be assumed or substituted for an appropriate number of Shares as were distributed to Shareholders in connection with such transaction. In the event that the unexercised Old Options are not assumed or substituted, they may be immediately vested on the date which is ten (10) days prior to the effective date of the transaction, provided that a clause to this effect is included in the optionee's grant notification letter. The right to exercise vested Old Options will expire on the earliest to occur of the following: (i) 10 years from the date of grant; (ii) 12 months after the date of the optionee's death or disability; (iii) 90 days after the date of the optionee's voluntary resignation or involuntary termination not for cause; (iv) immediately, in the case of termination of the optionee's employment or term in office for cause; or (v) the date set forth in the grant notification letter provided by the Company.

All outstanding Old Options granted under the Old Option Plan, to the extent not exercised, will expire by August 2025. However, notwithstanding the foregoing, with respect to the Old Options granted to the Executive Officers (namely, Gabriela Heller, Yosef Ron, Yosef Hazan and Dr. Nitza Kardish) and two (2) ex-employees on 1 September 2011, the right to exercise the vested Old Options will expire 10 years from the date of grant (that is, 1 September 2021). With respect to the Old Options granted to certain of the Executive Officers (namely, Gabriela Heller, Yosef Ron, Yosef Hazan and Dr. Nitza Kardish) and two (2) ex-employees on 1 September 2011, the Old Options shall be entitled to receive "deemed interest" such as dividends distributed prior to exercise of such Old Options, which will be paid as a deemed dividend by way of a salary/bonus paid to the Executive Officers.

Old Options granted may not be assigned or transferred by an optionee other than by will or by laws of descent and distribution, or as specifically otherwise allowed under the Old Option Plan.

The Plan and Sub-Plan were adopted on 11 November 2015, effective immediately prior to listing of the Company's shares on the Catalist of the SGX-ST. Following the adoption of the Plan and Sub-Plan, the Old Option Plan is no longer active but continues to govern the treatment of the Old Options that have been previously granted thereunder.

DIRECTORS' REPORT

As at the end of the Year, there are 50,711,464 Old Options granted and outstanding under the Old Option Plan. The following table sets out information regarding the outstanding Old Options:

Name of holder of Old Options	Date of grant	Purchase price	Number of Shares comprised in the Old Options granted	Aggregate number of Shares allotted and issued pursuant to the exercise and/or expiry of the Old Options	Number of Shares comprised in the unexercised Old Options	Number of Shares that will be allotted and issued pursuant to the exercise of the unexercised Old Options	Exercise price per Old Option	Exercise period	Expiration date
David Todd Dollinger	1 September 2011	N.A.	5,838,384	5,838,384	– ⁽¹⁾	– ⁽¹⁾	US\$0.003	Not applicable ⁽¹⁾	Not applicable ⁽¹⁾
	2 June 2014	N.A.	13,272,928	–	13,272,928	13,272,928	US\$0.1845	2 June 2014 to 1 June 2024	2 June 2024
Stephen Louis Rhodes	1 September 2011	N.A.	5,838,384	5,838,384	– ⁽²⁾	– ⁽²⁾	US\$0.003	Not applicable ⁽²⁾	Not applicable ⁽²⁾
	2 June 2014	N.A.	13,272,928	–	13,272,928	13,272,928	US\$0.1845	2 June 2014 to 1 June 2024	2 June 2024
Gabriela Heller	1 September 2011	N.A.	1,459,592	–	1,459,592	1,459,592	US\$0.13625	1 September 2011 to 1 September 2021	1 September 2021
	2 June 2014	N.A.	1,916,888	–	1,916,888	1,916,888	US\$0.1845	2 June 2014 to 1 June 2024	2 June 2024
Yosef Ron	1 September 2011	N.A.	729,792	–	729,792	729,792	US\$0.13625	1 September 2011 to 1 September 2021	1 September 2021
	2 June 2014	N.A.	1,573,800	–	1,573,800	1,573,800	US\$0.1845	2 June 2014 to 1 June 2024	2 June 2024

Name of holder of Old Options	Date of grant	Purchase price	Number of Shares comprised in the Old Options granted	Aggregate number of Shares allotted and issued pursuant to the exercise and/or expiry of the Old Options	Number of Shares comprised in the unexercised Old Options	Number of Shares that will be allotted and issued pursuant to the exercise of the unexercised Old Options	Exercise price per Old Option	Exercise period	Expiration date
Yosef Hazan	22 December 2011	N.A.	2,189,392	–	2,189,392	2,189,392	US\$0.13625	22 December 2011 to 22 December 2021	22 December 2021
	2 June 2014	N.A.	1,187,088	–	1,187,088	1,187,088	US\$0.1845	2 June 2014 to 1 June 2024	2 June 2024
Dr. Nitza Kardish	1 September 2011	N.A.	2,189,392	–	2,189,392	2,189,392	US\$0.13625	1 September 2011 to 1 September 2021	1 September 2021
	2 June 2014	N.A.	1,187,088	–	1,187,088	1,187,088	US\$0.1845	2 June 2014 to 1 June 2024	2 June 2024
Other employees ⁽³⁾	26 June 2011	N.A.	146,784	146,784	— ⁽⁴⁾	— ⁽⁴⁾	NIS 0.00125	Not applicable ⁽⁴⁾	Not applicable ⁽⁴⁾
	1 September 2011	N.A.	3,357,064	–	3,357,064	3,357,064	US\$0.13625	1 September 2011 to 1 September 2021	1 September 2021
	6 January 2014	N.A.	3,503,016	1,167,672	2,335,344	2,335,344	US\$0.13625	6 January 2014 to 6 January 2024	6 January 2024
	2 June 2014	N.A.	5,312,592	1,425,968	3,886,624	3,886,624	US\$0.1845	2 June 2014 to 1 June 2024	2 June 2024
	2 June 2014	N.A.	1,187,088	593,544	593,544	593,544	US\$0.1845	15 September 2016 to 15 September 2019	15 September 2019
	26 April 2015	N.A.	80,000	–	80,000	80,000	US\$0.1875	26 April 2015 to 26 April 2025	26 April 2025
	2 August 2015	N.A.	1,520,000	40,000	1,480,000	1,480,000	US\$0.201	2 August 2015 to 2 August 2025	2 August 2025

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

DIRECTORS' REPORT

Notes:

- (1) David Todd Dollinger was granted 5,838,384 Old Options which were all exercised.
- (2) Stephen Louis Rhodes was granted 5,838,384 Old Options which were all exercised.
- (3) Comprises employees, former employees and consultants of our Company (excluding David Todd Dollinger, Stephen Louis Rhodes, Gabriela Heller, Yosef Ron, Yosef Hazan and Dr. Nitza Kardish).
- (4) A former director of the Company was granted 146,784 Old Options, all of which had been exercised.

The Trendlines 2015 Share Option Plan

The Company has adopted The Trendlines 2015 Share Option Plan (the "**Plan**") and the Sub-Plan at a Special General Meeting of the Shareholders held on 11 November 2015 and amended at the Special General Meeting of the Shareholders held on 2 August 2016. The Plan and any Sub-Plans are administered by the Board or the Remuneration Committee. The Remuneration Committee, comprising of 3 directors, namely: Elka Nir, Prof. Stephen Philip Haslett and Prof. Hang Chang Chieh.

No options have been granted to Controlling Shareholders and Associates of Controlling Shareholders under the Plan.

No options have been granted to directors under the Plan.

None of the Participants received 5% or more of the total number of options available under the Plan.

The Company does not have any parent company.

No options were granted at a discount to market price during the financial year.

As at the end of the Year, a total of 5,399,120 options exercisable into 5,399,120 Shares at exercise prices of between S\$0.172 and S\$0.32 were granted to 16 participants, none of the options were exercised and no Shares have been allotted and issued by the Company. As at the end of the Year, 4,517,984 options exercisable into 4,517,984 Shares at exercise prices of between S\$0.172 and S\$0.32 remain outstanding (after taking into accounting 881,136 options previously granted to former employees that had lapsed and expired during the Year. All outstanding options granted under the Plan will be vested from 30 December 2025 to 15 September 2026. Since the end of the Year, no options have been granted under the Plan.

Non exhaustive information regarding the Plan is set out below (please refer to Appendix I of the Offer Document dated 16 November 2015 and the Company's circular dated 27 June 2016 for the entire Plan and Sub-Plan):

Option Pool

The total number of Shares for which the Remuneration Committee may grant options under the Plan at any date, when added to the number of Shares issued and/or issuable in respect of: (a) all options already granted under the Plan and Sub-Plan; and (b) all options or awards granted under any other share option scheme or share schemes then in force, shall not exceed 15.0% of the total issued share capital of the Company (excluding treasury Shares) on the day immediately preceding the date of grant of the options.

Maximum Entitlements

The aggregate number of shares reserved as option pool in respect of all options granted under the Plan available to plan controlling shareholders or associates of the plan controlling shareholders shall not exceed 5.0% of the shares available under the Plan. The number of shares reserved as option pool in respect of all options granted under the Plan available to each plan controlling shareholder or associate of the plan controlling shareholder shall also not exceed 1.0% of the shares available under the Plan.

Options, Exercise Period and Exercise Price

The exercise price for each grantee shall be as determined by the Remuneration Committee and specified in the applicable option agreement; provided, however, that: (i) unless otherwise determined by the Remuneration Committee (which determination shall not require shareholder approval, unless so required in order to comply with the provisions of applicable Mandatory Law (including, for the avoidance of doubt, the listing manual)), the exercise price shall be the fair market value of the shares on the date of grant ("Fair Market Value Option") (i.e., the average of the last dealt prices for the shares on the Catalist of the SGX-ST over the 30 consecutive trading days immediately preceding the date on which the options are granted); and (ii) where the exercise price is set at a discount to the Fair Market Value of the shares, the maximum discount shall not exceed 20.0% of the Fair Market Value of the shares (or such other percentage or amount as may be determined by the Remuneration Committee and permitted by the Sponsor or (if required) any other stock exchange on which the Shares are quoted ("Discounted Option"). Fair Market Value Options may be exercised after the first anniversary of the date of grant of that Option while Discounted Options may only be exercised after the second anniversary from the date of grant of the Option ("Cliff Period"). Unless otherwise determined by the Remuneration Committee with respect to any specific Grantee and/or to any specific grant following the Cliff Period, the options shall vest upon the lapse of each full additional one (1) month thereafter of the grantee's continuous service thereafter, until all the Options vested (that is, 100% of the grant will be vested after three (3) years).

Unless expired earlier pursuant to the Plan, unexercised Options shall expire and terminate and become null and void upon the lapse of 10 years from the Date of Grant.

Duration of the Plan

The Plan is effective as of the day it was adopted by the Board, and shall continue in effect until the earlier of: (a) its termination by the Board; or (b) the lapse of 10 years from the date the Plan is adopted by the Board. The termination, discontinuance or expiry of the Plan shall be without prejudice to the rights accrued to Options which have been granted and accepted in accordance with the rules of the Plan, whether such Options have been exercised (whether fully or partially) or not.

Grant of Discounted Options

Discounted Options will only be granted to deserving employees whose performance has been consistently good and/or whose future contributions to our Group will be invaluable. The ability to offer Discounted Options will operate as a means to recognise the performance of participants as well as to motivate them to continue to excel while encouraging them to focus on improving the profitability and return of our Group to a level that benefits our Shareholders when these are eventually reflected through an appreciation of our share price. Discounted Options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered Discounted Options as only employees who have made significant contributions to the success and development of our Group would be granted Discounted Options.

The flexibility to grant Discounted Options is also intended to cater to situations where the stock market performance has overrun the general market conditions. In such events, the Remuneration Committee will have absolute discretion to:

- (a) grant Options set at a discount to the Fair Market Value of a Share (subject to a maximum limit of 20.0%); and
- (b) determine the participants to whom, and the Options to which, such reduction in exercise prices will apply.

The Remuneration Committee will have the absolute discretion to grant Discounted Options, to determine the level of discount (subject to a maximum discount of 20.0% of the Fair Market Value) and the grantees to whom, and the Options to which, such discount in the exercise price will apply provided that our Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the Plan and Sub-Plan at a discount not exceeding the maximum discount as aforesaid. Such Discounted Options may be exercisable after two (2) years from the date of grant.

DIRECTORS' REPORT

As at the end of the Year, there are 4,517,984 options outstanding under the Plan. The following table sets out information regarding the outstanding options under the Plan:

Name of holder of options	Date of grant	Purchase price	Number of Shares comprised in the options	Aggregate number of Shares allotted and issued pursuant to the exercise and/or expiry of the options	Number of Shares comprised in the Unexercised options	Exercise price per option	Exercise period	Expiration date
Consultants	30 December 2015	–	320,000	–	320,000	S\$0.32	10 years as of the date of grant	30 December 2025
Gabriela Heller	11 August 2016	–	629,383	–	629,383	S\$0.19	10 years as of the date of grant	11 August 2026
Yosef Ron	11 August 2016	–	629,383	–	629,383	S\$0.19	10 years as of the date of grant	11 August 2026
Yosef Hazan	11 August 2016	–	629,383	–	629,383	S\$0.19	10 years as of the date of grant	11 August 2026
Dr.Nitza Kardish	11 August 2016	–	629,383	–	629,383	S\$0.19	10 years as of the date of grant	11 August 2026
Moshe Katzenelson	11 August 2016	–	629,383	–	629,383	S\$0.19	10 years as of the date of grant	11 August 2026
Other Employees	11 August 2016	–	629,383	629,383	–	S\$0.19	10 years as of the date of grant	11 August 2026
	15 September 2016	–	1,302,822	251,753	1,051,069	S\$0.17	10 years as of the date of grant	15 September 2026

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

Audit Committee

The Audit Committee was established on 19 October 2015 and the members of the Audit Committee comprise of 3 directors, namely, Elka Nir, Prof. Stephen Philip Haslett and Prof. Hang Chang Chieh.

During FY2016, the Audit Committee had held 4 meetings.

The Audit Committee reviews the effectiveness and adequacy of the Group's internal controls (including financial, operational, compliance and information technology controls) and the risk management policies and systems established by the Group.

The Audit Committee had full access to and cooperation of Management and it also has full discretion to invite any Director or executive officer to attend its meetings. The Chief Financial Officer attends meetings of the Audit Committee. The external auditors have unrestricted access to the Audit Committee and the Audit Committee has reasonable resources to enable it to discharge its functions properly.

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

Auditors

The auditors have indicated their willingness to accept re-appointment for the ensuing financial year.

