



THE TRENDLINES GROUP LTD.
(Incorporated in Israel)
(Company Registration No. 513970947)

**Unaudited Financial Statements and Dividend Announcement
for the Three Months Ended 30 June 2016**

*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 (the "**IPO**") was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**" or "**PPCF**").*

This announcement 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 announcement.

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

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

Background

The Company was incorporated on 1 May 2007 as a private company limited by shares under the Israeli Companies Law, under the name of "T.I.F. Ventures Ltd.", and was subsequently renamed "The Trendlines Group Ltd." on 16 July 2008.

The Group is focused on developing technology-based companies in the medical and agricultural fields. The Group creates and develops companies in accordance with the mission to improve the human condition. To this end, the Group discovers, invests in, incubates and provides services to companies in the fields of medical and agricultural technologies with a view toward a successful exit in the marketplace. Exits may include sales such as merger and acquisition transactions, listing on public stock exchanges and other dispositions of the Company's holdings.

The Company and together with its subsidiaries and associated companies (the "**Group**") also has its own internal innovation centre, Trendlines Labs (established as a business unit of the Company in 2011), where it engages in research and development activities to create new technologies, either as principal or in collaboration with global and local companies and partners, to address unmet market needs.

Further, Trendlines Labs' technologies can be used for sale or licensing to others or for transfer to the incubators for further development and commercialisation.

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group			Group		
	Three Months Ended			Six Months Ended		
	30 June	30 June		30 June	30 June	
	2016	2015		2016	2015	
	(Unaudited)	(Unaudited)	Change	(Unaudited)	(Audited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Income						
Gain (loss) from change in fair value of investments in Portfolio Companies	(4,700)	4,472	N.M.	(5,692)	5,674	N.M.
Income from services to Portfolio Companies	863	994	(13.18)	2,144	2,225	(3.64)
Group's share of losses of companies accounted for under the equity method	-	(30)	N.M.	-	(128)	N.M.
Income from contracted R&D services	308	92	234.78	638	194	228.87
Financial income	539	212	154.2	967	710	36.20
Other income	83	172	(51.74)	176	321	(45.17)
Total income	(2,907)	5,912	N.M.	(1,767)	8,996	N.M.
Expenses						
Operating, general and administrative expenses	2,330	1,318	76.78	4,388	3,152	39.21
Marketing expenses	72	71	1.41	160	149	7.38
R&D expenses, net	152	131	16.03	382	284	34.51
Financial expenses	7	5	40.0	264	82	221.95
Total expenses	2,561	1,525	67.93	5,194	3,667	41.64
Income (loss) before income taxes	(5,468)	4,387	N.M.	(6,961)	5,329	N.M.
Income tax expenses /(benefit)	(858)	1,617	N.M.	(1,581)	1,979	N.M.
Net income (loss) and total comprehensive income (loss)	<u>(4,610)</u>	<u>2,770</u>	<u>N.M.</u>	<u>(5,380)</u>	<u>3,350</u>	<u>N.M.</u>
Net income (loss) and total comprehensive income (loss) attributable to:						
Equity holders of the Company	(4,610)	2,933	N.M.	(5,380)	3,590	N.M.
Non-controlling Interests	-	(163)	N.M.	-	(240)	N.M.
	<u>(4,610)</u>	<u>2,770</u>	<u>N.M.</u>	<u>(5,380)</u>	<u>3,350</u>	<u>N.M.</u>
Net earnings (loss) per share attributable to equity holders of the Company (U.S. dollars):						
Basic net earnings (loss)	<u>(0.01)</u>	<u>0.07</u>	<u>N.M.</u>	<u>(0.01)</u>	<u>0.09</u>	<u>N.M.</u>
Diluted net earnings (loss)	<u>(0.01)</u>	<u>0.07</u>	<u>N.M.</u>	<u>(0.01)</u>	<u>0.08</u>	<u>N.M.</u>
N.M. – not meaningful						

