

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

**Unaudited Financial Statement and Dividend Announcement
For the Financial Year Ended 31 December 2017**

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 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.

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		Change %
	Full Year Ended 31 December 2017 (Unaudited) US\$'000	31 December 2016 (Audited) US\$'000	
Income:			
Gain /(Loss) from change in fair value of investments in Portfolio Companies	9,399	(8,041)	N.M.
Income from services to Portfolio Companies	4,904	4,178	17.38
Group's share of losses of companies accounted for under the equity method, net	(167)	(175)	(4.57)
Gain from disposal of investment accounted for under the equity method	-	2,068	N.M.
Income from contracted R&D services	473	1,139	(58.47)
Financial income	665	473	40.59
Other income	355	432	(22.45)
Total income	15,629	74	N.M.
Expenses:			
Operating, general and administrative expenses	8,579	8,664	(0.98)
Marketing expenses	354	390	(9.23)
R&D expenses, net	1,111	875	26.97
Financial expenses	10	79	(87.34)
Total expenses	10,054	10,008	(1.54)
Income (loss) before income taxes	5,575	(9,934)	N.M.
Tax benefits (income tax expenses)	(1,643)	3,356	N.M.
Net income (loss)	3,932	(6,578)	N.M.
Other comprehensive income (loss)	90	(24)	N.M.
Total comprehensive income (loss)	4,022	(6,602)	N.M.
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	3,953	(6,602)	N.M.
Non-Controlling Interests	69	-	N.M.
	4,022	(6,602)	N.M.

Net earnings per share attributable to equity holders of the Company (in U.S dollars):

Basic and diluted net income (loss)	0.01	(0.01)	<i>N.M.</i>
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N.M. – Not meaningful

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

	31 December 2017 (Unaudited) US\$'000	31 December 2016 (Audited) US\$'000
Interest income	-	80
Depreciation and amortization	183	170
Foreign currency exchange gain	499	17
Adjustments for under or over provision of tax in respect of prior years	297	105

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

Statements of Financial Position

	Group		Company	
	31 December 2017 (Unaudited) US\$'000	31 December 2016 (Audited) US\$'000	31 December 2017 (Unaudited) US\$'000	31 December 2016 (Audited) US\$'000
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	8,747	6,977	5,880	5,306
Short-term investments	10,730	9,225	10,545	9,051
Accounts and other receivables	716	895	238	657
Short-term loans to Portfolio companies	229	212	-	-
Total Current Assets	20,422	17,309	16,663	15,014
NON-CURRENT ASSETS:				
Investments in Portfolio Companies	96,800	83,701	-	-
Investments in companies accounted for under the equity method	-	1,080	-	1,080
Investment in Subsidiaries ⁽¹⁾	-	-	77,045	63,121
Property, plant and equipment, net	1,050	515	274	166
Total Non-Current Assets	97,850	85,296	77,319	64,367
Total Assets	118,272	102,605	93,982	79,381
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Trade and other payables	2,225	1,377	1,409	691
Deferred revenues	3,970	3,827	194	194
Total Current Liabilities	6,195	5,204	1,603	885
LONG-TERM LIABILITIES:				
Deferred revenues	1,352	2,166	-	194
Loans from the Israel Innovation Authority	3,830	4,392	-	-
Other long-term liabilities	186	144	168	135
Deferred taxes, net	13,844	12,498	-	-
Total Long-Term Liabilities	19,212	19,200	168	329
EQUITY:				
Equity Attributable to Equity Holders of the Company:				
Share capital	1,601	1,315	1,601	1,315
Share premium	65,028	55,316	65,028	55,316

Reserve from hedges	66	(24)	66	(24)
Reserve from share-based payment transactions	4,477	4,384	4,477	4,384
Retained earnings	21,039	17,176	21,039	17,176
Total	92,211	78,167	92,211	78,167
Non-Controlling Interests	654	34	-	-
Total Equity	92,865	78,201	92,211	78,167
Total Liabilities and Equity	118,272	102,605	93,982	79,381

Note:

(1) This amount consists of the Company's investments in its subsidiary companies namely Trendlines Agtech – Mofet Ltd., Trendlines Incubators Israel Ltd. (formerly known as Trendlines Medical – Misgav Ltd.) and Trendlines Medical Singapore PTE LTD.