On behalf of the Board,

David Todd Dollinger, Chairman and CEO

Stephen Louis Rhodes, Chairman and CEO

20 March 2017

STATEMENTS BY DIRECTORS

In our opinion:

- (a) the financial statements set out on pages 79 to 135 are drawn up so as to give a true and fair view of the Company and of the Group as at 31 December 2016 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) as at the date of this statement, there are reasonable grounds to assume that the Group will be able to pay its debts as and when they fall due.

On behalf of the directors,

David Todd Dollinger, Chairman and CEO

Stephen Louis Rhodes, Chairman and CEO

20 March 2017

THE TRENDLINES GROUP LTD.

**INDEPENDENT AUDITORS' REPORT AND AUDITED FINANCIAL STATEMENTS OF THE
TRENDLINES GROUP LTD. AND ITS SUBSIDIARIES FOR THE FINANCIAL**

YEAR ENDED DECEMBER 31, 2016

(U.S. dollars in thousands)

THE TRENDLINES GROUP LTD.

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL
YEAR ENDED DECEMBER 31, 2016,

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INDEPENDENT AUDITORS' REPORT



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To The Shareholders and Board of Directors
The Trendlines Group Ltd.

Opinion

We have audited the accompanying financial statements of The Trendlines Group Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as of December 31, 2016, and the consolidated statements of profit or loss and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Company as of December 31, 2016, and the Group's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"s). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Israel as prescribed by the Auditor Regulations (Conflict of Interests and Impairment of Independence Resulting from Another Occupation) 2008, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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. For the key matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter in 2016

Investments in Portfolio Companies

The Group's disclosures about its investments in Portfolio Companies are included in Notes 6 and 8.

The Group's investments in Portfolio Companies represent 81% of the total amount of its assets. The valuations of the Portfolio Companies are designated as level 3 in the fair value hierarchy since they are valued using inputs other than quoted prices in an active market. The Group determined it was necessary to rely on the opinion of specialists to value the substantial majority of these investments, due to the complexity of the valuations. Due to the inherent subjectivity in the valuation of these investments, we determined this matter to be a significant item for our audit.

INDEPENDENT AUDITORS' REPORT


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How our audit addressed the matter

Our audit procedures comprised, amongst others, of an assessment of the appropriateness of the valuation models and inputs used to value the Portfolio Companies.

We used our internal valuation specialists to assess the valuation of the material investments, and to assess whether the valuations arrived at by the Group were within a pre-defined reasonable range of acceptable differences. As part of these audit procedures, we assessed the reasonability of key inputs used in the valuation such as the expected operational performance, expected cash flows and weighted average cost of capital by among others benchmarking them with external data. We also evaluated the Group's assessment whether other evidence exists that could adversely affect the valuation of individual investments.

Finally, we assessed the completeness and accuracy of the disclosures relating to investments to assess compliance with disclosure requirements included in IFRS.

Other information included in the Group's 2016 Annual Report

Other information consists of the information included in the Group's 2016 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 ISAs 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.

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As part of an audit in accordance with ISAs, we have exercised professional judgment and have maintained professional skepticism 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 control.
- Obtain an understanding of internal control 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 control.
- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.

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

We provide the Board of 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 Board of 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 auditor's report unless law or regulation precludes 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.

Haifa, Israel
March 7, 2017

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

STATEMENTS OF FINANCIAL POSITION

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

	Note	The Group		The Company	
		December 31,		December 31,	
		2016	2015	2016	2015
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents		6,977	6,998	5,306	6,702
Short-term investments	8	9,225	16,438	9,051	15,038
Accounts and other receivables	3	895	428	657	226
Short-term loans to Portfolio Companies	4	212	136	–	–
Total Current Assets		17,309	24,000	15,014	21,966
NON-CURRENT ASSETS:					
Investments in Portfolio Companies	8	83,701	84,447	–	–
Investments in companies accounted for under the equity method	7	1,080	–	1,080	–
Investment in Subsidiaries	7	–	–	63,121	62,725
Property, plant and equipment, net	5	515	541	166	143
Total Non-Current Assets		85,296	84,988	64,367	62,868
Total Assets		102,605	108,988	79,381	84,834

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

	Note	The Group		The Company	
		December 31,		December 31,	
		2016	2015	2016	2015
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Trade and other payables	9	1,377	1,078	691	651
Deferred revenues	2(B)(12)	3,827	2,579	194	–
Total Current Liabilities		5,204	3,657	885	651
LONG-TERM LIABILITIES:					
Deferred revenues	2(B)(12)	2,166	713	194	–
Loans from the Israeli Chief Scientist	10	4,392	4,449	–	–
Other long-term liabilities		144	52	135	59
Deferred taxes, net	12(D)	12,498	15,959	–	–
Total Long-Term Liabilities		19,200	21,173	329	59
EQUITY:					
Equity Attributable to Equity Holders of the Company:					
Share capital	14	1,315	1,315	1,315	1,315
Share premium		55,316	54,852	55,316	54,852
Reserve from hedges	11(C)	(24)	–	(24)	–
Reserve from share-based payment transactions	15	4,384	4,203	4,384	4,203
Retained earnings		17,176	23,754	17,176	23,754
Total		78,167	84,124	78,167	84,124
Non-Controlling Interests		34	34	–	–
Total Equity		78,201	84,158	78,167	84,124
Total Liabilities and Equity		102,605	108,988	79,381	84,834

March 7, 2017

Date of approval of the
financial statementsD. Todd Dollinger
Co-Chairman and Chief
Executive OfficerSteve Rhodes
Co-Chairman and Chief
Executive OfficerGabi Heller
Chief Financial Officer

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

		Year ended December 31,	
	Note	2016	2015
<u>Income:</u>			
Gain (loss) from change in fair value of investments in Portfolio Companies	2(B)(5)	(8,041)	4,960
Income from services to Portfolio Companies	2(B)(12)	4,178	4,274
Group's share of losses of companies accounted for under the equity method, net	7(B)	(175)	(324)
Gain from disposal of investment accounted for under the equity method		2,068	–
Income from contracted R&D services	2(B)(12)	1,139	424
Financial income	17(D)	473	188
Other income		432	417
<u>Total income</u>		74	9,939
<u>Expenses:</u>			
Operating, general and administrative expenses	17(A)	8,664	6,710
Marketing expenses		390	243
R&D expenses, net	17(B)	875	633
Financial expenses	17(C)	79	352
Expenses before non-recurring, non-cash expenses related to RCL conversion discount upon IPO		10,008	7,938
Non-recurring, non-cash expenses related to RCL conversion discount upon IPO	16(B)	–	3,775
<u>Total expenses</u>		10,008	11,713
Loss before income taxes		(9,934)	(1,774)
Tax benefit (income tax expenses)	12(E)	3,356	(1,794)
Net loss		(6,578)	(3,568)
Other comprehensive loss		(24)	–
Total comprehensive loss		(6,602)	(3,568)
Net loss Attributable to:			
Equity holders of the Company		(6,578)	(3,299)
Non-Controlling Interests		–	(269)
		(6,578)	(3,568)
Total comprehensive loss attributable to:			
Equity holders of the Company		(6,602)	(3,299)
Non-Controlling Interests		–	(269)
		(6,602)	(3,568)
<u>Net earnings (loss) per share attributable to equity holders of the Company (in U.S dollars):</u>	18		
Basic and diluted net loss		\$ (0.01)	\$ (0.01)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

	Attributable to equity holders of the Company						Total	Non-Controlling Interests	Total equity
	Share capital	Share premium	Reserve from hedges	Receipts on share account	Reserve from share-based payment transactions	Retained earnings			
Balance as of January 1, 2015	100	21,404	–	1,398	2,900	27,053	52,855	2,842	55,697
Net loss and total comprehensive loss	–	–	–	–	–	(3,299)	(3,299)	(269)	(3,568)
Cost of share-based payments	–	–	–	–	1,453	–	1,453	–	1,453
Conversion of Convertible Debentures (see Note 16)	1	704	–	–	–	–	705	–	705
Issuance of shares, net	6	3,510	–	(1,398)	–	–	2,118	–	2,118
Acquisition of non-controlling interests by issuance of shares (see Note 14(B))	24	2,515	–	–	–	–	2,539	(2,539)	–
Exercise of options	– *)	140	–	–	(140)	–	– *)	–	– *)
Expiration of options (see Note 15(B))	–	10	–	–	(10)	–	–	–	–
Issuance of bonus shares	810	(810)	–	–	–	–	–	–	–
Issuance of shares upon IPO (net of expenses of 4,200)	204	13,565	–	–	–	–	13,769	–	13,769
Conversion of Convertible Debentures upon IPO (see Note 16)	170	13,814	–	–	–	–	13,984	–	13,984
Balance as of December 31, 2015	1,315	54,852	–	–	4,203	23,754	84,124	34	84,158
Net loss and total comprehensive loss	–	–	(24)	–	–	(6,578)	(6,602)	–	(6,602)
Cost of share-based payments	–	–	–	–	645	–	645	–	645
Exercise of warrants	– *)	9	–	–	(9)	–	– *)	–	– *)
Expiration of options	–	455	–	–	(455)	–	–	–	–
Balance as of December 31, 2016	1,315	55,316	(24)	–	4,384	17,176	78,167	34	78,201

*) Represents an amount less than 1.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

	Year ended December 31,	
	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	(6,578)	(3,568)
<u>Adjustments to reconcile net loss to net cash used in operating activities:</u>		
Adjustments to the profit or loss items:		
Depreciation	170	165
Income tax (tax benefits)	(3,356)	1,794
Loss (gain) from changes in fair value of investments in Portfolio Companies	8,041	(4,960)
Financial income, net	(652)	(255)
Non-recurring, non-cash expenses related to RCL conversion discount upon IPO	–	3,775
Income from services to Portfolio Companies	(3,922)	(3,911)
Share-based payments	645	1,453
Group's share of losses of company accounted for under the equity method, net	175	324
Gain from disposal of company accounted for under the equity method, net	(2,068)	–
Changes in asset and liability items:		
Increase in short-term loans to Portfolio Companies	(142)	(195)
Decrease (increase) in accounts and other receivables	(491)	408
Increase (decrease) in trade and other payables	299	(228)
Increase in other long-term liabilities	92	38
	(1,209)	(1,592)
Proceeds from sale of investment in Portfolio Company	1,470	–
Investments in Portfolio Companies	(3,376)	(1,522)
	(1,906)	(1,522)
Cash paid and received during the year for:		
Interest paid	–	(68)
Interest received	80	–
Tax paid	(105)	–
Dividend received	897	718
	872	650
Net cash used in operating activities	(8,821)	(6,032)

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

	Year ended December 31,	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(144)	(114)
Proceeds from (investment in) bank deposits and short-term investments, net	7,265	(13,622)
Proceeds from sale of company accounted for under the equity method	2,068	–
Investments in companies accounted for under equity method	(868)	(194)
Net cash provided by (used in) investing activities	8,321	(13,930)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares, net	–	15,887
Loans from the Israeli Chief Scientist (OCS)	479	–
Issuance of convertible debentures	–	10,177
Issuance expenses with respect to issuance of convertible debentures	–	(520)
Repayment of convertible debentures	–	(120)
Net cash provided by financing activities	479	25,424
Increase (decrease) in cash and cash equivalents	(21)	5,462
Cash and cash equivalents at the beginning of the year	6,998	1,536
Cash and cash equivalents at the end of the year	6,977	6,998
<u>Significant non-cash transactions</u>		
Conversion of Convertible Debentures into shares upon IPO (See Note 16)	–	13,984
Conversion of Convertible Debentures into shares (See Note 16)	–	705
Acquisition of non-controlling interests by issuance of shares	–	2,573

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

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 1:- GENERAL

A. Corporate information

The Trendlines Group Ltd. (the "Company") was incorporated in Israel in 2007. Since its incorporation, the Company has been engaged in creating and investing in innovation, primarily carried out through its subsidiaries: Trendlines Agtech - Mofet Ltd. ("Agtech") and Trendlines Incubators Israel Ltd., formerly known as Trendlines Medical - Misgav Ltd. ("Medical") The Company's subsidiaries operates as technological incubators, and which represent one business segment for management reporting purposes.

On November 26, 2015, the Company completed an initial public offering ("IPO") on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Upon the IPO, the Company issued 75,760,000 placement shares at S\$0.33 per share, for a total of S\$25 million (approximately 17,700) in gross proceeds (approximately 13,500 after expenses). In the pre-IPO stage, the Company raised S\$13.7 million (approximately 10,177) in Redeemable Convertible Loans ("RCL") from certain investors, which RCL were converted to shares upon the IPO (at a discount from the listing price - see Note 16) bringing total IPO-related gross proceeds to S\$38.7 million (approximately 27,400). The Company is trading on ticker SGX: 42T.

Agtech and Medical (collectively: the "Trendlines Incubators") are incubators operated under franchise agreements with the State of Israel, through the Israel Innovation Authority (formerly known as the Office of the Chief of Scientist, "IIA" or "OCS") of the Ministry of Economy and Industry.

On December 15, 2015, Medical received formal notice from the OCS of the renewal of its incubator franchise for a period of eight years from January 1, 2016 to December 31, 2023.

Under the terms of the new franchise the OCS has established certain milestones which must be met for Medical to retain the franchise. Such milestones include, among others, a minimum number of new portfolio companies to operate under Medical during specified time periods from the beginning of the franchise period (at least: 6 within a period of 24 months; 12 within a period of 48 months; and 18 within a period of 72 months).

In March 2016, Agtech received formal notice from the OCS that its license has expired. The OCS approved the Company's request to expand the mandate of Medical, which has a license until December 31, 2023, to include agritech investments. In addition, the OCS accepted Medical's goal of establishing between 9 to 11 new Portfolio Companies a year (about 5 Portfolio Companies each in the medical device field and agtech field) (the "OCS Approval"). The OCS Approval provides the Company continuing access to OCS financial support for new agtech investments, as has been made previously.

In addition, the Company internally develops new technologies, mainly in the area of medical devices, through its "Trendlines Labs" operations.

The Company's headquarters is located at 17 T'chelet Street, Misgav Business Park, M.P. Misgav 2017400, Israel.

B. Approval of financial statements

These financial statements were approved by the board of directors on March 7, 2017.

- C. Since its inception, the Group has had negative cash flows from operations. Accordingly, the Group is still dependent on external financing to fund its activities. The Group management believes that its existing financial resources, are sufficient for the Group to meet its obligations as they come due at least for a period of twelve months from the date of approval of the financial statements.