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

	Three Months Ended		Six Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US\$'000	US\$'000	US\$'000	US\$'000
Interest on borrowing	-	20	-	54
Depreciation and amortization	25	42	52	52
Foreign currency exchange (gain)/loss	172	(185)	(259)	21
Adjustments for under or overprovision of tax in respect of prior years	102	(64)	102	(64)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30 June 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000	30 June 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000
ASSETS				
Current assets				
Cash and cash equivalents	17,770	6,998	16,874	6,702
Restricted short-term deposits	331	396	-	-
Short-term investments	32	16,042	32	15,038
Accounts and other receivables	445	428	322	226
Short-term loans to portfolio companies	79	136	-	-
	18,657	24,000	17,228	21,966
Non-current assets				
Investment in Subsidiaries	-	-	62,619	62,725
Investments in Portfolio Companies	82,838	84,447	-	-
Property, plant and equipment, net	532	541	143	143
	83,370	84,988	62,762	62,868
Total assets	102,027	108,988	79,990	84,834
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	1,346	1,078	741	651
Deferred revenues	2,311	2,579	-	-
	3,657	3,657	741	651
Non-current liabilities				
Deferred revenues	789	713	-	-
Loans from the Israeli Chief Scientist	4,042	4,449	-	-
Deferred taxes, net	14,277	15,959	-	-
Other long-term liabilities	51	52	72	59
	19,159	21,173	72	59
Total liabilities	22,816	24,830	813	710

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

	Group		Company	
	30 June 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000	30 June 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000
Equity				
Equity attributable to Equity Holders of the Company:				
Share capital	1,315	1,315	1,315	1,315
Share premium	54,863	54,852	54,863	54,852
Reserve from share-based payment transactions	4,625	4,203	4,625	4,203
Retained earnings	18,374	23,754	18,374	23,754
Equity attributable to owners of the parent	79,177	84,124	79,177	84,124
Non-controlling interests	34	34	-	-
Total equity	79,211	84,158	79,177	84,124
Total equity and liabilities	102,027	108,988	79,990	84,834

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

1(b)(ii) Aggregate amount of Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 June 2016 (Unaudited)		As at 31 December 2015 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	-	-	-

Amount repayable after one year

As at 30 June 2016 (Unaudited)		As at 31 December 2015 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
4,042	-	4,449	-

Details of any collateral

The Group has non-recourse debt to the Office of the Chief Scientist of the Israeli Ministry of Economy ("OCS"). These loans were extended from the OCS for the purpose of funding portfolio companies, and these loans were secured by liens on shares of the following portfolio companies for which the loans were granted:

**Number of shares in each portfolio
company pledged in favour of the OCS**

Name of Portfolio Company	As at 30 June 2016	As at 31 December 2015
	(Unaudited)	(Unaudited)
Advanced Memtech Ltd.	77,668	77,668
Breezy Industries Ltd.	37,892	37,892
IonMed Ltd.	37,800	37,800
Leviticus Cardio Ltd.	49,250	49,250
Liola Technologies Ltd.	36,500	36,500
Magdent Ltd.	40,750	40,750
Mantissa Ltd.	40,744	40,744
MediValve Ltd.	159,600	159,600
Nephera Ltd.	67,830	67,830
NeuroQuest Ltd.	71,820	71,820
ProArc Medical Ltd.	34,860	34,860
Sol Chip Ltd.	6,631	6,631
VivoText Ltd.	36,669	36,669

For more information, please refer to the Company's offer document dated 16 November 2015.

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	Three Months Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US\$'000	US\$'000	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	(4,610)	2,770	(5,380)	3,350
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Adjustments to the profit or loss items:				
Depreciation	25	42	52	52
Income tax (benefit)/expense	(858)	1,617	(1,581)	1,979
Loss (gain) from changes in fair value of investments in Portfolio Companies	4,700	(4,472)	5,692	(5,674)
Investments in Portfolio Companies	(1,023)	(163)	(2,206)	(328)
Financial income, net	(729)	(191)	(738)	(673)
Income from services to Portfolio Companies	(808)	(973)	(2,030)	(2,100)
Share-based payments	189	352	433	847
Group's share of losses of companies accounted for under the equity method, net	-	30	-	128
Changes in asset and liability items:				
Decrease (increase) in short-term loans	62	(75)	57	(56)
Decrease (increase) in accounts and other receivables	207	205	(17)	433
Increase (decrease) in trade and other payables	74	(287)	167	(602)
Decrease (increase) in other long-term liabilities	7	-	(1)	-
	1,846	(3,915)	(172)	(5,994)
Cash (paid) received during the period for:				
Dividend received	-	-	-	718
Interest received	73	-	73	-
Interest paid	-	(20)	-	(54)
	73	(20)	73	664
Net cash used in operating activities	(2,691)	(1,165)	(5,479)	(1,980)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