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

Amount repayable in one year or less, or on demand

As at 31 December 2017 (Unaudited)		As at 31 December 2016 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	-	-	-

Amount repayable after one year

As at 31 December 2017 (Unaudited)		As at 31 December 2016 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
3,830	-	4,392	-

Details of any collateral

The Group has non-recourse debt to the Israeli Innovation Authority (formerly known as the Office of the Chief Scientist of the Israeli Ministry of Economy) ("IIA"). These loans were extended from the IIA 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:

Name of Portfolio Company	Number of shares in each Portfolio Company pledged in favour of the IIA	
	As at 31 December 2017 (Unaudited)	As at 31 December 2016 (Unaudited)
Advanced Memtech Ltd.	77,668	77,668
Leviticus Cardio Ltd.	49,250	49,250
Liola Technologies Ltd.	36,500	36,500
Magdent Ltd.	40,750	40,750
NeuroQuest Ltd	71,820	71,820
ProArc Medical Ltd	34,860	34,860
Sol Chip Ltd.	66,310*	66,310*
VivoText Ltd.	36,669	36,669

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

**including bonus shares*

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

	Group	
	Full Year Ended	
	31 December 2017	31 December 2016
	(Unaudited)	(Audited)
	US\$'000	US\$'000
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income (loss)	3,932	(6,578)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Depreciation and amortization	183	170
Income tax (tax benefits)	1,643	(3,356)
Loss (gain) from changes in fair value of investments in Portfolio Companies	(9,399)	8,041
Financial expenses, net	(151)	(652)
Income from services to Portfolio Companies	(4,288)	(3,922)
Share-based payments	248	645
Group's share of losses of companies accounted for under the equity method, net	167	175
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	(17)	(142)
Decrease (increase) in accounts and other receivables	269	(491)
Increase in trade and other payables	484	299
Increase in other long term liabilities	42	92
	(10,819)	(1,209)
Proceeds from sale of investment in Portfolio Company	2,444	1,470
Investments in Portfolio Companies, net	(2,502)	(3,376)
	(58)	(1,906)
Cash (paid) received during the year for:		
Interest (paid) received	(76)	80
Tax paid	(297)	(105)
Dividend received	-	897
	(373)	872

Net cash used in operating activities	(7,318)	(8,821)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(441)	(144)
Proceeds from (Investment in) bank deposits and short-term investments, net	(1,505)	7,265
Proceeds from sale of company accounted for under the equity method	-	2,068
Consolidation of Trendlines Medical Singapore (a)	1,544	-
Investments in companies accounted for under equity method	-	(868)
Net cash provided by (used in) investing activities	(402)	8,321
CASH FLOW FROM FINANCING ACTIVITIES:		
Issuance of shares, net	9,843	-
Loans received from the Israel Innovation Authority	106	479
Loans repaid to the Israel Innovation Authority	(459)	-
Net cash provided by financing activities	9,490	479
Increase (decrease) in cash and cash equivalents	1,770	(21)
Cash and cash equivalents at the beginning of the period	6,977	6,998
Cash and cash equivalents at the end of the period	8,747	6,977
(a) Consolidation of Trendlines Medical Singapore		
Property, plant and equipment, net	(284)	-
Current liabilities	364	-
investments	913	-
Non-controlling interests	551	-
	1,544	-

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 capitalization 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	Reserve from hedges US\$'000	Reserve from share- US\$'000	Retained earnings US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance as at 1 January 2017	1,315	55,316	(24)	4,384	17,176	34	78,201
Net income and total comprehensive income	-	-	90	-	3,863	69	4,022
Issuance of shares	286	9,557	-	-	-	-	9,843
Cost of share-based payments	-	-	-	248	-	-	248
Expiration of options	-	155	-	(155)	-	-	-
Consolidation of Trendlines Medical Singapore	-	-	-	-	-	551	551
Balance as at 31 December 2017	1,601	65,028	66	4,477	21,039	654	92,865
(Audited)							
Balance as at 1 January 2016	1,315	54,852	-	4,203	23,754	34	84,158
Net loss and total comprehensive loss	-	-	(24)	-	(6,578)	-	(6,602)
Cost of share-based payments	-	-	-	645	-	-	645
Expiration of options	-	455	-	(455)	-	-	-
Exercise of warrants	- *)	9	-	(9)	-	-	- *)
Balance as at 31 December 2016	1,315	55,316	(24)	4,384	17,176	34	78,201

*) Represents an amount less than 1.