NOTE 1:- GENERAL (Cont.)**D. Definitions**

The Company	- The Trendlines Group Ltd.
The Group	- The Company and its consolidated subsidiaries.
Subsidiaries	- Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Associates	- Companies in which the Company has significant influence.
Investees	- Subsidiaries and associates.
Medical	- Trendlines Incubators Israel Ltd. (Formerly known as Trendlines Medical - Misgav Ltd), a technological incubator - subsidiary of the Company.
Agtech	- Trendlines Agtech - Mofet Ltd. a technological incubator - subsidiary of the Company.
Trendlines Incubators/ Incubators	- Two technological incubators – Medical and Agtech in which the Company exercises control and whose statements are consolidated with those of the Company (see Note 7).
Peripheral Incubator	- Technological incubator that is situated in a national priority region. Medical is a Peripheral Incubator.
Portfolio Company	- A company in which the Incubators invested and is not a subsidiary.
OCS	- Israel Innovation Authority (formerly the Office of the Chief Scientist) of the Israeli Ministry of Economy and Industry (formerly - the Ministry of Industry, Trade and Labor).
Directive 8.2	- Directive 8.2 of the Director General of the Ministry of Economy effective regarding the Incubators from August 22, 2001 through August 31, 2007, when the Incubators functioned as non-profit companies.
Old Directive 8.3	- Directive 8.3 of the Director General of the Ministry of Economy - Technology Entrepreneurship Centers - Pilot Incubators, effective regarding the Incubators from September 1, 2007 (when the Incubators started to function as for-profit companies under the control of The Trendlines Group) through December 31, 2010.
New Directive 8.3	- Directive 8.3 of the Director General of the Ministry of Economy for Centers of Technology Innovations and Incubators; replaced the Old Directive 8.3, effective regarding the Incubators from January 1, 2011, onwards.
Related parties	- As defined in IAS 24.
Dollar	- US dollar.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

A. Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on the historical cost basis, except for financial assets and liabilities, including derivative financial instruments that have been measured at fair value.

Basis of consolidation

The financial statements comprise the financial statements of companies that are controlled by the Company ("Subsidiaries"), including Portfolio Companies in which the Company can exercise control. Control is achieved when:

- The Company has power over the investee;
- The Company is exposed, or has rights, to variable returns from its involvement with the investee;
- Has the ability to affect those returns through its power over the investee.

The Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including: contractual arrangements with other vote holders of the investee, rights arising from other contractual arrangements and the Company's potential voting rights.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to the Parent Company. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statements of financial position.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**A. Basis of preparation (Cont.)****Investments in Associates and Portfolio Companies**

Associates are companies in which the Group has significant influence over the financial and operating policies without having control.

In accordance with IAS 28, when the Group has an investment in an associate, a portion of which is held indirectly through the Incubators, which are investment entities, the Group measures that portion of the investment in the associate at fair value through profit or loss in accordance with IAS 39 regardless of whether the Incubators have significant influence over that portion of the investment. The Group applies the equity method to any remaining portion of its investment in an associate that is not held through the Incubators.

Investment accounted according to Equity method

The Group's investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment in the associate is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income (loss) of the associate. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the Group and of the associates are prepared as of the same dates and periods. The accounting policies applied in the financial statements of the associate are uniform and consistent with the policies applied in the financial statements of the Group.

Losses of an associate in amounts which exceed its equity are recognized by the Group to the extent of its investment in the associate.

The equity method is applied until the loss of significant influence in the associate or classification as held-for-sale.

On the date of loss of significant influence, the Group measures any remaining investment in the associate at fair value and recognizes in profit or loss the difference between the fair value of any remaining investment plus any proceeds from the sale of the investment in the associate and the carrying amount of the investment on that date.

The Company's investments in its subsidiaries are accounted for using the equity method of accounting in the Company's financial statements.

B. Summary of significant accounting policies**1. Functional currency, presentation currency and foreign currency****a. Functional currency and presentation currency:**

The Group's financial statements are presented in US dollars, which is also the Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group's performance and liquidity are evaluated and managed in US dollars. Therefore, the US dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Summary of significant accounting policies (Cont.)

1. Functional currency, presentation currency and foreign currency (Cont.)

b. Foreign currency translations:

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

3. Short-term deposits

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

4. Financial instruments

a. Financial assets

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

Financial assets at fair value through profit or loss upon initial recognition:

Gains and losses of investment in Portfolio Companies at fair value through profit or loss includes changes in the fair value of financial assets and liabilities designated upon initial recognition as at fair value through profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**B. Summary of significant accounting policies (Cont.)****4. Financial instruments (Cont.)****a. Financial assets (Cont.)***Loans and receivables:*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group includes in this category amounts relating to other short-term receivables. After initial recognition, loans are measured based on their terms at amortized cost plus directly attributable transaction costs using the effective interest method, and less any impairment losses. Short-term receivables are measured based on their terms, normally at face value.

The Group has not designated any financial asset upon initial recognition as held to maturity investments or available for sale financial assets.

b. Financial liabilities

Financial liabilities are initially recognized at fair value.

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

Financial liabilities at amortized cost less directly attributable transaction costs

After initial recognition, short term liabilities are measured based on their terms at cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include convertible debentures and loans received from the OCS designated upon initial recognition at fair value as they are evaluated by management on a fair value basis and the fair value information about them is provided to the Group's key management personnel.

Embedded derivatives in a host contract that is a financial liability measured at fair value through profit or loss is not separated from the host contract and the fair value of the embedded derivative is included in the fair value of the host contract.

c. Derecognition*Financial assets*

A financial asset is derecognized where the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset as follows:

- (a) the Group has transferred substantially all the risks and rewards of the asset, or
- (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Summary of significant accounting policies (Cont.)

4. Financial instruments (Cont.)

c. Derecognition (Cont.)

Financial liabilities

The Group derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

d. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

5. Fair value measurement

The Group measures its investments in Portfolio Companies and other investments in equity interests, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market comparable approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same), the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible) and the cost approach (see Note 6C3 for details).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**B. Summary of significant accounting policies (Cont.)****5. Fair value measurement (Cont.)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

6. Loans from the Office of the Chief Scientist

Loans received from the OCS are designated upon initial recognition at fair value through profit and loss. Fair value is calculated based on the present value of expected amounts to be repaid to the OCS, discounted at a rate reflecting the level of risk of the Portfolio Companies. Changes in fair value of these loans are included in profit or loss. These loans were received as part of Old Directive 8.3, see also Note 13(A)(4).

7. Leases

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

The Group as lessee:

Operating leases:

Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

8. Property, plant and equipment

Property, plant and equipment are measured at cost, including direct attributable costs, less accumulated depreciation and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%	Mainly %
Leasehold improvements (according to the lease term)	10-12.5	10
Office furniture and equipment	6-15	7
Computers and peripheral equipment	15-33	33

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Summary of significant accounting policies (Cont.)

8. Property, plant and equipment (Cont.)

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) or the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognized.

9. Research and development expenditures

Research and development ("R&D") expenditures in respect of contracted service agreements, are recognized in profit or loss when incurred.

10. Income taxes

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

a. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

b. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Temporary differences and carry forward of unused tax losses for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**B. Summary of significant accounting policies (Cont.)****11. Share-based payment transactions**

The Group's employees and directors are entitled to remuneration in the form of equity-settled share-based payments.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest.

12. Revenue recognition

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. When the Group acts as a principal and is exposed to the risks associated with the transaction, revenues are presented on a gross basis. When the Group acts as an agent and is not exposed to the risks and rewards associated with the transaction, revenues are presented on a net basis. Revenues are measured at the fair value of the consideration less any trade discounts, volume rebates and returns.

Following are the specific revenue recognition criteria which must be met before revenue is recognized:

a. Revenues from rendering of services

Revenues from rendering of services to Portfolio Companies and others are recognized by reference to the stage of completion at the reporting date.

b. Dividend income

Dividend income is recognized on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Group's right to receive the payment is established. Dividend income is presented in "Gain from change in fair value of investments in Portfolio Companies".

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Summary of significant accounting policies (Cont.)

12. Revenue recognition (Cont.)

c. Income from services to Portfolio Companies

The Group, through its Incubators, provides the Portfolio Companies with services in the area of technology development, business development, capital raising, access to OCS grants and administrative support. In consideration for the Incubators' obligation pursuant to OCS Directive 8.3 to provide these services to the Portfolio Companies over the two year incubation period, the Group receives equity interests in the Portfolio Companies. The Group recognizes in its financial statements, deferred revenue in respect of the fair value of the benefit of these shares received from the OCS. Such deferred revenue is recognized over the two years of the incubation of the Portfolio Company. Under the Old Directive 8.3, upon obtaining an OCS loan, the benefit's value is computed as the difference between the amount of the loan from the OCS and its fair value, and under the New Directive 8.3, the benefit's value is computed as the difference between the fair value of the investment Portfolio Company and the supplementary funding invested by the Incubators (see Note 13(A)(3)).

In addition, in accordance with OCS regulations, the Group receives monthly capped overhead reimbursement from the Portfolio Companies.

d. Income from contracted R&D services

The Group recognizes revenues from contracted R&D services upon achievement of milestones as defined in the contracts.

13. Earnings per share

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary shares outstanding during the period.

Potential Ordinary shares (options, warrants and other convertible securities) are included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

14. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**B. Summary of significant accounting policies (Cont.)****15. Derivative financial instruments and hedge accounting***Initial recognition and subsequent measurement:*

The Group uses derivative financial instruments, forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to OCI as the Group assesses its hedges as effective, later reclassified to profit or loss when the hedge item affects profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

C. Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts recognized in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

1. Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Determination of control

The Group assesses whether it controls a company in which it holds the majority or less than the majority of the voting rights by reference to, among others, the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders including voting patterns at previous shareholders' meetings, its ability to direct the relevant activities of a company, including any significant operating and financial activities as well as the appointment of key management personnel, its ability to appoint the majority of the board of directors, and consideration of substantive rights of the other vote holders.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Significant accounting judgments, estimates and assumptions (Cont.)

2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group utilized its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as growth rates, operating margins, discount rates and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statements of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument when available. To assess the significance of a particular input to the entire measurement, the Group performs sensitivity analysis or stress testing techniques. See also Notes 6 and 8.

D. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements and that may have a material impact on the Group are listed below. The Group intends to adopt applicable standards when they become effective.

1. IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 ("IFRS 15"). IFRS 15 replaces IAS 18, "Revenue".

The IFRS 15 introduces a five-step model that will apply to revenue earned from contracts with customers:

Step 1: Identify the contract with a customer, including reference to contract combination and accounting for contract modifications.

Step 2: Identify the separate performance obligations in the contract

Step 3: Determine the transaction price, including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.

Step 4: Allocate the transaction price to the separate performance obligations on a relative stand-alone selling price basis using observable information, if it is available, or using estimates and assessments.

Step 5: Recognize revenue when the entity satisfies a performance obligation over time or at a point in time.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**D. Standards issued but not yet effective (Cont.)****1. IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. At this stage, the Group does not intend to adopt IFRS 15 early.

IFRS 15 allows an entity to choose to apply a modified retrospective approach, according to which IFRS 15 will only be applied in the current period presented to existing contracts at the date of initial application. No restatement of the comparative periods will be required as long as the disclosures regarding prior periods required by IFRS 15 are included.

IFRS 15 allows the option of modified retrospective adoption with certain reliefs according to which IFRS 15 will be applied to existing contracts from the initial period of adoption and thereafter with no restatement of comparative data. Under this option, the Group will recognize the cumulative effect of the initial adoption of IFRS 15 as an adjustment to the opening balance of retained earnings (or another component of equity, as applicable) as of the date of initial application. Alternatively, IFRS 15 permits full retrospective adoption with certain reliefs.

At this stage, the Group is evaluating the different options for adoption of the new Standard.

The Group does not expect material change in the timing of recognition of revenue following the adoption of the provisions of IFRS 15.

IFRS 15 introduces more detailed and extensive disclosure and presentation requirements than under existing standards. The Group has begun evaluating the need for adjustments to its systems, internal control, policies and procedures that will be necessary in order to gather the information underlying the disclosures.

2. IFRS 9 Financial Instruments - Classification and Measurement

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

IFRS 9 also includes a new model for measurement of impairment of financial assets.

Subsequent measurement of all other debt instruments and financial assets should be at fair value. IFRS 9 establishes a distinction between debt instruments to be measured at fair value through profit or loss and debt instruments to be measured at fair value through other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Standards issued but not yet effective (Cont.)

2. IFRS 9 Financial Instruments - Classification and Measurement (Cont.)

Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income (loss), in accordance with the election by the Group on an instrument-by-instrument basis. If equity instruments are held for trading, they should be measured at fair value through profit or loss.

According to IFRS 9, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected.

According to IFRS 9, changes in fair value of financial liabilities which are attributable to the change in credit risk should be presented in other comprehensive income. All other changes in fair value should be presented in profit or loss.

IFRS 9 also prescribes new hedge accounting requirements.

IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

The Group is evaluating the possible impact of IFRS 9 but is presently unable to assess its effect, if any, on the financial statements.

3. Amendments to IFRS 10 and IAS 28 regarding sale or transfer of assets between an investor and its associate or joint venture

In September 2014, the IASB issued amendments to IFRS 10 and IAS 28 ("the amendments") regarding the accounting treatment of the sale or transfer of assets (an asset, a group of assets or a subsidiary) between an investor and its associate or joint venture.

According to the amendments, when the investor loses control of a subsidiary or a group of assets that are not a business in a transaction with its associate or joint venture, the gain will be partially eliminated so that the gain to be recognized is the gain from the sale to the other investors in the associate or joint venture. According to the amendments, if the remaining rights held by the investor represent a financial asset as defined in IFRS 9, the gain will be recognized in full.

If the transaction with an associate or joint venture involves loss of control of a subsidiary or a group of assets that are a business, the gain will be recognized in full.

The amendments are to be applied prospectively. A mandatory effective date has not yet been determined by the IASB but early adoption is permitted.

4. Amendments to IAS 7, "Statement of Cash Flows", regarding additional disclosures of financial liabilities:

In January 2016, the IASB issued amendments to IAS 7, "Statement of Cash Flows", ("the amendments") which require additional disclosures regarding financial liabilities. The amendments require disclosure of the changes between the opening balance and the closing balance of financial liabilities, including changes from cash flows, changes arising from obtaining or losing control of subsidiaries, the effect of changes in foreign exchange rates and changes in fair value.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**D. Standards issued but not yet effective (Cont.)**

4. Amendments to IAS 7, "Statement of Cash Flows", regarding additional disclosures of financial liabilities: (Cont.)

The amendments are effective for annual periods beginning on or after January 1, 2017. Comparative information for periods prior to the effective date of the amendments is not required. Early application is permitted.

The Group will include the necessary disclosures in the financial statements when applicable.

5. IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the new Standard"). According to the new Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

According to the new Standard, lessees are required to recognize an asset and a corresponding liability in the statements of financial position in respect of all leases (except in certain cases) similar to the accounting treatment of finance leases according to the existing IAS 17, "Leases".

The new Standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted provided that IFRS 15, "Revenue from Contracts with Customers", is applied concurrently.

The Group believes that the new Standard is not expected to have a material impact on the financial statements.

NOTE 3:- ACCOUNTS AND OTHER RECEIVABLES

	The Group		The Company	
	December 31,		December 31,	
	2016	2015	2016	2015
Trade receivables*)	417	140	415	140
Government authorities	166	90	57	48
Related Parties	272	111	166	–
Others	40	87	19	38
	895	428	657	226

*) Trade receivables are non-interest bearing and are generally on terms of 90 days. As of December 31, 2016, and 2015, trade receivables were neither past due or impaired.

NOTE 4:- SHORT-TERM LOANS TO PORTFOLIO COMPANIES

	The Group		The Company	
	December 31,		December 31,	
	2016	2015	2016	2015
To Portfolio Companies - related parties ⁽¹⁾	212	136	–	–

(1) The loans bear interest of 4%-6% per annum for the year ended on 2016 and 2015.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 5:- PROPERTY, PLANT AND EQUIPMENT, NET

The Group

	Leasehold improvements	Office furniture and equipment	Computers and peripheral equipment	Total
Cost:				
Balance as of January 1, 2015	673	195	175	1,043
Additions	43	14	57	114
Balance as of December 31, 2015	716	209	232	1,157
Additions	35	96	13	144
Balance as of December 31, 2016	751	305	245	1,301
Accumulated depreciation:				
Balance as of January 1, 2015	270	57	124	451
Depreciation	86	16	63	165
Balance as of December 31, 2015	356	73	187	616
Depreciation	122	37	11	170
Balance as at December 31, 2016	478	110	198	786
Depreciated cost:				
Balance as of December 31, 2016	273	195	47	515
Balance as of December 31, 2015	360	136	45	541

The Company

Cost:				
Balance as of January 1, 2015	73	91	105	269
Additions	1	0	7	8
Balance as of December 31, 2015	74	91	112	277
Additions	19	12	24	55
Balance as of December 31, 2016	93	103	136	332
Accumulated depreciation:				
Balance as of January 1, 2015	11	23	76	110
Depreciation	7	7	10	24
Balance as of December 31, 2015	18	30	86	134
Depreciation	8	7	17	32
Balance as at December 31, 2016	26	37	103	166
Depreciated cost:				
Balance as of December 31, 2016	67	66	33	166
Balance as of December 31, 2015	56	61	26	143

NOTE 6:- FAIR VALUE MEASUREMENT

- A. The following table presents the fair value measurement hierarchy for the Group's investments and loans.

	The Group							
	December 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Short-term investments *)	–	–	–	–	–	–	1,042	1,042
Investments in Portfolio Companies	–	–	83,701	83,701	625	–	83,822	84,447
	–	–	83,701	83,701	625	–	84,864	85,489
Financial liabilities								
Derivative financial instruments	–	24	–	24	–	–	–	–
Loans from OCS	–	–	4,392	4,392	–	–	4,449	4,449
	–	24	4,392	4,416	–	–	4,449	4,449

	The Company			
	December 31, 2016		December 31, 2015	
	Level 2	Total	Level 2	Total
Financial liabilities				
Derivative financial instruments	24	24	–	–
	24	24	–	–

*) Excludes restricted short-term deposits and deposits in banks at amortized cost of 9,225 as of December 31, 2016 and 15,396 as of December 31, 2015.

B. Valuation process and techniques

Valuations are the responsibility of the Group's management and the board of directors of the Company.

1. *Publicly traded investment in Associates - Level 1*

When fair values of publicly traded equity securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 6:- FAIR VALUE MEASUREMENT (Cont.)

B. Valuation process and techniques (Cont.)

2. *Investment in privately held Portfolio Companies - Level 3*

The valuation of significant Portfolio Companies is performed by an external independent valuator.

The valuations are also subject to quality assurance procedures performed by Group's management. The Group's management verifies the major inputs applied in the latest valuation by comparing the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the Group's management.

The Group's management considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

C. General Overview of Valuation Approaches used in the Valuation

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are four valuation methodologies available which were used in the valuation of the Portfolio Companies: income approach, market approach, cost approach and option pricing model. A brief discussion of each methodology follows.

1. Income Approach

The income approach utilizes a procedure generally known as the discounted cash flow ("DCF") method of valuation. The DCF method measures value by reference to an enterprise's expected future debt-free cash flows from business operations. This typically involves a projection of income and expense and other sources and uses of cash, the assignment of a terminal (or residual) value at the end of the projection period that is reasonably consistent with the key assumptions and long-term growth potential of the business, and a determination of an appropriate discount rate that reflects the risk of achieving the projections. Factors that form the basis for expected future financial performance include:

- Historical and projected growth rates;
- Business plans or operating budgets for the enterprise in question;
- Prevailing relevant business conditions and industry trends, including growth expectations in light of general market growth, competitive environment and market position;
- Anticipated needs for working and fixed capital;
- Historical and expected levels and trends of operating profitability.

Typically, a five year projection period of annual free cash flows plus an estimated terminal value, which represents the value of the business enterprise beyond the projection period, are discounted to present value through the application of a discount rate that reflects the weighted average cost of capital for the enterprise.

NOTE 6:- FAIR VALUE MEASUREMENT (Cont.)**C. General Overview of Valuation Approaches used in the Valuation (Cont.)****1. Income Approach (Cont.)**

The present value of aggregate annual free cash flows plus the terminal value represents the total capital or the net asset value of the operating entity, which equals the combined debt and equity capital or enterprise value of the company.

2. Market Comparable Approach

The market comparable approach examines either publicly traded companies or acquisitions of privately held companies within the same industry as the subject business entity. Market-derived multiples based on such measures as earnings, book value, cash flow and revenues are typically applied to the appropriate financial indicators of the subject entity to determine a range of total capital values for the business.

Companies might typically be considered comparable even though their product mixes or corporate sizes differ, so long as valuation ranges are rationalized in terms of relative financial performance and capital structure considerations such as:

- Historical and prospective growth;
- Absolute and relative profit margins and cost determinants;
- Capital structure (leverage);
- Liquidity

3. Cost Approach

The underlying premise when using the cost approach is that the book value or cost of an asset is equal to its fair value. Certain adjustments are made to assets on a case-by-case basis if this premise does not hold true. This approach is an important tool for determining the fair value of companies in a very preliminary development stage, particularly when reliable data relating to revenue forecasts are not available.

4. Option Pricing Model ("OPM")

The OPM is a generally accepted valuation model used in evaluating companies with different classes of shares. The OPM considers the various terms of the stockholder agreements that would affect the distributions to each class of equity upon a liquidity event, including the level of seniority among the securities, dividend policy, conversion ratios, and cash allocations. In addition, the method implicitly considers the effect of the liquidation preference as of the future liquidation date, not as of the valuation date. The OPM (or a related hybrid method) is the most appropriate method to use when specific future liquidity events are difficult to forecast.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 6:- FAIR VALUE MEASUREMENT (Cont.)

C. General Overview of Valuation Approaches used in the Valuation (Cont.)

4. Option Pricing Model ("OPM") (Cont.)

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Range (weighted average) %		Sensitivity of the input to fair value
			2016	2015	
Investments in Portfolio Companies	DCF – Income approach	Long-term growth rate for cash flows for subsequent years	3	3	Increase (decrease) in the growth rate would result in increase (decrease) in fair value
		Long-term operating margin	23 - 30	23-34	Increase (decrease) in the operating margin would result in increase (decrease) in fair value
		Weighted average cost of capital (WACC)	25 - 30	30	Decrease (increase) in the WACC rate would result in increase (decrease) in fair value
Investments in Portfolio Companies	DCF – Expected royalties	Long-term growth rate for cash flows for subsequent years	3.5 - 5.8	5.5	Increase (decrease) in the growth rate would result in increase (decrease) in fair value
		NPV discount rate	3.7	5	Decrease (increase) in the NPV discount rate would result in increase (decrease) in fair value
	Market Comparable Approach	Revenue Multiplier	1.32 - 4.14 (2.75)	0.8 - 5.74 (2.94)	Increase (decrease) in the revenue multiplier would result in increase (decrease) in fair value
		Weighted average cost of capital (WACC)	30 - 50 (41)	30 - 50 (37)	Decrease (increase) in the WACC rate would result in increase (decrease) in fair value
	Cost Approach	Weighted average cost of capital (WACC)	50 - 60 (57)	50 - 60 (53)	Decrease (increase) in the WACC rate would result in increase (decrease) in fair value
		Expected term(years)	1 - 3.6 (1.9)	2 - 4 (2.6)	Increase (decrease) in the parameter would result in decrease (increase) in fair value
Loans from OCS	Black and Scholes formula for option pricing	Expected volatility (annual)	37 - 111 (91)	40 - 108 (99)	
		Risk free interest rate	0 - 1 (0.4)	0.1 - 0.6 (0.4)	
		Risk adjusted discount rate	1.7 - 11.3 (6.5)	1 - 6.2 (3.6)	
	Present value of the expected cash flows				

NOTE 6:- FAIR VALUE MEASUREMENT (Cont.)**C. General Overview of Valuation Approaches used in the Valuation (Cont.)****4. Option Pricing Model ("OPM") (Cont.)**

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy in financial instruments:

	The Group			
	Investment in Portfolio Companies	Long & Short Term Investment	Loans from OCS	Convertible Debentures and Warrants
As of January 1, 2015	75,106	962	(4,493)	(1,545)
Total unrealized gains recognized in profit or loss *)	4,479	80	44	–
Total realized losses recognized in profit or loss *)	–	–	–	(3,087)
Additions	4,237	–	–	(10,177)
Conversion to shares	–	–	–	14,689
Disposals/repayments	–	–	–	120
As of December 31, 2015	83,822	1,042	(4,449)	–
Total unrealized gain (loss) recognized in profit or loss *)	(9,496)	–	536	–
Total realized gain (loss) recognized in profit or loss *)	–	(30)	–	–
Disposals	–	(1,012)	–	–
Additions	9,375	–	(479)	–
As of December 31, 2016	83,701	–	(4,392)	–

	The Company Convertible Debentures and Warrants
As of January 1, 2015	(1,545)
Total unrealized gains recognized in profit or loss *)	–
Total realized losses recognized in profit or loss *)	(3,087)
Additions	(10,177)
Conversion to shares	14,689
Disposals/repayments	120
As of December 31, 2015	–
Additions	–
As of December 31, 2016	–

*) Realized and unrealized gains on investments in Portfolio Companies are recorded in "gain (losses) from change in fair value of investments in Portfolio Companies" and realized and unrealized gains (losses) on loans from OCS and on convertible debentures and warrants are recorded in "Financial expenses" and in "Non-recurring, non-cash expenses related to RCL conversion discount upon IPO".

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 7:- INVESTMENT IN INVESTEEES

A. Investments in subsidiaries:

	The Company	
	December 31,	
	2016	2015
Investment in shares	52,920	56,630
Investment in loans	10,201	6,095
	63,121	62,725

1. Composition of the Group

The Group has the following significant investments in subsidiaries

Name	Principal place of business	Proportion (%) of ownership interest
Trendlines Incubators Israel Ltd	Israel	100
Trendlines Agtech – Mofet Ltd.	Israel	100

2. Summarized financial data of a subsidiary with material non-controlling interests:

In 2015 the Company acquired all of the shares of Agtech (26%) – see Note 14(B) which were held by non-controlling interests at December 31, 2014.

B. Investments in associates

Additional information on Associates:

	Principal place of business	Company's equity and Voting Rights	Carrying amount	Fair value of publicly Traded Equity
		%	US in thousands	
<u>December 31, 2016:</u>				
<i>E.T.View:</i>	Israel	0	<u>—</u>	
<i>Maryland Israel/Trendlines Fund GP LLC:</i>	Maryland, United States	50	<u>—</u>	
<i>Trendlines Medical Singapore PTE. Ltd. Shares ⁽¹⁾:</i>	Singapore	76.4	1,080	
			1,080	

NOTE 7:- INVESTMENT IN INVESTEEES (Cont.)**B. Investments in associates (Cont.)**

	Principal place of business	Company's equity and Voting Rights	Carrying amount	Fair value of publicly Traded Equity
		%	US in thousands	
<u>December 31, 2015:</u>				
<i>E.T.View:</i>	Israel	18.71		
Shares			—	1,329 *)
Warrants			— **)	
			— **)	
	Maryland,			
<i>Maryland Israel/Trendlines Fund GP LLC:</i>	United States	50		
Shares			—	
			—	

*) The shares were listed on the Tel-Aviv Stock Exchange until the company became private in September 2016. The Company disposed of its investment in this company in 2016 (see Note 8B4).

**) Represents an amount lower than 1.

(a) In 2016, Trendlines, together with other investors, one of which is also a shareholder of the Company, established a new technological incubator in Singapore, Trendlines Medical Singapore PTE LTD. ("Trendlines Medical Singapore"). According to the Shareholders' Agreement among the investors, Trendlines will invest S\$2,500 (approximately 1,700) and the other investors will invest an aggregate amount of S\$1,500 (approximately 1,000) for 23.6% interest. As of December 31, 2016, each of Trendlines and the other investors transferred S\$1,250 each (approximately 868). Following the transaction Trendlines holds 76.4% of the new incubator. The Company assessed whether it controls Trendlines Medical Singapore and concluded that certain rights provided to one of the investors prevent the Company from exercising control over Trendlines Medical Singapore. As a result, the Company accounts for Trendlines Medical Singapore under the equity method. As of December 31, 2016 Trendlines Medical Singapore has limited operations.

NOTE 8:- INVESTMENTS IN PORTFOLIO COMPANIES**A. Information on Portfolio Companies**

The following is the number of Portfolio Companies and fair value:

	December 31, 2016		December 31, 2015	
	Fair Value	Number of Companies	Fair Value	Number of Companies
Companies in Incubation Period	13,880	19	10,746	14
Incubator Graduate Companies ⁽¹⁾	69,821	27	73,076	31
Public Companies	—	—	625	1
	83,701	46	84,447	46

(1) Includes one Portfolio Company whose fair value amounts to approximately 40,658 at December 31, 2016 and 39,868 at December 31, 2015 (see also Note 8(B)1).

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 8:- INVESTMENTS IN PORTFOLIO COMPANIES (Cont.)