	Three Months Ended		Six Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	US\$'000	US\$'000	US\$'000	US\$'000
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Purchase of property, plant and equipment	(17)	(21)	(43)	(21)
Purchase of shares and warrants of investments in companies accounted for under the equity method	-	(96)	-	(194)
Proceeds from sale of short-term investments	12,043	292	16,053	292
Redemption of bank deposits and restricted deposits, net	65	(307)	65	(170)
Net cash provided by / (used in) investing activities	12,091	(132)	16,075	(93)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of shares, net	-	1,415	-	2,118
Issuance of convertible debentures, net	-	9,664	-	9,664
Deferred IPO costs	-	(349)	-	(349)
Loans from the Israeli Chief Scientist	122	-	176	-
Repayment of convertible debentures	-	7	-	(53)
Net cash provided by financing activities	122	10,737	176	11,380
Increase in cash and cash equivalents	9,522	9,440	10,772	9,307
Cash and cash equivalents at the beginning of the period	8,248	1,403	6,998	1,536
Cash and cash equivalents at the end of the period	17,770	10,843	17,770	10,843
Significant non-cash transactions				
Conversion of convertible debentures into shares	-	569	-	705
Acquisition of non-controlling interest by issuance of shares	-	-	-	2,100
Exercise of options	-	-	11	-

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

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

Statement of Changes in Equity

Group

(Unaudited)	Share capital US\$'000	Share premium US\$'000	Receipts on share account US\$'000	Reserve from share-based payment transactions US\$'000	Retained earnings US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance as at 1 April 2016	1,315	54,863	-	4,436	22,984	83,598	34	83,632
Net loss and total comprehensive loss	-	-	-	-	(4,610)	(4,610)	-	(4,610)
Cost of share-based payments	-	-	-	189	-	189	-	189
Balance as at 30 June 2016	1,315	54,863	-	4,625	18,374	79,177	34	79,211
(Unaudited)								
Balance as at 1 April 2015	103	23,638	-	3,395	27,710	54,846	2,765	57,611
Net income and total comprehensive income	-	-	-	-	2,933	2,933	(163)	2,770
Cost of share-based payments	-	-	-	352	-	352	-	352
Issuance of shares, net	3	1,412	-	-	-	1,415	-	1,415
Forfeiture of options	-	10	-	(10)	-	-	-	-
Conversion of convertible debentures	1	568	-	-	-	569	-	569
Acquisition of non-controlling interests by issuance of shares	5	2,095	-	-	-	2,100	(2,100)	-
Balance as at 30 June 2015	112	27,723	-	3,737	30,643	62,215	502	62,717

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

Statement of Changes in Equity

Company

(Unaudited)	Share capital	Share premium	Receipts on share account	Reserve from share-based payment transactions	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 April 2016	1,315	54,863	-	4,436	22,984	83,598
Net loss and total comprehensive loss	-	-	-	-	(4,610)	(4,610)
Cost of share-based payments	-	-	-	189	-	189
Balance as at 30 June 2016	1,315	54,863	-	4,625	18,374	79,177
(Unaudited)						
Balance as at 1 April 2015	103	23,638	-	3,395	27,710	54,846
Net income and total comprehensive income	-	-	-	-	2,933	2,933
Cost of share-based payments	-	-	-	352	-	352
Issuance of shares, net	3	1,412	-	-	-	1,415
Forfeiture of options	-	10	-	(10)	-	-
Conversion of convertible debentures	1	568	-	-	-	569
Acquisition of non-controlling interests by issuance of shares	5	2,095	-	-	-	2,100
Balance as at 30 June 2015	112	27,723	-	3,737	30,643	62,215

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Share Capital – Ordinary Shares

There were no changes in the issued share capital of the Company ("Shares") since 31 March 2016 to 30 June 2016.

As at 30 June 2016, there are 53,445,664 outstanding options which can be converted into 53,445,664 Shares (30 June 2015: 52,895,320 outstanding options which can be converted into 52,895,320 Shares and 960,228 warrants that can be converted into 960,228 Shares).