Statement of Changes in Equity -- Company

(Unaudited)	Share capital US\$'000	Share premium US\$'000	Reserve from hedges US\$'000	Reserve from share- US\$'000	Retained earnings US\$'000	Total equity US\$'000
Balance as at 1 January 2017	1,315	55,316	(24)	4,384	17,176	78,167
Net income and total comprehensive income	-	-	90	-	3,863	3,953
Issuance of shares	286	9,557	-	-	-	9,843
Cost of share-based payments	-	-	-	248	-	248
Expiration of options	-	155	-	(155)	-	-
Consolidation of Trendlines Medical Singapore	-	-	-	-	-	-
Balance as at 31 December 2017	1,601	65,028	66	4,477	21,039	92,211
(Audited)						
Balance as at 1 January 2016	1,315	54,852	-	4,203	23,754	84,124
Net loss and total comprehensive loss	-	-	(24)	-	(6,578)	(6,602)
Cost of share-based payments	-	-	-	645	-	645
Expiration of options	-	455	-	(455)	-	-
Exercise of warrants	- *)	9	-	(9)	-	- *)
Balance as at 31 December 2016	1,315	55,316	(24)	4,384	17,176	78,167

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital – Ordinary Shares

	No of ordinary shares issued Company	Issued and paid-up share capital of the Company (US\$, thousand)
As at 30 September 2017	508,741,749	1,315
Issuance and allotment of shares pursuant to the Placement ⁽¹⁾	100,000,000	286
Balance as at 31 December 2017	608,741,749	1,601

Note:

(1) The Company had on 25 October 2017 completed the placement of 100 million new ordinary shares of the Company at a placement price of S\$0.1403 per placement share which raised net proceeds of approximately S\$13.34 million (approximately US\$ 9.8 million) (the “**Placement**”).

On 6 April 2017, the Company's board of directors approved the grant of 1,603,938 options which are exercisable into 1,603,938 ordinary shares of the Company to employees of the Company at an exercise price of S\$0.156 (approximately US\$0.116) per share

As at 31 December 2017, there are 55,159,774 outstanding options which can be converted into 55,159,774 shares (31 December 2016: 55,229,448 outstanding options which can be converted into 55,229,448 shares).

Save as disclosed above, the Company did not have any other convertibles as at 31 December 2017 and 31 December 2016.

There were also no treasury shares or subsidiary holdings as at 31 December 2017 and 31 December 2016.

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 31 December 2017	As at 31 December 2016
Total number of issued shares	608,741,749	508,741,749

There were no treasury shares as at 31 December 2017 and 31 December 2016.

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

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, 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 financial statements for the financial year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has 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 2017. 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 consolidated 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

Earnings/(Loss) per share ("EPS/(LPS)")	Group	
	Full Year Ended	
	31 December 2017 (Unaudited)	31 December 2016 (Audited)
Income (loss) attributable to owners of the parent (US\$'000)	3,863	(6,578)
Weighted average number of ordinary shares in issue (in thousands)	525,408	508,742
Basic EPS (LPS) (US\$)	0.01	(0.01)
Fully diluted EPS (LPS) (US\$)	0.01 ⁽¹⁾	(0.01) ⁽²⁾

Notes:

- (1) Fully diluted EPS in FY2017 is the same as basic EPS because the outstanding options were out of the money.
- (2) Fully diluted LPS in FY2016 is the same as basic LPS since the effect of the potential ordinary shares to be converted under the outstanding options was anti-dilutive.