B. Sale transactions

1. On November 6, 2014, a Portfolio Company held by Medical, signed an Asset Purchase Agreement with then a third party strategic partner, which became a shareholder upon the IPO of the Company (the "Licensee"), structured as an asset acquisition for the Portfolio Company's developed medical device product (the "Product"), for cash consideration and for royalties on future net sales. The Portfolio Company is bound to a confidentiality agreement and therefore additional details of the agreement cannot be disclosed. In February 2015, Medical received a dividend distribution from the Portfolio Company in the amount of approximately 718, and In August 2016, amount of approximately 897, the dividend distributions representing Medical's share of a portion of the cash consideration received from the Licensee.

The fair value of this Portfolio Company at December 31, 2016 and 2015 is approximately 40,658 and 39,868, respectively, which fair value is based on the DCF method. Following are certain factors that could have a significant impact on the valuation.

The Product is in a highly competitive market with significant barriers to entry. The leading manufacturers have been active in this market for a number of years and currently control over 85%-90% of the revenues in the market. The Product has distinct technical advantages over the products of competitors and initial studies have shown that a product of this type has a high preference rate among current users. Furthermore, the Product has performed as intended in clinical trials. However, there is no assurance that the Product will be accepted and perform as well with patients on a mass scale.

The Product has obtained regulatory clearance in certain major markets. In order for the Product to be successful, the patients will need to be adequately reimbursed in those markets. Although the risk of not getting adequate reimbursement is considered to be low due to the pricing strategy of parity with products of competitors, the process of arranging to ensure adequate reimbursement requires time and could delay entry into the major markets.

The Group is presently not aware of any existing product of competitors that incorporates the advantageous technological features of the Product. However, it is possible that an alternative product with such features is presently under development or could be fully developed in a period of time which could adversely affect the market share of the Product.

The ultimate success of the Product in penetrating the market and achieving market share is dependent on, among others, an investment in significant resources and management commitment by the Licensee. The Licensee is a large multinational company with financial and other resources that the Group believes will be sufficient to support the launch and commercialization of the Product. Also, the Licensee is a current player in the market with knowledge of the market and existing infrastructure to support the sales of the Product. Although there are indications that the Licensee is currently committed to invest the necessary resources, neither the Group nor the Portfolio Company have any control over the activities of the Licensee in respect of the Product and actual investments in resources could be lower than expected which could have an adverse effect on the valuation.

Due to the interrelationship of all of the above factors, it is impracticable to identify and isolate the effects of any reasonably possible change, either positive or negative, in any one of the significant inputs to the valuation. However, any such changes would likely have a material impact on the valuation with a corresponding material effect on profit or loss and equity.

2. In 2015 the Group invested an amount of 539 in E.T.View Medical Ltd. ("E.T.View"), and the ownership interest of the Group in E.T.View increased to 26.2%.

NOTE 8:- INVESTMENTS IN PORTFOLIO COMPANIES (Cont.)**B. Sale transactions (Cont.)**

3. On January 27, 2016, Medical invested an additional 356 in E.T.View. As a result, the total ownership interest of the Group in E.T.View increased to 27.7%.
4. On September 29, 2016, the Group sold its holdings in E.T.View (including options). The Group received consideration in the amount of 3,700, of which 2,100 is recorded in gain from disposal of investments accounted for under the equity method and 1,600 in gain from change in fair value of investments in Portfolio Companies.

C. Short-term investments

	The Group		The Company	
	December 31,		December 31,	
	2016	2015	2016	2015
Restricted shares in escrow (see Note 8(B) ⁽¹⁾)	–	1,042	–	–
Restricted short-term deposits	174	396	–	38
Short-term bank deposits *)	9,051	15,000	9,051	15,000
	9,225	16,438	9,051	15,038

*) Short-term bank deposits are deposits with maturities of more than three months from date of deposit. The deposits are in dollars and bear an annual interest of 0.95% - 1.13%.

NOTE 9:- TRADE AND OTHER PAYABLES

	The Group		The Company	
	December 31,		December 31,	
	2016	2015	2016	2015
Trade payables	317	241	184	191
Employees and payroll accruals	339	316	247	221
Accrued vacation pay	254	245	184	164
Other payable and accrued expenses	467	276	76	75
	1,377	1,078	691	651

NOTE 10:- LOANS FROM THE ISRAELI CHIEF SCIENTIST

Composition of Loans from the OCS:

	The Group		The Company	
	December 31,		December 31,	
	2016	2015	2016	2015
Old 8.3 Loans (see Note 13(A)(4))	3,104	3,471	–	–
Operation Loans (see Note 13(A)(5))	1,288	978	–	–
	4,392	4,449	–	–

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 11:- FINANCIAL INSTRUMENTS

A. Financial risk management objectives and policies:

The Group's activities expose it to various financial risks such as market risk and liquidity risk. The Group focuses on activities that reduce to a minimum any possible adverse effect on the Group's financial performance.

Liquidity risk:

The table below presents the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

The Group:

As of December 31, 2016:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Trade and other payables	1,377	–	–	–	–	–	1,377
Loans from Chief Scientist *)	–	2,581	858	2,985	–	3,867	10,291
	1,377	2,581	858	2,985	–	3,867	11,668

As of December 31, 2015:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Trade and other payables	1,078	–	–	–	–	–	1,078
Loans from Chief Scientist *)	–	535	2,041	1,980	3,415	1,264	9,235
	1,078	535	2,041	1,980	3,415	1,264	10,313

The Company:

As of December 31, 2016:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Trade and other payables	691	–	–	–	–	–	691

As of December 31, 2015:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
Trade and other payables	651	–	–	–	–	–	651

*) The amounts presented represent the full liability based on the principal amounts and future interest. As mentioned in Note 13(A)(5) and 13(A)(6), the loans under the Old Directive 8.3 can be settled by surrendering the pledged shares of the Portfolio Companies.

A loan repayment date may be extended annually by an additional year for the eight years period following the end of the incubator period of the Portfolio Company.

NOTE 11:- FINANCIAL INSTRUMENTS (Cont.)**B. Fair Value:**

Management believes that the carrying amount of cash, short-term restricted deposits, short-term investments, accounts and other receivables, trade and other payables and other current liabilities approximate their fair value due to the short-term maturities of these instruments.

C. Cash flow Hedging activities and derivatives:

Derivatives designated as hedging instruments reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future expenses in NIS. The changes in the fair value of the hedging instruments are measured through OCI, as the Group assesses them as effective.

NOTE 12:- TAXES ON INCOME**A. Tax rates applicable to the Group:**

The Israeli corporate tax rate is 25% in 2016 and 26.5% in 2015.

In January 2016, the Law for Amending the Income Tax Ordinance (No. 216) (Reduction of Corporate Tax Rate), 2016 was approved, which includes a reduction of the corporate tax rate from 26.5% to 25%, effective from January 1, 2016.

In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which reduces the corporate income tax rate to 24% (instead of 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018.

The deferred tax balances as of December 31, 2015 were calculated based on a tax rate of 26.5%. As a result of the change in the tax rate during 2016, the balance of deferred tax liabilities, net decreased by approximately 2,104.

B. Final tax assessments:

The Company and its Subsidiaries have not received final tax assessments since their incorporation, however, self-assessments are deemed final through the 2012 tax year.

C. Carry forward losses for tax purposes:

Carry forward operating tax losses of the Group total approximately 22,732 and 17,074 as of December 31, 2016 and 2015, respectively. There is no expiration date for the utilization of the carry forward losses. Deferred tax assets of 2,538 relating to these losses were recognized in the financial statements.

Deferred tax assets of approximately 2,690 relating to carry forward operating losses were not recognized because their utilization in the foreseeable future is not probable.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 12:- TAXES ON INCOME (Cont.)

D. Deferred taxes:

	Statements of financial position				Statements of profit or loss	
	The Group		The Company		Year ended December 31,	
	December 31, 2016	2015	December 31, 2016	2015	2016	2015
Deferred tax liabilities:						
Investment in Portfolio Companies at fair value	13,460	15,786	—	—	(2,326)	2,244
Loans from OCS	2,939	2,819	—	—	120	(191)
Long-term investment	—	243	—	—	(243)	21
	16,399	18,848	—	—	(2,449)	2,074
Deferred tax assets:						
Carryforward tax losses	2,538	1,954	—	—	(584)	(647)
Deferred revenues	1,320	872	—	—	(448)	308
Employee benefits	(2)	6	—	—	8	16
Other	45	57	—	—	12	106
	3,901	2,889	—	—	(1,012)	(217)
Deferred tax expenses					(3,461)	1,857
Deferred tax liabilities, net	12,498	15,959	—	—		

The deferred taxes are reflected in the statement of financial position as follows:

	The Group		The Company	
	December 31, 2016	2015	December 31, 2016	2015
Non-current liabilities	12,498	15,959	—	—

The deferred taxes are computed at the tax rate of 23-24% based on the tax rates that are expected to apply upon realization.

The impact of the changes in the corporate tax rate described in A above was a reduction of the deferred tax liability as of December 31, 2016, of approximately 2,104.

NOTE 12:- TAXES ON INCOME (Cont.)**E. Taxes on income included in profit or loss:**

	Year ended December 31,	
	2016	2015
Deferred taxes (see also Note 12(D) above)	(1,357)	1,857
Adjustments of deferred tax balances following a change in tax rates	(2,104)	–
Taxes in respect of previous years	105	(63)
	(3,356)	1,794

F. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	Year ended December 31,	
	2016	2015
Loss before taxes on income	(9,934)	(1,774)
Statutory tax rate	25%	26.5%
Tax computed at the statutory tax rate	(2,484)	(470)
Increase (decrease) in taxes on income resulting from the following:		
Non-deductible expenses for tax purposes	178	1,402
Group's share of losses of companies accounted for under the equity method, net	44	86
Gain from disposal of investment accounted for under the equity method	(437)	–
Income subject to special tax rates	(224)	(190)
Unrecognized temporary differences	(2)	(15)
Increase in unrecognized tax losses	869	765
Unrecognized deferred tax in respect of previous years	416	–
Taxes in respect of previous years	105	(63)
Change of tax rates	(2,104)	–
Other	283	279
Taxes on income	(3,356)	1,794

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 13:- COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES

A. Medical and Agtech – Incubators operating under the OCS Regulations

1. The Israeli Research and Development Law

The OCS is responsible for implementing the Israeli government's policy of encouraging and supporting industrial research and development in Israel through the R&D Law. Any entity receiving funding from the OCS is subject to the Israeli Law for Encouragement of Industrial Research and Development, 5744-1984 (the "R&D Law").

The OCS provides a variety of support programs within the framework of directives issued by the Director-General of the Israeli Ministry of Economy. Under the R&D Law, R&D projects that meet certain specified criteria and are approved by the OCS designated committee are eligible for grants.

In most of the OCS sponsored programs the recipient company repays the grants through royalty payments from revenues generated by the sale of products and/or services developed in the framework of the approved R&D program. Royalties are payable to the OCS in order to cover the amount of the grant, and are repaid with interest at the LIBOR rate, as prescribed under the R&D Law.

The R&D Law places strict constraints on the transfer of know-how and/or manufacturing rights, and all such transfers are subject to the absolute discretion of an OCS designated committee. Any such transfers require prior written approval of such committee and may entail additional payment at the discretion of the OCS.

2. Incubator Activity Under New Directive No. 8.3

The key material provisions of New Directive 8.3 are as follows:

Government funding is granted directly to the Portfolio Companies and not as a loan to the Incubators (as with Old Directive 8.3) in an amount equal to 85% of the approved budget.

The Incubators are required to invest the supplementary funding (15% of the approved budget), in the Portfolio Company in exchange for shares in the Portfolio Companies.

Repayment of the grants by the Portfolio Companies is through royalties from sales of the Portfolio Companies, according to the R&D Law and the related regulations (see Note 13(A)(1)).

Typically, the approved budget per new Portfolio Company that operates in the Incubator program is approximately NIS 2,000 (approximately 520) as Trendlines Israel Incubators is a Peripheral Incubator, is entitled to a higher budget of NIS 2,500 (approximately 650), in the Agtech field and on medical device projects, of NIS 3,000 (approximately 780).

The Incubators are obligated to fund the fixed operating costs of each Incubator in an amount equivalent to 15% of the project budget.

In exchange for its investment, for the funds brought by the Incubator from the OCS, and for support, the incubators can receive up to 50% equity in a Portfolio Company, (and up to 85% for a Portfolio Company based on a technology licensed from a research institution).

NOTE 13:- COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES (Cont.)**A. Medical and Agtech – Incubators operating under the OCS Regulations (Cont.)****3. Incubator Obligations and Rights Related to Portfolio Companies under Old Directive No. 8.3**

Under Old Directive 8.3, the OCS provided the Trendlines Incubators with a loan of up to 85% of the approved budget per Portfolio Company (the “government funding”) for investment in each Portfolio Company.

In addition, the Trendlines Incubators invested the 15% supplementary funding in each Portfolio Company.

In exchange for the government funding and for financing the Portfolio Companies, the Trendlines Incubators received 25% - 65% of the share capital of each Portfolio Company.

Additionally, in exchange for financing the overhead operation expenses of the Trendlines Incubators, the Trendlines Incubators received up to 5% of the shares of each Portfolio Company admitted into the Incubator (“Operating Shares”).

The OCS has a first lien over 50% of these operating shares as security for the operations loans received (see Note 13(A)(6) below).

4. Return of OCS Loans for Portfolio Companies by Trendlines Incubators Under Old Directive 8.3

The terms of the loans which were granted to the Trendlines Incubators for Portfolio Companies according to the Old Directive 8.3 are:

- a) Upon sale of shares of a Portfolio Company, the Incubator Companies will repay the State of Israel at least 25% of the consideration received or the balance of the loan for the Portfolio Company if it is lower.
- b) Upon receipt of dividends from Portfolio Companies, the Incubator Companies will repay the State of Israel at least 25% of the dividend or the balance of the loan for the Portfolio Company if it is lower.
- c) The Incubator Companies shall repay the loan plus interest as set out by the “Adjudication of Interest and Linkage Law - 1961” four years following the end of the incubator period of the Portfolio Company (“Repayment Date”), except for the following:
 1. A loan Repayment Date may be extended annually by an additional year, to the later of (1) December 31, 2014 or (2) eight years following the end of the incubator period of the Portfolio Company.
 2. In consideration for prolonging the Repayment Dates of loans when their Repayment Dates are up to December 31 of a certain year, the Incubator Companies shall pay the State of Israel, until March 1 of the following year, 1% of the balance of those loans, but not to exceed NIS 200 (approximately 55) linked to the Consumer Price of July 2011.

In the event that the loans are not repaid as mentioned above, the OCS will have the right to exercise the lien on the pledged shares of the Portfolio Company in order to settle the balance of the Government Funding for the Portfolio Company (see Note 13(A)(7) below).