On 30 April 2014, the Company issued an aggregate of Canadian dollar ("CND") CND\$2,316 (approximately US\$2,100) principal amount of 10% unsecured convertible debentures (the "Debentures"). As at 30 June 2015, there was a balance of outstanding Debentures of CND\$451 which could be converted into 1,781,258 shares. There were no outstanding Debentures as at 30 June 2016 as all Debentures were repaid or converted into shares during the financial year ended 31 December 2015.

As at 30 June 2015, the Company has an aggregate amount of Singapore Dollar \$13,700,000 (approximately US\$10,171,000) outstanding redeemable convertible loans ("Loans") which could be converted in to 63,869,400 Shares. There were no outstanding Loans as at 30 June 2016 as all Loans were converted into shares during the financial year ended 31 December 2015.

For more information on the Debentures and the Loans please refer to the Company's offer document dated 16 November 2015.

Save as disclosed above, the Company did not have any treasury shares or convertibles as at 30 June 2016 and 30 June 2015.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

	As at 30 June 2016	As at 31 December 2015
Total number of issued shares	508,741,749	508,657,824

The Company did not have any treasury shares as at 30 June 2016 and 31 December 2015.

- 1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

- 2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**
The figures have not been audited or reviewed by the Company's auditors.
- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)**
Not applicable. The figures have not been audited or reviewed by the Company's auditors.
- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**
Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the most recently audited consolidated financial statements for the financial year ended 31 December 2015.
- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**
The Group has adopted all the applicable new and revised International Financial Reporting Standards ("IFRS") and Interpretations of Financial Reporting Standards ("IFRIC") that are mandatory for the accounting periods beginning on or after 1 January 2016. The adoption of these new and revised IFRS and IFRIC did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.
- 6. Earnings per ordinary share of the Group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group		Group	
	Three Months Ended		Six Months Ended	
Earnings (loss) per share ("EPS" or "LPS")	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
(Loss) profit attributable to owners of the parent for the computation of basic net earnings (US\$'000)	(4,610)	2,933	(5,380)	3,590
Weighted average number of ordinary shares in issue (in thousands)	508,742	330,085 ⁽²⁾	508,742 ⁽³⁾	329,312 ⁽²⁾
Basic (LPS) EPS (US\$)	(0.01)	0.01	(0.01)	0.01
(Loss) profit attributable to owners of the parent for the computation of diluted net earnings (US\$'000)	(4,610)	2,933	(5,380)	3,590
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	508,742	339,721 ⁽²⁾	508,742 ⁽³⁾	338,953 ⁽²⁾
Fully diluted (LPS) EPS (US\$)	(0.01) ⁽¹⁾	0.01	(0.01) ⁽¹⁾	0.01

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

Notes:

- (1) Fully diluted LPS of the Group are the same as the basic LPS because the potential ordinary shares to be converted under any convertible securities are anti-dilutive.
- (2) Adjusted to reflect the issuance of bonus shares during the IPO.
- (3) Adjusted for 83,925 shares issued on 4 January 2016 arising from the exercise of warrants.

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

(a) Current period reported on; and

(b) Immediately preceding financial year

	Group		Company	
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Net asset value ("NAV")				
NAV (US\$'000)	79,211	84,158	79,177	84,124
Number of ordinary shares in issue (in thousands)	508,742	508,658	508,742	508,658
NAV per ordinary share (US\$)	0.16	0.17	0.16	0.17

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss:-

- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on**

Consolidated Statement of Comprehensive Income

Review for the performance of the Group for the three months ended 30 June 2016 ("2Q2016") as compared to the three months ended 30 June 2015 ("2Q2015").

Income

Total income decreased by approximately US\$8.8 million from US\$5.9 million in 2Q2015 to a loss of US\$2.9 million in 2Q2016.

Gain (loss) from change in fair value of investments in portfolio companies

The change in fair value of investments in portfolio companies was a loss of approximately US\$4.7 million in 2Q2016 as compared to a gain of approximately US\$4.5 million in 2Q2015 mainly due to:

- (i) a decrease of approximately US\$2.6 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 2Q2016;

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

- (ii) the write off of four portfolio companies in the amount of approximately US\$1.8 million as a result of development challenges in one of the companies and the lack of funding in the other companies; and
- (iii) a loss of approximately US\$1.0 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 a delay in launching the product caused by the purchaser's decision to make minor changes to an accessory that they manufacture and that is sold together with the Most Valuable Portfolio Company product.