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

Net asset value ("NAV")	Group		Company	
	31 December 2017 (Unaudited)	31 December 2016 (Audited)	31 December 2017 (Unaudited)	31 December 2016 (Audited)
NAV (US\$)	92,210,823	78,166,993	92,210,823	78,166,993
Number of ordinary shares in issue	608,741,749	508,741,749	608,741,749	508,741,749
NAV per ordinary share (US\$)	0.15	0.15	0.15	0.15

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 financial year ended 31 December 2017 ("FY2017") as compared to the financial year ended 31 December 2016 ("FY2016").

Total income increased by approximately US\$15.5 million from US\$74 thousand in FY2016 to approximately US\$15.6 million in FY2017.

Gain (loss) from change in fair value of investments in Portfolio Companies

The gain in fair value of investments in Portfolio Companies was approximately US\$9.4 million in FY2017 as compared to a loss of approximately US\$8.0 million in FY2016 mainly due to:

- (i) an increase of approximately US\$13.9 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 FY2017;
- (ii) a gain of US\$2.3 million from exit of 2 portfolio companies; and
- (iii) a gain of approximately US\$1.9 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.

The gain in fair market value of investments in Portfolio Companies was partially offset by:

- (i) a decrease of approximately US\$5.7 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 FY2017; and
- (ii) the write off of five (5) Portfolio Companies of approximately US\$3.1 million as a result of lack of funding in those companies.

Income from services to Portfolio Companies

Income from services to Portfolio Companies comprised approximately US\$0.6 million received as overhead reimbursement from our Portfolio Companies and approximately US\$4.3 million value of non-cash benefits received from the IIA in Israel. Income from services to Portfolio Companies increased by approximately US\$0.7 million or 17.4% mainly due to an increase in overhead reimbursement from our Portfolio Companies as there were a higher number of Portfolio Companies being serviced by the Group for longer time in FY2017 as compared to FY2016.

Gain from disposal of investment accounted for under the equity method

In FY2016, the Company sold its shareholding in E.T. View Medical Ltd. resulting in a gain of US\$2.1 million. There was an absence of such gains in FY2017.

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

Income from contracted R&D services decreased by approximately US\$0.7 million or 58.5% due to a lower level of activity in relation to R&D services provided by Trendlines Labs to a third party.

Financial income

Financial income increased by approximately US\$0.2 million or 40.6% in FY2017 mainly due to a exchange rate differences.

Expenses

R&D expenses, net

R&D expenses increased by approximately US\$0.2 million or 27.0% due to increase in personnel cost and the higher usage of materials as a result of consolidation of controlled portfolio company during FY2017.

Income before income tax in FY2017 was US\$5.6 million as compared to a loss before income tax of US\$9.9 million in FY2016, mainly due to the gain from change in fair value of investments in Portfolio Companies.

Tax benefits (Income Tax)

Income tax expense in FY2017 was approximately US\$1.6 million as compared to tax benefits of approximately US\$3.4 million in FY2016 mainly due to taxable income in FY2017 compared to a taxable loss in FY2016.

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 2017 and 31 December 2016.

Total assets increased by approximately 15.3% from approximately US\$102.6 million as at 31 December 2016 to approximately US\$118.3 million as at 31 December 2017. This was mainly due to the increase of cash and cash equivalents and short term deposits resulting from the allotment completion on October 2017, and the increase in the fair value of the investment in portfolio companies.

Non-current assets

Investments in Portfolio Companies

The investments in Portfolio Companies of approximately US\$96.8 million as at 31 December 2017 were made up of 47 Portfolio Companies presented at their fair value.

The increase in value of our investments in Portfolio Companies by approximately US\$13.1 million was derived from the following:

- An aggregate increase of approximately US\$15.1 million in the fair value of nineteen (19) 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 FY2017;
- The investments in seven (7) new Portfolio Companies which contributed approximately US\$4.0 million to the fair value of our Portfolio Companies as at 31 December 2017; and
- The increase in fair value of The Most Valuable Portfolio Company by approximately US\$1.9 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 2017 was estimated using a probability-weighted discounted cash flow valuation model conducted by an independent valuation specialist.