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 13:- COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES (Cont.)

A. Medical and Agtech – Incubators operating under the OCS Regulations (Cont.)

5. Return of Loans for Incubator Operations Under Directive 8.3

Through its franchise period, Agtech which was situated in a national priority region, had benefits from its status of Peripheral Incubator. For the purpose of operating Agtech, was entitled to a loan for each year of activity in an amount not to exceed approximately 160.

Starting from January 1, 2016 Medical is defined as peripheral incubator.

The Operations Loans will be returned to the State as follows:

- a) Operations Loans that were granted under New Directive 8.3 – the incubator will repay 25% of the proceeds from the sale of shares of a Portfolio Company or dividend received from the Portfolio Companies, until the Operations Loan is repaid in full, including interest.
- b) Operations Loans that were granted under Old Directive 8.3:
 1. Operations Loans received during the period of September 1, 2007 until August 30, 2010 - the State may exercise its lien on the Operating Shares to receive shares in the Portfolio Company. See Note 13(A)(6) for description of the liens.
 2. Operations Loans received after September 1, 2010 – the incubator will repay the loans to the OCS upon the earlier of the following dates:
 - a. After seven years from the start of the agreement period (i.e., September 1, 2017).
 - b. Upon the sale of shares of a Portfolio Company that was established during the agreement period, the incubator will repay the Operations Loan from proceeds from the sale of the Operating Shares of such sale, until full repayment of the Operations Loan, including interest.
 - c. In the case where the incubator does not return the Operations Loan within the period specified by the State, the State may exercise its lien on the Operating Shares to receive shares in the Portfolio Company. See Note 13(A)(7) for description of the liens.

6. Pledges and Liens According to Old Directive 8.3

- a. In the framework of the Incubator Program, the Trendlines Incubator are obligated to fund annual operating expenses of approximately 330 for the incubator. In order to secure this commitment, the Trendlines Incubator provided a bank guarantee for the benefit of the State of Israel in an amount equal to 50% of the investment amount (as a peripheral incubator) (approximately 165) in Medical. This guarantee is in effect until the end of the three months following the termination of the agreement.
- b. As security for the government funding, the Portfolio Companies, and the fixed expenses for operation under Old Directive 8.3, the State of Israel has first lien over the shares in the Portfolio Companies held by the Trendlines Incubator. This lien includes 50% of the operational shares held by Agtech. Accordingly, in the case where the investment in a Portfolio Company is written-off, the Government Funding for the Portfolio Company will be written-off as well and the pledged shares of the Portfolio Company will be available to the State of Israel.

NOTE 13:- COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES (Cont.)**A. Medical and Agtech – Incubators operating under the OCS Regulations (Cont.)****7. Incubator Activity Under Directive No. 8.2**

The Trendlines Incubators functioned as non-profit entities until August 31, 2007. Under Directive 8.2 the OCS committed a grant of up to 100% of the approved budgetary finance for the operation of each Incubator.

In the event that the Incubator sells its shares in the Portfolio Companies (admitted under Directive 8.2), the Incubator will refund 25% of its consideration from the sale of the said Portfolio Company shares to the Israeli government, not to exceed the amount of the Israeli government Grant for each Incubator.

The balance of the proceeds of the sale must be invested in the Incubator for the purpose of increasing its operating budget, including investments in Portfolio Companies.

As of December 31, 2016 there are two active Portfolio Companies in Medical that were admitted under Directive 8.2.

B. Operating lease agreements:

The Company and the Incubators lease their premises for various periods, the latest of which ends in 2018.

The total lease costs amounted to approximately 322 for the year ended December 31, 2016 and 355 for the year ended December 31, 2015.

The future minimum lease payments as of December 31, 2016, are as follows:

First year	234
Second year	192
	<u>426</u>

C. Other:

1. The Company holds 50% in Maryland Israel/Trendlines Fund GP LLC ("GP"), which is the general partner of Maryland Israel/Trendlines Fund LP ("MITF"), a venture capital fund of approximately 4,300 of committed capital raised from various limited partners. The GP is entitled to receive 20% of MITF's net profit, to be paid only after the limited partners' capital is paid back by way of distributions by MITF to its limited partners. To date, MITF has not yet made distributions.

As part of MITF's formation in 2011, the Company entered into a management agreement with the GP according to which the GP assigned it rights to management fees in the amount of 2% of the aggregate capital commitments to the Company.

The total management fees which amounted to approximately 86 for the year ended December 31, 2016 and 2015, presented as other income.

2. During 2016 the Company established a new fund (the "Fund") to be managed by the Company and which will focus on investments in early-stage agritech portfolio companies of the Group.

A subsidiary of the Company (the "GP") will act as the general partner of the Fund. An investor has committed to invest 10,000 in the Fund as a limited partner. The GP will have responsibility for identifying and sourcing investments for the Fund. The GP will receive a 20% carried interest from the profits of the Fund after a fully repayments of the initial investments to the investors. As of 31 December, 2016, the Fund is still inactive.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 13:- COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES (Cont.)

C. Other: (Cont.)

3. On December 2015, a contractor filed a claim against the Company and two other parties claiming that the Company and the other parties are responsible for the outstanding payment for certain construction work.

The amount of the claim is for NIS 618 (approximately 158). In the opinion of the Company's legal counsel, based on preliminary review of the claim, it is more likely than not that the claim against the Company will be dismissed without any material unfavorable effect on the Company's financial position or results of operations. However, since the claim is in a preliminary stage, the outcome could be different from the preliminary assessment.

NOTE 14:- EQUITY

A. Composition of Equity:

	December 31, 2016		December 31, 2015	
	Authorized	Issued	Authorized	Issued
	Number of shares			
Ordinary shares NIS 0.01 par value	1,500,000,000	508,741,749	1,500,000,000	508,657,824

B. Movement in share capital:

- a. On January 4, 2016, the Company issued of 83,925 new Ordinary shares, pursuant to a cashless exercise by Tmura of the warrant granted to Tmura in June 2014 (see also note 14C).
- b. In 2015, the Company issued 190,718,208 Ordinary shares as follows:
 1. In 2014 the Company received 1,398 (net of issuance expenses of approximately 34), as receipts on account of shares. In 2015, the Company issued 7,600,544 Ordinary shares in consideration of the above mentioned receipts.
 2. During 2015, the Company issued 11,139,024 Ordinary shares to new and existing investors for a total consideration of 2,118 (net of issuance expenses of approximately 72). In addition, the Company issued 99,440 warrants, as issuance costs to an advisor, which were exercised to 99,440 Ordinary shares immediately.
 3. Following a dividend distribution from Portfolio Company in February 2015 and a change in the Debenture conditions in June 2015, as further described in Note 16, several Debenture holders decided to convert their Debentures into Ordinary shares of the Company and other Debenture holders decided to receive cash as a repayment for part of the Debentures. As a result, Debentures with a par value of CND \$862 (approximately 700) were converted into 4,048,400 Ordinary shares of the Company and an amount of approximately CND \$146 (approximately 117) was paid by the Company to the Debentures holders.
 4. In June 2015, the Company signed an agreement with the non-controlling shareholders of Agtech ("Share Exchange Agreement"), following which, the Company purchased substantially all of the shares held by Agtech non-controlling shareholders (excluding shares, representing 4% of Agtech's total Ordinary shares, held by an employee share trust on behalf of 4 employees), in exchange for 14,485,312 Ordinary shares of the Company.

NOTE 14:- EQUITY (Cont.)**B. Movement in share capital: (Cont.)**

In addition, subject to the consummation of an initial public offering (an "IPO"), within a period of 12 months from the date of the Share Exchange Agreement and the fulfillment of certain other conditions (the "Other Conditions"), the Company shall purchase all of the shares held by the employee share trust in exchange for 2,623,088 Ordinary shares of the Company after which the Company holds 100% of issued share capital of Agtech. The Other Conditions include obtaining a certain tax ruling from the Israeli Tax Authority. On November 26, 2015, following the IPO and the achievement of the tax ruling, the Company issued 2,623,088

Ordinary shares in consideration for all of the shares held by the employee share trust in exchange.

5. In July 2015, two officers and one former employee of the Company exercised 1,247,432 options into 1,247,432 Ordinary shares of the Company for no consideration.
6. On November 26, 2015, as part of the Company's IPO on the Catalist Board of the Singapore Stock Exchange ("SGX-ST"), the Company issued 75,760 Ordinary shares in a total consideration of 13,500 (net of issuance expenses of approximately 4,200). See also Note 1(A).

In addition, the Company issued 2,651,600 Ordinary shares to PrimePartners Corporate Finance Pte Ltd (the "placement agent") in consideration of services totaling 875 which were recorded in the equity as issuance costs.

7. Upon the IPO on the Catalist, the RCL (including an amount of approximately CND \$177, or approximately 145, which were converted from Convertible Debentures into RCL – see also Note 16(A)) and the remaining Convertible Debentures with a total par value, including accrued interest, of CND \$396 (approximately 286), were automatically converted into 66,379,800 Ordinary shares of the Company. See also Note 16.
8. In November 2015, the Company issued 4,683,568 Ordinary shares in an exercise of warrants as part of a Put/Call agreement signed in July 2007 between the Company and certain shareholders of a Subsidiary.

c. Issued and outstanding shares:

	Number of shares
Balance at January 1, 2015	317,939,616
Issuance of shares	97,151,168
Acquisition of non-controlling interest by issuance of shares	21,791,968
Exercise of warrants	99,440
Exercise of employees' options	1,247,432
Conversion of convertible debentures	70,428,200
Balance at December 31, 2015	508,657,824
Exercise of warrants	83,925
Balance at December 31, 2016	<u>508,741,749</u>

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 14:- EQUITY (Cont.)

C. Warrants:

As of December 31, 2015, the Company had 429,301 warrants outstanding:

1. A grant, for no consideration, of a warrant to purchase 375,168 Ordinary shares of the Company to "Tmura", the Israeli public service venture fund (a not-for-profit organization which receives donations of equity from Israeli companies), at an exercise price of 0.1845 per share. This warrant may be exercised, in whole or in part, at any time during the period ending 3 years from the date of grant (June 2, 2014). The warrants were exercised in a "cashless" exercise resulting in the issuance of 83,925 shares (see also note 14B).

The grant date fair value of the warrant in the amount of 22 was determined using the binomial option pricing model.

2. Following the issuance of shares to new and existing investors during 2014, as further described in Note 14(B) above, on October 27, 2014, the Company granted the private placement agent 54,136 compensation warrants ("October 2014 Compensation Warrants"). Each of the October 2014 Compensation Warrants is exercisable only once to acquire one Share at a price of \$0.1875 per share until 27 October 2016. The warrants expired during 2016.

As of December 31, 2016, there are no warrants outstanding.

- D. On November 2, 2015, a Special General Meeting of Shareholders, approved the increase of the Company's authorized (registered) capital from NIS 1,000,000 to NIS 15,000,000. Following such increase, the authorized share capital of the Company shall be as follows: NIS 15,000,000 divided into 1,500,000,000 Ordinary shares with a par value of NIS 0.01 per share (the "Share Increase").

E. Bonus shares:

On November 12, 2015, the Board of Directors of the Company approved and authorized the allotment and issuance of 311,989,797 Ordinary shares of the Company of NIS 0.01 par value each as bonus shares to the current Shareholders of the Company (without consideration paid by the Shareholders) (the "Bonus Shares"), in the amount of 7 Ordinary shares per each Ordinary share in the issued share capital of the Company, such that following the issuance of the Bonus Shares. Each shareholder shall hold 8 times the number of Ordinary shares held by such shareholder prior to the issuance of the Bonus Shares.

All share, option, and per share information presented in the accompanying financial statements have been adjusted to reflect the issuance of the Bonus Shares on a retroactive basis for all periods presented.

F. Capital management:

The Company's objectives for managing capital are:

- To preserve the Group's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.
- To maintain risk-free financial leverage.

NOTE 15:- SHARE-BASED PAYMENT**A. Expenses recognized in the financial statements:**

The expense in respect of equity-settled share-based payment plans recognized in the financial statements is shown in the following table:

	Year ended December 31,	
	2016	2015
Operating, general and administrative expenses	615	1,385
R&D expenses	30	68
	645	1,453

B. Employees Stock Option Plan:

In 2011 the Company adopted the Trendlines Group Ltd. 2011 Global Incentive Option Plan (the "2011 Plan").

Under the 2011 Plan, options may be granted to the Group's officers, directors, employees and consultants. The number of Ordinary shares authorized for issuance under the 2011 Plan amount to 53,125,664. In addition, following the adoption of the 2015 Plan, no new options shall be granted under the 2011 Plan, and no additional Ordinary shares shall be reserved for issuance under the 2011 Plan.

Under the 2011 Plan, the grantee may exercise its options to acquire Ordinary shares at an exercise price as determined by the board of directors at the grant date.

Options generally vest on a monthly basis over a period of between 33 and 44 months (vesting period) from the "commencement date" as determined in each grant. The term of the options is ten (10) years.

On November 11, 2015, a Special General Meeting of Shareholders approved adoption of The Trendlines 2015 Share Option Plan and the Sub-Plan (the "2015 Plan").

Under this plan at all times until the expiration or termination of the Plan the Company should keep reserved a sufficient number of Shares to meet the requirements of the Plan (the "Option Pool"). Any of such Shares which, as of the expiration or termination of the Plan, remain unissued and not subject to outstanding Options, shall at such time cease to be reserved for the purposes of the Plan. Should any Option for any reason expire or be cancelled prior to its exercise or relinquishment in full, such Option may be returned to the pool of Options and may again be granted under the Plan. The aggregate number of Shares reserved as Option Pool in respect of all Options granted under the Plan available to Plan Controlling Shareholders or Associates of the Company's Plan Controlling Shareholders

(including adjustments made in accordance with Section 12 of the Plan) shall not exceed 5% of the Shares available under the Plan. The number of Shares reserved as Option Pool in respect of all Options granted under the Plan available to each Plan Controlling Shareholder or Associate of our Plan Controlling Shareholder (including adjustments made in accordance with Section 12 of the Plan) shall also not exceed 1% of the Shares available under the Plan.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 15:- SHARE-BASED PAYMENT (Cont.)

