

Issuer: QT Vascular Ltd.

Security: QT Vascular Ltd.

Meeting details:

Date: 8 May 2018

Time: 9.00 a.m.

Venue: The Chevrons, Sunflower Room 1, Level 1, 48 Boon Lay Way, Singapore 609961

Company Description

QT Vascular Ltd., together with its subsidiaries, designs, assembles, and distributes therapeutic solutions for the minimally invasive treatment of complex vascular diseases. The company offers coronary products, including Chocolate percutaneous transluminal coronary angioplasty (PTCA) balloon catheter to reduce vessel trauma by providing balloon inflation; and Glider PTCA for the treatment of various complex lesions. It also provides Chocolate percutaneous transluminal angioplasty (PTA) balloon catheter for the treatment of blocked arteries; Chocolate Touch, a drug-coated balloon catheter; Gliderflex PTA for treating distal peripheral vessels; and GliderXtreme PTA balloon catheter that targets complex lesions in the distal peripheral vasculature. The company sells its products through its direct sales team. It has operations in the United States, Singapore, Japan, Europe, China, Australia, and Hong Kong. QT Vascular Ltd. was incorporated in 2013 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=510)

1. As noted in the Message from the CEO, the group followed up on the definitive distribution agreement with Medtronic, Inc. (“Medtronic”), signed on 11 May 2017, with a sale of the Chocolate® PTA Balloon Catheter assets to Medtronic for US\$28 million on 29 January 2018.

In the Circular to shareholders dated 18 May 2017, the group listed the Business Agreements with Medtronics which include “a licence agreement to grant certain intellectual property rights in connection with the Sale Assets to Medtronic, which licence is granted on an exclusive, irrevocable, worldwide, sublicensable, perpetual and royalty free basis, save for the payment of sales based royalties by Medtronic to the Inventors”.

- (i) **For the benefit of shareholders, can management clarify if the group would still be able to manufacture and sell the Chocolate® PTA in any jurisdiction following the US\$28 million sale to Medtronic?**
- (ii) **Following this one-time payment of US\$28 million, what other payments, if any, can be expected from Medtronics related to the Chocolate® PTA?**
- (iii) **The group reported revenue of US\$14.3 million in FY2017, based on the sale of 29,935 units. Can management provide a breakdown of the sales between the Chocolate PTA and Chocolate XD® Balloon Catheter?**
- (iv) **With the sale of Chocolate PTA, is there a need for the group to rightsize its direct sales team in the USA? How will the operations be affected?**

2. On 5 February 2018, the group had announced that it has entered into a term sheet relating to, inter alia, the Company’s coronary products with a third-party multinational corporation. While the group continues to work with the interested party on signing of definitive agreement, shareholders would like better visibility on the following:

- (i) **What are the mature products/revenue generating products in the group’s portfolio other than Chocolate PTA and Chocolate XD?**
- (ii) **What is the expected timeline for the group’s drug-coated peripheral balloon, Chocolate Touch® to reach the market? What are the budgeted development costs?**
- (iii) **Similarly, how long will the safety and feasibility study for Chocolate Heart™ last and when can it be expected to be ready for the market? What are the budgeted development costs for Chocolate Heart?**
- (iv) **Can management also help shareholders understand the other potential technologies/devices in its portfolio?**
- (v) **Following the agreed settlement with AngioScore which “fully and finally resolve[d] all past, present or future disputes concerning the subject matter of the pending or previously litigated matters between the Group and AngioScore”, can management confirm that there will be no further payment to AngioScore following the other expenses of US\$4.3 million incurred in FY2017 which was mainly due to the agreed settlement?**

3. In the Independent Auditors' Report dated 13 April 2018, KPMG LLP, as the Independent Auditors of the company and its subsidiaries, has included a "Material uncertainty related to going concern" section in their report on the audited financial statements of the Group and Company for the financial year ended 31 December 2017 (page 36).

The basis for opinion for the material uncertainty related to going concern included:

- The group incurred a net loss of US\$22,871,000 during the year ended 31 December 2017
- As of that date, the group's current liabilities exceeded its current assets by US\$25,698,000
- The deficiency in net assets amounted to US\$13,580,000

In addition, as disclosed in Note 2, as at 31 March 2018, the group has an available cash balance of US\$4,579,000.

- (i) **What is the current burn rate for the group?**
- (ii) **Can management help shareholders understand the efforts by the group to control its costs and cash outflows?**
- (iii) **Related to the questions above on the budgeted development costs, does the group have sufficient resources to complete the next R&D milestones for Chocolate Touch and Chocolate Heart?**
- (iv) **What is the board's targeted capital structure for the company? What are the options being considered by the board to strengthen the balance sheet to allow the business to grow in a sustainable manner?**