The increase in investments in Portfolio Companies was partially offset by:

- A decrease of approximately US\$4.9 million in the aggregate fair value of some of our Portfolio Companies mainly due to general commercial and technological difficulties demonstrated during FY2017 and as a result of the completion of fund raising exercises at less favorable terms to the Company; and
- The write off of five (5) Portfolio Companies amounting to approximately US\$3.0 million.

Current assets

Cash and cash equivalents

Cash and cash equivalents increased by US\$1.8 million, mainly as a result of the completion of the Placement which raised net proceeds of approximately US\$ 9.8 million (some of which are currently invested in short-term investments – please refer to the section “Short-term investments” below).

Short-term investments

Our short-term investments increased by approximately US\$1.5 million mainly because some of the net proceeds raised from the Placement had been invested in bank deposits with an original maturity of more than three months for the time being.

Accounts and other receivables

The decrease of US\$0.2 million in accounts and other receivables was mainly due to the reduction of R&D services provided by Trendlines Labs to a third party

Long-term liabilities

Our total liabilities amounted to approximately at US\$25.4 million as at 31 December 2017. Our long-term liabilities, representing approximately 75.6% of our total liabilities, remained relatively unchanged in 31 December 2017 as compared to 31 December 2016.

Long-term deferred revenue

The decrease of approximately US\$0.8 million in the deferred revenue was mainly due to less new companies (7 companies) added to the portfolio in FY2017 as compared to FY2016 (10 companies).

Loans from the IIA

The loans from the IIA decreased by US\$0.6 million or 12.8%, from US\$4.4 million as at 31 December 2016 to US\$3.8 million as at 31 December 2017 mainly due to the decrease in fair market value of some Portfolio Companies.

Deferred taxes, net

Net deferred taxes increased by US\$1.3 million or 10.8%, mainly due to an increase in fair market value of some Portfolio Companies.

Current liabilities

Trade and other payables

Trade and other payables increased by approximately US\$0.8 million or 61.6% mainly due to the increase in accrued expenses for employees and employees related expenses.

Short-term deferred revenues

Short -term deferred revenue remained relatively unchanged in December 31, 2017 as compared to December 31, 2016.

Equity

As at 31 December 2017, equity attributable to equity holders of the Company amounted to approximately US\$92.2 million, representing an increase of approximately US\$14.0 million from approximately US\$78.2 million as at 31 December 2016. The increase was mainly due to the completion the allotment and issuance of shares for a net proceeds of approximately US\$ 9.8 million and the net income of US\$3.9 million in FY2017.

Consolidated Statement of Cash Flow

Net cash used in operating activities of approximately US\$7.3 million in FY2017 was mainly due to a net income of approximately US\$3.9 million and adjustments for non-cash items such as (i) income from changes in fair value of investments in Portfolio Companies of approximately US\$9.4 million; and (ii) income from services to Portfolio Companies of approximately US\$4.3 million; and (iv) net working capital outflows of approximately US\$0.8 million which was mainly due to an increase of approximately US\$0.5 million in trade and other payables, and a decrease of approximately US\$0.3 million in trade and other payables.

Net cash used in investing activities of approximately US\$0.4 million in FY2017 was mainly due to the consolidation of Trendlines Medical Singapore in the amount of approximately US\$1.5 million investment which was offset by the investments of approximately US\$1.5 million in bank deposits and short term investments and the purchase of property, plant and equipment of US\$0.4 million.

Net cash provided by financing activities of approximately US\$9.5 million in FY2017 was mainly due to the completion of the Placement which raised net proceeds of approximately US\$ 9.8 million.

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.

In the fourth quarter of 2017 the Company completed a strategic review in respect of its operations with a view to reduce costs, increase efficiency and enhance shareholder value. Consequently, the Company implemented a plan which is expected to reduce its operating expenses for the financial year ending 31 December 2018 by approximately US\$1.3 million, as compared to the Group's "Operating, General and Administrative Expenses" and research and development salaries under "R&D Expenses," for the 3 months ended 30 June 2017, on an annualized basis.