B. Employees Stock Option Plan: (Cont.)

The Exercise Price for each Grantee shall be as determined by Committee appointed by the Board (the "Committee"). The Committee specified in the applicable Option Agreement; provided, that: (i) unless otherwise determined by the Committee (which determination shall not require shareholder approval, unless so required in order to comply with the provisions of applicable Mandatory Law (including, for the avoidance of doubt, the Listing Manual)), the Exercise Price shall be the Fair Market Value of the Shares on the Date of Grant ("Fair Market Value Option"); and (ii) where the Exercise Price is set at a discount to the Fair Market Value of the Shares, the maximum discount shall not exceed 20% of the Fair Market Value of the Shares (or such other percentage or amount as may be determined by the Committee and permitted by the Sponsor or (if required) any other stock exchange on which the Shares are quoted ("Discounted Option").

Fair Market Value Options may be exercised after the first anniversary of the Date of Grant of that Option while Discounted Options may only be exercised after the second anniversary from the Date of Grant of the Option ("Cliff Period"). Unless otherwise determined by the Committee with respect to any specific Grantee and/or to any specific grant following the Cliff Period, the options shall vest upon the lapse of each full additional one (1) month thereafter of the Grantee's continuous Service thereafter, until all the Options vested (that is, 100% of the grant will be vested after three (3) years). Unexercised Options shall expire and terminate and become null and void upon the lapse of 10 years from the Date of Grant.

In July 2015, two officers and one former employee of the Company exercised 1,247,432 options into 1,247,432 Ordinary shares of the Company for a consideration of less than 1.

On August 2, 2015, the Company's board of directors approved the grant of 1,600,000 options to purchase 1,600,000 Ordinary shares of the Company to employees of the Company at an exercise price of 0.2011 per share. The options vest over a period of 3 years.

The grant date fair value of the options in the amount of 144 was determined using the binomial option pricing model.

During 2016, the Company granted 320,000 options to purchase 320,000 Ordinary shares to the Company's advisory board at an exercise price of 0.32 per share. The grant date fair value of the options in the amount of 46 was determined using the binomial option pricing model.

On September 15, 2016 the Company's board of directors approved the grant of 5,079,120 options to purchase 5,079,120 Ordinary shares of the Company to employees of the Company at an average exercise price of 0.141 per share. The grant date fair value of the options in the amount of 270 was determined using the binomial option pricing model.

The fair value for options granted during 2016 and 2015 was estimated using the binomial option pricing model with the following assumptions:

	2016	2015
Dividend yield (%)	0	0
Expected volatility of the share prices (%)	40	40
Risk-free interest rate (%)	0.7 – 1.8	0.3 – 2.2
Expected life of share options (years)	10	10

The Company recorded share-based payment expense in the amount of 645 and 1,453 for the year ended December 31, 2016 and 2015, respectively.

NOTE 15:- SHARE-BASED PAYMENT (Cont.)**C. Movement during the Year:**

The following table lists the number of share options, the weighted average exercise prices of share options and modification in employee option plans:

	December 31, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	U.S dollars		U.S dollars	
Options outstanding at beginning of year	53,125,664	0.17	53,554,968	0.17
Issuance of options during the year	5,399,120	0.14	1,600,000	0.2
Options exercised during the year	–	–	(1,247,431)	–
Options expired during the year	(3,295,336)	0.15	(781,873)	0.18
Options outstanding at end of year	55,229,448	0.17	53,125,664	0.17
Options exercisable at end of year	44,018,256	0.17	26,933,836	0.16

D. The weighted average remaining contractual life for the share options outstanding as of December 31, 2016 was 7.6 years (as of December 31, 2015 – 8.5 years).

E. The range of exercise prices for share options outstanding as of December 31, 2016 and December 31, 2015, was 0.120 - 0.201.

NOTE 16:- CONVERTIBLE DEBENTURES AND WARRANTS**A. Convertible debentures**

On April 30, 2014, the Company issued an aggregate of Canadian dollar ("CND") CND \$2,316 (approximately 2,100) principal amount of unsecured convertible debentures (the "Debentures").

The Debentures bear interest at a rate of 10% per annum which accrues daily and is compounded on a quarterly basis (the "Interest Rate").

The Debentures and outstanding accrued interest will automatically convert into Ordinary shares upon completion of an initial public offering ("IPO") and listing on a "recognized exchange" (as such term is defined in the Debentures agreement) pursuant to which at least CND \$10 million is raised on such IPO at a conversion price equal to a 20% discount from the price of the IPO (the "IPO Price").

In the event the Group has an Exit (which, as defined in the Debentures agreement, includes all cash distributions made to the Company and its subsidiaries, including from share or asset sales of Portfolio Companies and all dividends, distributions and returns of capital from Portfolio Companies), each of the Debentures holders will be required to elect one of three options within ten (10) Business Days of receiving the Exit Notice by providing notice of such election to the Company: (i) convert the principal amount of debentures and accrued interest into Ordinary shares at a share price based on the Group's net asset value ("NAV") as of December 31, 2013; (ii) receive pro rata 25% of the cash received from the Exit as a return on part of the Debentures; (iii) retain the Debentures (not available after the "Liquidity Target Date" which was September 30, 2014). In the event the holder has not provided its election notice to the Company within ten (10) Business Days of the date of the Exit Notice, the holder shall be deemed to have elected the third (iii) option, provided the option is available. If the third (iii) option is unavailable, the holder shall be deemed to have elected the second (ii) option.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 16:- CONVERTIBLE DEBENTURES AND WARRANTS (Cont.)

A. Convertible debentures (Cont.)

Interest accrues on the Debentures from the date of issuance of the Debentures until the earlier of (i) the IPO; or (ii) the Liquidity Target Date. If an IPO has not occurred on or prior to the Liquidity Target Date, the Company shall make a payment on the Liquidity Target Date of all accrued and unpaid interest in cash. From and after the Liquidity Target Date, interest on the outstanding Debentures shall accrue and will be paid in cash quarterly in arrears at the Interest Rate.

In the event that no IPO occurs on or prior to the date that is 14 days prior to April 30, 2017 (the "Maturity Date"), the principal amount of the Debenture shall be increased by 10% of the then-outstanding balance of the Debentures up to a maximum of CND \$1,100 per Debenture (with a par value of CND \$1,000) if there have been no prepayments, and paid to holders thereof in cash on the Maturity Date, together with any accrued and unpaid interest.

The Debentures include a conversion component which is an embedded derivative. The combined instrument is designated upon initial recognition at fair value through profit and loss. After initial recognition the Company re-measures the Debentures at fair value each period.

Upon the issuance of the Debentures, the Company recorded a liability in the amount of 2,095. Issuance expenses in the amount of 47 were recorded in profit or loss.

Following the sale of Inspiro Medical Ltd., as described in Note 8(b)(3), (the "First Exit"), on July 9, 2014, several Debenture holders decided to convert their Debentures into Ordinary shares of the Company. As a result, Debentures with a par value of CND \$354 (approximately 338) were converted into 239,375 Ordinary shares of the Company.

As further described in Note 8(B)(3), following the sale of OPKO shares (the "Second Exit"), in August 2014, several Debenture holders decided to convert their Debentures into Ordinary shares of the Company and other additional Debenture holders decided to receive pro rata 25% of the cash received from the Exit as a return on part of the Debentures. As a result, Debentures with a par value of CND \$335 (approximately 318) were converted into 227,289 Ordinary shares of the Company and an amount of approximately CND \$52 (approximately 43) was repaid by the Company to the Debentures holders.

As part of the issuance of the Debentures, the Company granted the private placement agent and selling group members an aggregate of 117.58 compensation warrants. Each compensation warrant is exercisable to acquire one Debenture at a purchase price equal to CND \$1,000 per Debenture until April 30, 2016.

The compensation warrants are in the scope of IFRS 2, and constitute cash settled share based payment transaction which is measured at fair value. Upon initial recognition, given the Debentures were designated at "fair value through profit and loss", the Company recognized the compensation warrants as issuance expenses of the Debentures, also in profit or loss. The liability is re-measured at each reporting date until settlement, with any changes in fair value recognized in profit or loss. For the year ended December 31, 2015, the Company recorded financial income in the amount of 6. As of December 31, 2015 the fair value of the compensation warrants is approximately 10.

In February 2015, following the Asset Purchase Agreement with the Licensee, as further described in Note 8(B)(5), several Debenture holders decided to convert their Debentures into Ordinary shares of the Company and other additional Debentures holders decided to receive pro rata 25% of the cash received from the Exit as a return on part of the Debentures. As a result, Debentures with a par value of CND \$164 (approximately 131) were converted into 96,911 Ordinary shares of the Company and an amount of approximately CND \$66 (approximately 53) was repaid by the Company to the Debentures holders.

NOTE 16:- CONVERTIBLE DEBENTURES AND WARRANTS (Cont.)**A. Convertible debentures (Cont.)**

Pursuant to Amendment No. 1 to the Debenture Certificates dated May 25, 2015 ("Amendment No. 1"), the following changes were made in the Debentures: (i) the term "recognized exchange" was amended to include the Catalist Board of the Singapore Exchange Securities Trading Limited; (ii) the indebtedness incurred by the Company in connection with the Pre-IPO Investment was permitted – see Note 16(B) below; (iii) the holders of outstanding Debentures were afforded the right to elect, within a period of 14 days after the Company provides notice with respect to completion of the Pre-IPO indebtedness ("Option Notice"), the following:

- (i) Convert the principal amount of CND Debentures and accrued interest into ordinary shares of the Company at a share price based on the December 31, 2013 NAV;
- (ii) Further amend the CND Debentures to the terms of the debentures issued on the Pre-IPO Financing (the "RCL");
- (iii) Obtain full repayment of the CND Debentures after at least 5,000 is raised by the Company in equity and/or debt including on the Pre-IPO Financing; or
- (iv) Continue to hold the Canadian Debentures in accordance with their existing terms.

In June 2015, following Amendment No. 1 and the issuance of the Option Notice, several Debentures holders decided to convert their Debentures into Ordinary shares of the Company, other additional Debentures holders decided to obtain full repayment of the Debenture, subject to the conditions as defined in Amendment No. 1 and other additional Debenture holders decided to convert their respective principal amounts and accrued interest as of the June 24, 2015, into Redeemable Convertible Loans denominated in Singapore dollars at the same terms of the Pre-IPO Redeemable Convertible Loans and are accordingly bound by the terms and provisions of the Pre-IPO Redeemable Convertible Loan Agreement as of June 24, 2015. As a result, Debentures with a par value of CND \$698 (approximately 569) were converted into 409,139 Ordinary shares of the Company, an amount of approximately CND \$81 (approximately 65) was repaid, subject to the conditions as defined in Amendment No.1 and an amount of approximately CND \$177 (approximately 145) were converted into Redeemable Convertible Loans in Singapore dollars.

Following the Company's IPO on the SGX-ST on November 26, 2015, the remaining Debentures with a total par value, including accrued interest, of CND \$396 (approximately 286), were converted into 1,599,800 Ordinary shares of the Company.

The Convertible Debenture's change in fair value of approximately 240 as of November 26, 2015, related to the Convertible Debentures conversion discount upon IPO conversion was recorded as "Financial expense".

B. Pre-IPO Redeemable convertible loans ("RCL")

In June 2015, the Company raised an aggregate amount of Singapore Dollar ("SGD") 13,700 (approximately 10,200 after issuance expenses of 100) from the issuance of redeemable convertible loans ("RCL") to certain Pre-IPO investors, based on the terms and conditions set out in the Redeemable Convertible Loan Agreement ("RCL Agreement"). The proceeds from the RCL are to be used for investments, activities related to supporting Portfolio Companies and general working capital purposes. The RCL bear annual interest of 8% (or 10% if the NAV of the Group is lower than 57,611). The principal and interest were repayable upon maturity in two years after issuance, if not converted earlier.

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 16:- CONVERTIBLE DEBENTURES AND WARRANTS (Cont.)

B. Pre-IPO Redeemable convertible loans ("RCL") (Cont.)

Upon the IPO on the Catalyst, the RCL (including an amount of approximately CND \$177, or approximately 145, which were converted from Convertible Debentures into RCL (see also Note 16(A)) were automatically converted, in accordance with the RCL Agreement, to 64,780,000 Ordinary shares of the Company. Pursuant to the RCL Agreement, the conversion was at a 35% discount to the Listing price of S\$0.33 per share. Half of the Ordinary shares were subject to a "lock up" period of six months and the remaining half are subject to a "lock up" period of 12 months from the date of issuance.

The RCL which included a conversion component (an embedded derivative) was designated upon initial recognition at fair value through profit or loss. Upon the issuance of the RCL at the end of June 2015, the Company recorded a liability in the amount of 10,322 (including an amount of approximately CND \$177, or approximately 145, which were converted from Convertible Debentures into RCL – see also Note 16(A)). Issuance expenses in the amount of 520 were recorded in profit or loss. The fair value of the RCL immediately prior to conversion was calculated by an independent 3rd party valuation specialist by estimating the FV of the Ordinary shares issued upon the conversion of the RCL following the IPO, including a discount for illiquidity due to the "lock up" periods. The discount factor on the IPO price was calculated using the Finnerty model. The FV was determined at S\$19,203 or approximately 13,648 (including the fair value of the Convertible Debentures of S\$270 or approximately 192 which were converted into RCL). The change in fair value from the date of issuance to the date of conversion in the amount of 3,775 is recorded in profit or loss as a non-recurring, non-cash expense.

NOTE 17:- SELECTED STATEMENTS OF OPERATIONS DATA

A. Operating general and administrative expenses

	Year ended December 31,	
	2016	2015
Salaries and related expenses (including share-based payment)	4,666	4,303
Professional services	1,343	126
Rent and maintenance	435	378
Consulting	897	924
Communications and offices	208	203
Vehicle expenses	247	219
Travel abroad	328	149
Depreciation	170	165
Miscellaneous	370	243
	<u>8,664</u>	<u>6,710</u>

B. R&D expenses, net

Salaries and related expenses (including share-based payment)	651	523
Subcontractors and materials	62	46
Others	162	64
	<u>875</u>	<u>633</u>

NOTE 17:- SELECTED STATEMENTS OF OPERATIONS DATA**C. Financial expenses**

	Year ended December 31,	
	2016	2015
Debt issuance expenses	–	520
Exchange rate difference, net income	17	–
Commissions and interest, net	8	29
Loss from short term deposit	38	–
Write-off of loan to Portfolio Company	18	54
Revaluation of convertible debentures expenses	–	(240)
Other financial expenses (income)	(2)	(11)
	79	352

D. Financial income

Interest on deposits and loans	123	–
Gain from long and short-term investment	–	188
Financial income from revaluation of loans from the OCS	350	–
	473	188

NOTE 18:- NET EARNINGS (LOSS) PER SHARE

A. Details of the number of shares and income used in the computation of earnings per share:

	Year ended December 31,			
	2016		2015	
	Weighted number of shares	Net loss attributable to equity holders of the Company	Weighted number of shares	Net loss attributable to equity holders of the Company
	In thousands	U.S in thousands	In thousands	U.S in thousands
For the computation of basic net earnings	508,742	(6,578)	365,634	(3,299)
Effect of potential dilutive Ordinary shares	–	–	–	–
For the computation of diluted net earnings	508,742	(6,578)	365,634	(3,299)

NOTES TO FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE DATA

NOTE 18:- NET EARNINGS (LOSS) PER SHARE (Cont.)