The losses were partially offset by an aggregate gain in fair value of approximately US\$0.8 million for some portfolio companies as a result of the completion of fund raising exercises at higher valuation and general commercial and technological progress demonstrated in some portfolio companies in 2Q2016.

Income from services to portfolio companies

Income from services to portfolio companies comprised approximately US\$0.1 million received as overhead reimbursement from our portfolio companies and approximately US\$0.8 million of non-cash benefits received from the OCS in Israel. Income from services to portfolio companies decreased by approximately US\$0.1 million or 13.2% mainly due to lesser portfolio companies under the incubators during 2Q2016 as compare to 2Q2015.

Group's share of losses of companies accounted for under the equity method

The Company did not record any gain or losses from companies accounted for under equity method in 2Q2016, as compared to a loss of approximately US\$30,000 in 2Q2015. The holding represents the fair value of the Company's shareholding in E.T. View Medical Ltd.

Income from contracted research and development ("R&D") services

Income from contracted R&D services increased by approximately US\$0.2 million or 235% due to the new collaboration agreement 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 in 2Q2016 due to a reduction in the fair market value of loans from the Israeli OCS as compared to increase in value in 2Q2015.

Other income

Other income decreased by approximately US\$0.1 million mainly due to the absence of the consideration in respect of a non-compete agreement that the Group received in 2Q2015 relating to an asset deal exit of a portfolio company that occurred in 2013.

Expenses**Operating, general and administrative expenses**

Operating, general and administrative expenses increased by approximately US\$1.0 million or 76.8% which was mainly attributable to an increase in consulting and professional expenses incurred by the Company following its listing on the Catalist Board of SGX-ST. The decrease in

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

depreciation and amortization by approximately US\$17,000 in 2Q2016 was mainly due to the absence of acceleration of depreciation of some unused items in 2Q2015.

Marketing expenses

Marketing expenses remain relatively unchanged in 2Q2016 as compared to 2Q2015.

R&D expenses, net

Net R&D expenses increased by approximately US\$21,000 or 16.0% which was in line with the increase in R&D services provided by our Trendlines Labs as mentioned above, which resulted in an increase of manpower in the R&D Group.

Financial expenses (income), net

Financial expenses remain relatively unchanged in 2Q2016 as compared to 2Q2015.

Income/(loss) before income taxes

In view of the above, loss before income tax in 2Q2016 was approximately US\$5.5 million as compared to an income before income tax of approximately US\$4.4 million in 2Q2015, mainly due to lower income generated in 2Q2016.

Income tax (benefit)/expense

Income taxes in 2Q2016 amounted to a tax benefit of approximately US\$0.9 million compared to tax expenses of approximately US\$1.6 million in 2Q2015. The income tax benefit in 2Q2016 was mainly due to a change in deferred taxes of approximately US\$1.7 million as a result of decrease in the value of the investment in the portfolio companies and the losses incurred for the period.

Consolidated Statement of Financial Position

The comparative performance for both the assets and liabilities are based on the Group's financial statements as at 30 June 2016 and 31 December 2015.

Total assets

Total assets decreased by approximately 6.4% from US\$109.0 million as at 31 December 2015 to US\$102.0 million as at 30 June 2016. This was mainly due to reduction in restricted short-term deposits and short-term investments, and the reduction in the value of the investments in the portfolio companies.

Non-current assets**Investments in portfolio companies**

Investments in portfolio companies reduced by US\$1.6 million or 1.9% were mainly due to the following:

- a decrease of approximately US\$2.2 million in the aggregate fair value of some of our portfolio companies mainly due to general commercial and technological difficulties demonstrated during 2Q2016 and as a result of the completion of fund raising exercises at less favorable terms to the Company; and
- the write off of six (6) portfolio companies amounting to approximately US\$7.2 million.