- B. For the computation of diluted net earnings per share for 2016 and 2015, options to employees under share-based payment plan and warrants have not been taken into account since their conversion decreases the basic loss per share (anti-dilutive effect).

NOTE 19:- RELATED PARTIES TRANSACTIONS

- A. Balances and transactions:

1. The following table summarizes balances with related parties in the statements of financial position:

	The Group	
	Portfolio Companies	
	December 31, 2016	December 31, 2015
Accounts and other receivables	272	111
Short-term loans	212	136

	The Company	
	Portfolio Companies	
	December 31, 2016	December 31, 2015
Accounts and other receivables	166	—

2. The following table summarizes the transactions with related parties in the consolidated statements of profit or loss and other comprehensive income:

	Year ended December 31,			
	2016		2015	
	Portfolio Companies	Associates and other related parties	Portfolio Companies	Associates and other related parties
Income from services to Portfolio Companies	4,178	—	4,274	—
Other income	—	157	—	175
Operating, general and administrative expenses	—	(63)	—	(65)

3. The Group rendered services to Associate companies, which include rent, local taxes, receptionist services, communications services, utilities, computer system, office insurance and chairmanship.

NOTE 19:- RELATED PARTIES TRANSACTIONS (Cont.)**B.** Compensation of key management personnel of the Group:

	Year ended December 31,	
	2016	2015
Salaries and related expenses	2,383	1,648
Share based payment	507	1,269
	2,890	2,917

- C.** On November 2, 2015, a Special General Meeting of Shareholders, approved the entry into and execution by the Company of a new employment agreement effective as of the date of the Proposed Listing, between the Company and each of Mr. Dollinger and Mr. Rhodes, the Chairmen and Chief Executive Officers (each the "Executive" or collectively: the "Executives"). The term of the Executive's employment shall continue for a period of three years from the date of the Proposed Listing ("Initial Term"), provided however, that each of the parties shall be entitled to bring the Executives' employment to an end, at any time, including during the Initial Term, for any reason by providing a written notice 6 months prior to the termination of the Employment Agreement. Upon termination of Executive's employment by the Company other than in circumstances of Termination for Cause, or upon resignation of the Executive for Good Reason (as set forth in the Employment Agreement), the Executive shall be entitled (in addition to the prior notice and any statutory payment) to receive from the Company a termination adjustment payment equal to an amount representing his then current monthly Salary multiplied by 6. After the Initial Term, the Executive's employment shall be automatically renewed for successive 12 month periods under the same terms of employment, unless terminated in accordance with the terms contained in the Employment Agreement.

Under the terms of the respective Employment Agreements (which are identical), each of the Executives is entitled to a gross monthly salary of NIS 85.5, or approximately 22.5 ("Salary"), an increase of approximately 8.5 in relation to the current salary, as well as an annual bonus in accordance with the provisions of the compensation policy (as shall be adopted and determined, from time to time, by the Company's Remuneration Committee).

STATISTICS OF SHAREHOLDINGS

AS AT 21 FEBRUARY 2017

Issued and fully paid-up capital:	US\$56,167,257
Number of issued shares:	508,741,749
Number of treasury shares:	Nil
Class of shares:	Ordinary Shares of equal voting right
Voting rights:	One vote per Ordinary Share with par value of NIS0.01

Shareholding Held in the Hands of the Public

Based on the information available to the Company as at 21 February 2017, approximately 70.25% of the issued ordinary shares of the Company were held by 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.

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	% of Shares
1 - 99	3	0.33	72	0.00
100 - 1,000	21	2.29	14,500	0.00
1,001 - 10,000	168	18.32	1,263,831	0.25
10,001 - 1,000,000	675	73.61	74,085,643	14.56
1,000,001 AND ABOVE	50	5.45	433,377,703	85.19
Total	917	100.00	508,741,749	100.00

Twenty Largest Shareholders

No.	Name of Shareholder	No. of Shares	% of Shares
1	ZEEV BRONFELD	72,732,416	14.30
2	BNY MELLON as the ADSs DEPOSITARY BANK*	62,683,569	12.32
3	AMOS AND DAUGHTER INVESTMENTS AND PROPERTIES LTD.	39,182,452	7.70
4	DBS NOMINEES (PRIVATE) LIMITED	21,947,270	4.31
5	B. BRAUN MELSUNGEN AG	21,515,000	4.23
6	EMERALD GLOBAL FUND SPC - PLATINUM 18 SP	20,649,000	4.06
7	JEREMY LEE SHENG POH	15,891,600	3.12
8	RAFFLES NOMINEES (PTE) LIMITED	14,949,802	2.94
9	LACHMAN FAMILY LIMITED PARTNERSHIP	14,704,745	2.89
10	DAVID TODD DOLLINGER	13,387,240	2.63
11	STEPHEN LOUIS RHODES	13,387,240	2.63
12	UOB KAY HIAN PRIVATE LIMITED	8,222,562	1.62
13	CITIBANK NOMINEES SINGAPORE PTE LTD	7,408,030	1.46
14	TOMMIE GOH THIAM POH	7,193,000	1.41
15	MOFET B'YEHUDA - INDUSTRIAL RESEARCH & DEVELOPMENT IN JUDEA (REGISTERED ASSOCIATION)	6,787,184	1.33
16	MEITAV DASH TRUSTS LTD. FBO DAVID TODD DOLLINGER	5,838,384	1.15
17	MEITAV DASH TRUSTS LTD. FBO STEPHEN LOUIS RHODES	5,838,384	1.15
18	HANGZHOU NORTH AMERICA SHENG YIN INVESTMENT PARTNERSHIP (LP)	4,972,032	0.98
19	OURCROWD ISRAEL GEN PARTNER LP	4,581,249	0.90
20	LIM TIONG KHENG STEVEN	4,129,600	0.81
Total		366,000,759	71.94

* The underlying ADSs (American Depositary Shares) held under BNY MELLON include (i) DBS NOMINEES PTE LTD holding 1,241,319 ADSs representing 62,065,969 ordinary shares in the Company; and (ii) HSBC (SINGAPORE) NOMS PTE LTD holding 12,352 ADSs representing 617,600 ordinary shares in the Company.

Substantial Shareholders
(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	% ⁽¹⁾	Deemed Interest	% ⁽¹⁾	Total Interest	% ⁽¹⁾
Zeev Bronfeld	72,732,416	14.30	–	–	72,732,416	14.30
Amos And Daughter Investments And Properties Ltd.	39,182,452	7.70	–	–	39,182,452	7.70

Note:

⁽¹⁾ Percentage is calculated based on total issued shares of the Company less treasury shares, if any (i.e. 508,741,749).

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of The Trendlines Group Ltd. (the “**Company**”) for the financial year ended 31 December 2016 (the “**AGM**”) will be held at Suntec International Convention & Exhibition Centre, Level 3 Meeting Room 308, 1 Raffles Boulevard, Suntec City, Singapore 039593, at 2.00 p.m. (Singapore time) on Wednesday, 26 April 2017 for the purpose of considering and, if thought fit, approving the following matters:

AS ORDINARY RESOLUTIONS

Ordinary Business

1. To receive the Directors’ Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors’ Report thereon.
2. To re-elect Mr. David Todd Dollinger, who is retiring pursuant to Articles 40(c) and (d) of the Company’s Articles of Association, as a Director of the Company. **[RESOLUTION 1]**
[See Explanatory Note (i)]
3. To re-elect Mr. Zeev Bronfeld, who is retiring pursuant to Articles 40(c) and (d) of the Company’s Articles of Association, as a Director of the Company. **[RESOLUTION 2]**
[See Explanatory Note (ii)]
4. To re-appoint Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global as external independent auditors of the Company and to authorize the Directors of the Company (“**Directors**”) to fix their remuneration. **[RESOLUTION 3]**
5. To transact any other ordinary business which may properly be transacted at an annual general meeting.

Special Business

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

6. Authority to Issue Shares

That pursuant to Rule 806 of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), that authority be given to the Directors to (i) allot and issue shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; (ii) make or grant offers, agreements or options including under The Trendlines 2015 Share Option Plan (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) 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 our Directors may in their absolute discretion deem fit; and (iii) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force, provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) and Instruments to be issued pursuant to this resolution shall not exceed 50.0% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro-rata basis to existing Shareholders shall not exceed 25.0% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (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 pursuant to the Instruments) that may be issued under sub-paragraph (1) above, the percentage of Shares that may be issued shall be based on the total number of issued Shares of the Company (excluding treasury shares) at the time this authority is given, after adjusting for: (a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities

outstanding at the time this authority is given; (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this authority, provided that the share options or share awards were granted in compliance with the Catalist Rules; and (c) any subsequent bonus issue, consolidation or sub-division of Shares;

- (3) in exercising such authority, 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), the provisions of Israeli Companies Law for the time being in force, the Articles of Association for the time being of the Company and The Trendlines 2015 Share Option Plan; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until (a) the conclusion of the next annual general meeting of the Company or (b) the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. **[RESOLUTION 4]**

[See Explanatory Note (iii)]

BY ORDER OF THE BOARD OF
THE TRENDLINES GROUP LTD.

Lynn Wan Tiew Leng
Yosef Ron
Joint Company Secretaries

20 March 2017

Explanatory Note(s):

- (i) Mr. Dollinger will, if re-elected as a Director of the Company, remain as Co-Chairman of the Board of Directors of the Company and Co-Chief Executive Officer of the Company.
- (ii) Mr. Bronfeld will, if re-elected as a Director of the Company, remain as a Non-Executive Director of the Company and will be considered non-independent.
- (iii) Ordinary Resolution 4 above, if passed, will empower the Directors of the Company, effective 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 time when the authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 25.0% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iv) Resolutions 1, 2, 3 and 4 shall be deemed adopted if approved by the holders of a majority of the voting power represented at the meeting in person or by proxy and voting thereon. **Only shareholders of record at the close of business on 21 April 2017, being the record date for determining those shareholders eligible to vote at the AGM, are entitled to notice of and to vote at the AGM and any postponements or adjournments thereof.**
- (v) All shareholders are cordially invited to attend the AGM in person. A shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in the shareholder's stead. A proxy need not be a shareholder of the Company.

NOTICE OF ANNUAL GENERAL MEETING

- (vi) Any shareholder who holds more than one share shall be entitled to appoint a proxy with respect to all or some of its shares or appoint more than one proxy, provided that the instrument appointing a proxy shall include the number of shares with respect to which it was issued and only one proxy shall be appointed with respect to any one share.
- (vii) Form of an instrument appointing a proxy, which may be used to vote at the AGM is enclosed.
- (viii) The instrument appointing a proxy (and the power of attorney or other authority, if any, under which such instrument has been signed) shall be delivered to the Company's registered office at P.O. Box 499, Karmiel, 2161401, Israel or the Company's Singapore Share Registrar and Share Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, or by e-mail to Mr. Yosef Ron, Joint Company Secretary, at companysecretary@trendlines.com not less than forty eight (48) hours before the time fixed for the AGM at which the person named in the instrument proposes to vote. Notwithstanding the above, the chair of the AGM shall have the right to waive the time requirement provided above with respect to all instruments of proxies and to accept any and all instruments of proxy until the beginning of the AGM.
- (ix) For information relating to the compensation of our five most highly compensated office holders with respect to the year ended December 31, 2016, please refer to principle 9 in the Corporate Governance Report in our Annual Report for FY2016.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company or a Depositor, as the case may be (i) consents to the collection, use and disclosure of the member or Depositor'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 or a Depositor discloses the personal data of the member or Depositor's proxy(ies) and/or representative(s) to the Company (or its agents), the member or Depositor 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 or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member or Depositor's breach of warranty.



THE TRENDLINES GROUP LTD.

(Incorporated in Israel)
(Company Registration No. 513970947)

PROXY FORM

I/We _____ NRIC/Passport no. _____ of _____,

being a shareholder/shareholders of THE TRENDLINES GROUP LTD. (the "**Company**"), hereby appoint

Name	Address	NRIC/Passport No	No. of Shares

and/or (delete as appropriate)

Name	Address	NRIC/Passport No	No. of Shares

or failing him/her, the Chairman of the annual general meeting of the Company ("**AGM**") or one of the Company's Joint Secretaries, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the AGM to be held at Suntec International Convention & Exhibition Centre, Level 3 Meeting Room 308, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Wednesday, 26 April 2017 at 2.00 p.m., Singapore time and at any adjournment thereof.

(Please indicate with an "✓" in the spaces provided whether you wish your vote(s) to be cast for or against or abstain the resolutions as set out in the Notice of AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/ they may think fit, as he/they will on any other matters arising at the AGM.)

The resolutions put to vote at the AGM shall be decided by poll.

No.	Resolution	For ¹	Against ¹	Abstain ¹
1.	Re-election of David Todd Dollinger as a Director of the Company			
2.	Re-election of Zeev Bronfeld as a Director of the Company			
3.	Re-appointment of Kost Forer Gabbay & Kasierer as independent External Auditors and to authorize the Directors to fix their remuneration			
4.	Authority to issue new shares			

¹ If you wish to exercise all your votes "For" or "Against" or "Abstain", please tick "✓" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

Total Number of Shares Held

Signature(s) of Shareholder(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register, you should insert that number. If you have Shares registered in your name in the Shareholders Register of the Company, you should insert that number. If you have Shares entered against your name in the Depository Register and shares registered in your name in the Shareholders Register, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
2. The instrument of proxy shall be duly signed by the appointer or his duly authorised attorney or, if such appointer is a company or other corporate body, under its common seal or stamp or the hand of its duly authorised signatory(ies), agent(s) or attorney(s). The Board may demand that the Company be provided with written confirmation, to its satisfaction, that the signatory(ies), agent(s) or attorney(s) have the authority to bind the corporate body of the appointing Shareholder.
3. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the Shareholder, being the appointer, is not shown to have Shares entered against his name in the Depository Register as at **21 April 2017, the record date for determining those Shareholders eligible to vote at the AGM**, as certified by the Depositor.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Direct Account Holder or Depository Agent accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 20 March 2017.

GENERAL

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on this Proxy Form. Notwithstanding the above, the Chairman of the AGM shall have the right to waive the time requirement provided above with respect to all instruments of proxies and to accept any and all instruments of proxy until the beginning of the AGM.



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