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

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

- investments in three (3) new portfolio companies which contributed approximately US\$1.9 million to the fair value of our portfolio companies as at 30 June 2016;
- an aggregate increase of approximately US\$2.3 million in the fair value of some of our portfolio companies mainly due to a completion of fund raising exercises and general commercial and technological progress demonstrated during 2Q2016; and
- an increase in the fair value of the Most Valuable Portfolio Company by approximately US\$3.0 million as a result of a progress in the development activity. The fair value of the Most Valuable Portfolio Company as at 30 June 2016 was estimated using a probability-weighted discounted cash flow valuation model conducted by an independent valuation specialist.

The fair value of all the portfolio companies as at 30 June 2016 was approximately US\$84.7 million. This consists of our investments in portfolio companies presented in our financial statements at their fair value of approximately US\$82.8 million, as well as the fair market value of the associated company, E.T.View Medical Ltd., held through our Company, of approximately US\$1.9 million.

As at 30 June 2016	Number of Portfolio Companies	Carrying Amount (US\$'000)	Fair Value (US\$'000)
"Investments in portfolio companies" ⁽¹⁾	42	82,838 ⁽²⁾	82,838
"Investments in companies accounted for under the equity method"	1	–	1,862 ⁽³⁾
Total Portfolio	43	82,838	84,700

Notes:

(1) Includes a portfolio company valued at approximately US\$42.8 million as at 30 June 2016.

(2) Includes the fair value of Group's investment in E.T.View Medical Ltd., which is held through the Company's direct subsidiary, Trendlines Medical – Misgav Ltd. As per the Company's announcement dated 22 July 2016, E.T.View Medical Ltd. had entered into a definitive agreement for the sale of E.T.View Medical Ltd. by way of a reverse triangular merger.

(3) Represents the fair value of the portion of Company's shareholdings in E.T.View Medical Ltd., comprising 2,787,052 shares as at 30 June 2016. The fair value is derived from the traded share price of E.T.View Medical Ltd. as quoted on the Tel Aviv Stock Exchange as at the close of trading on 30 June 2016.

The fair value of our investment in our portfolio companies is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Each portfolio company is evaluated on a fair value basis based on a variety of valuation methodologies that includes 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 a range of inputs, including, *inter alia*, considerations of liquidity and model inputs related to items such as prevailing growth rates in light of general market growth, discount rates, volatility, prevailing relevant business conditions and industry trends, competitive environment and market position, anticipated needs for working and

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

fixed capital and historical and expected levels and trends of operating profitability. Our Company utilized our 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 our Company.

Current assets

As at 30 June 2016, current assets amounted to approximately US\$18.7 million and comprised of cash and cash equivalents, restricted short-term deposits, short-term investments, accounts and other receivables, and short-term loans to portfolio companies.

Cash and cash equivalents

Cash and cash equivalents increased by approximately US\$10.8 million mainly due to the proceeds from sale of short-term investments, partially offset by the use of such proceeds for operational activities.

Short-term investments and restricted short-term deposits

Short-term investments (including restricted short-term deposits) decreased by approximately US\$16.1 million mainly due to the sale of short-term investments for the Company's ongoing operational activities. The restricted short-term deposit of US\$331,000 as at 30 June 2016 was in relation to the bank guarantee for the OCS license.

Accounts and other receivables

Accounts and other receivables amounted to approximately US\$0.4 million as at 30 June 2016, mainly comprised of other receivables of approximately US\$0.2 million and trade receivables of approximately US\$0.2 million which were non-interest bearing and generally with credit terms of 90 days.

Total liabilities

Total liabilities stood at approximately at US\$22.8 million as at 30 June 2016. Non-current liabilities represented approximately 84.0% of our total liabilities.

Non-current liabilities

Non-current liabilities decreased by approximately US\$2.0 million or 9.5% mainly attributable to the following:

Deferred revenue (non-current)

An increase of US\$ 0.1 million in the deferred revenue (non-current) was due to higher number of companies being added to the portfolio during the year ended 30 June 2016, as compared to the number added in the year ended 31 December 2015.

Loans from the Israeli Chief Scientist

A decrease of US\$ 0.4 million, or 9.1% in the loans from the Israeli OCS was mainly due to a reduction in the fair value of the loans which was in line with the decline in the value of the investments in the portfolio companies as at 30 June 2016 compared to 31 December 2015.

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

Deferred taxes, net

Net deferred taxes decreased by approximately US\$1.7 million, or 10.5%, mainly due to the decrease in the statutory corporate income tax rate in Israel from 26.5% prior to 1 January 2016 to 25%, effective as at 1 January 2016, and the reduction in the value of the investment in the portfolio companies.

Current liabilities

Our current liabilities remain unchanged as at 30 June 2016 as compared to 31 December 2015.

Trade and other payables

Trade and other payables increased by approximately US\$0.3 million, or 24.9%, mainly due to an increase in unrecognized revenue from an ongoing R&D project based on percentage of completion, that will be recognized in subsequent periods.

Deferred revenues (current)

Deferred revenue decreased by US\$0.3 million or 10.4% mainly due to lower number of companies that were added to the portfolio in the two years' period prior to 30 June 2016 as compared to the number of companies in the two years' period prior to 31 December 2015.

Equity

As at 30 June 2016, equity attributable to equity holders of the Company amounted to approximately US\$79.2 million, represented a decrease of approximately US\$4.9 million from US\$84.1 million as at 31 December 2015. The decrease was mainly due to the net loss for the six months' period ended 30 June 2016 amounting to US\$5.4 million.

Consolidated Statement of Cash Flow

Net cash used in operating activities of US\$2.7 million in 2Q2016 was mainly due to a net loss of US\$4.6 million and adjustments for non-cash items such as (i) loss from changes in fair value of investments in portfolio companies of approximately US\$4.7 million; (ii) investments in portfolio companies of approximately US\$1.0 million; and (iii) income from services to portfolio companies of approximately US\$0.8 million; and offset by (iv) net working capital inflows of approximately US\$0.4 million which was mainly due to a decrease in accounts and other receivables of approximately US\$0.2 million.

Net cash provided by investing activities of US\$12.1 million in 2Q2016 was mainly due to the proceeds from sale of short-term investments for Company's operational activities.

Net cash provided by financing activities of US\$0.1 million in 2Q2016 was mainly due to the loans received from the Israeli OCS.

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

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

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

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

The Company continues to advance its previously announced plans, including establishment of a Singapore-based incubator for the establishment and development of healthcare companies, formed as Trendlines Medical Singapore Pte. Ltd., which is expected to begin operations this year.

B. Braun, the Company's cornerstone investor in its November 2015 IPO, and the Company continue to develop their relationship in all planned sectors: establishment of incubators, investment in selected Trendlines portfolio companies, and work with our in-house innovation center, Trendlines Labs.

The Company remains committed to its stated plans in the medical and agricultural technologies fields and believes that the continued need for new and improved products in these fields represents investment opportunities for the Company.

11. Dividend

If a decision regarding dividend has been made:

- (a) Whether an interim (final) dividend has been declared (recommended); and
No dividend has been declared or recommended for the current reporting period.
- (b)(i) Amount per share (cents)
(Optional) Rate (%)
Not applicable.
- (b)(ii) Previous corresponding period (cents)
(Optional) Rate (%)
Not applicable.
- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).
Not applicable. No dividend has been declared or recommended for the previous corresponding period.
- (d) The date the dividend is payable.
Not applicable.
- (e) The date on which Registrable Transfers receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.
Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for 2Q2016.

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

The Company does not have a general mandate for recurrent interest person transactions. Save for the interested person transactions as disclosed on pages 236 to 252 of the Company's offer document dated 16 November 2015, there were no other interested person transactions which were more than S\$100,000 entered into during 2Q2016.

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2016

14. Use of IPO proceeds

The Company refers to the net proceeds (“**IPO Net Proceeds**”) amounting to S\$19.3 million raised from the IPO on the Catalist Board of SGX-ST on 26 November 2015.

As at the date of this announcement, the status on the use of the IPO Net Proceeds is as follows:

Use of IPO Net Proceeds	Amount allocated (S\$'000)	Amount utilized (S\$'000)	Balance (S\$'000)
Follow-on investments in portfolio companies	10,000	3,761	6,239
Expansion of our operations into new markets	5,000	266	4,734
Expansion of our business units, Trendlines Labs	2,875	661	2,214
Operational expenses to support portfolio companies	1,400	-	1,400
Total	19,275	4,687	14,588

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

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers in the required format.

16. Negative Confirmation by the Board Pursuant to Rule 705(5) of the Catalist Listing Manual

The Board of Directors of the Company confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the 3 months and 6 months ended 30 June 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

[Name]
[Designation]
[Date]