During 2017 the Company established its Singapore subsidiary, Trendlines Medical Singapore Pte Ltd. ("**Trendlines Medical Singapore**"), a medtech incubator located in Singapore, and announced the receipt of approval of an operating grant of S\$ 2.2 million from SPRING Singapore, the enterprise development agency of the Singapore Ministry of Trade and Industry. Subsequently, the Company announced that its Trendlines Labs unit, in partnership with Singapore General Hospital, had received a grant from the Singapore Israel Industrial Research and Development Foundation ("**SIIRD**") for the development and clinical trial for its Stress Urinary Incontinence product. In addition on February 8, 2018 the company announced the collaboration with Ozi Amanat's Singapore-based venture capital firm K2 Global Pte Ltd and has been appointed as one of the partners under the Startup SG Equity scheme, administered by SPRING SEEDS Capital Pte. Ltd. ("**SSC**") (In July 2017, SSC announced a SGD100 million investment allocation to groom start-ups and issued a call to the appointed partners to coinvest in the health and biomedical sciences and other fields). The above developments reflect the Company's commitment to deepening its commercial ties in Singapore and the Company believes this trend will continue in 2018.

The Company also announced the signing of a Memorandum of Understanding with Haier Hai Chuanghui Incubator and Ventures ("**Haier HCH**"), a subsidiary of Haier Group Corporation, based in China. Trendlines and Haier HCH will explore ways to collaborate in developing new technologies, solutions and products, deal flow and, investments; supporting Trendlines' portfolio companies in China, supporting Haier HCH's entrepreneurs in Israel, among other opportunities.

During 2017 the Company raised S\$ 14.03 million of gross proceeds (or S\$13.34 million of net proceeds) through the Placement. The Placement was well subscribed by a good mix of institutional, corporate and individual investors. B. Braun Melsungen AG, the cornerstone investor in Trendlines' November 2015 IPO, participated in this placement, maintaining its shareholding in The Trendlines Group. In addition, subscribers in the placement include prominent corporate and individual investors, Asdew Acquisitions Pte Ltd, Island Asset Management Pte Ltd, ICH Capital Pte Ltd, Lumiere Capital Limited, Azure Capital Pte Ltd, Emerald Investment Management Pte Ltd and others. The net proceeds of the placement will be used for the Group's general working capital and direct and indirect investment in new, prospective and existing portfolio companies.

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 both investment and liquidity opportunities for the Company. During 2017, the Company established nine new portfolio companies in these areas, including one company established by Trendlines Medical Singapore and once company established by the Bayer Trendlines Ag Opportunity Fund LP.

The Company is continuously exploring potential exits of some of its portfolio companies. In this regard, the Company completed two exits during 2017, selling its shares in MitrAssist Medical Ltd. and its shares in BioSight Ltd. In addition, the Company announced that US company Cogentix Medical Inc. (“Cogentix”) had invested US\$2 million in portfolio company Vensica Medical Ltd. (“Vensica”) and, as part of the transaction, had received options to acquire from the equity holders (i.e., shareholders and option holders) of Vensica, the entire share capital of Vensica, for a total consideration of US\$8 million. The Company is committed to continuing to explore exit opportunities in the future and to optimizing shareholder value.

The estimation or belief of the above constitutes a forward-looking statement which involves risks and uncertainties. Such forward-looking statement is not a guarantee of future results, performance or achievements. Actual results, performance or achievements of the Company and its portfolio companies may differ from those expressed in the forward-looking statements as a result of various factors, such as known and unknown risks and uncertainties, and assumptions. In light of these risks and uncertainties, actual events, results and developments could differ materially from those expressed or implied by the forward-looking statement

11. Dividend

If a decision regarding a dividend has been made: -

- (a) Whether an interim (final) dividend has been declared (recommended); and
Not applicable. 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. No dividend has been declared or recommended for the previous corresponding period.
- (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
- (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 FY2017.

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.

There were no interested person transactions which were more than S\$100,000 entered into during FY2017.

14. Use of IPO proceeds

The Company refers to the net proceeds (“**IPO Net Proceeds**”) amounting to approximately 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:

<u>Use of IPO Net Proceeds</u>	<u>Amount allocated (S\$’000)</u>	<u>Amount utilised (S\$’000)</u>	<u>Balance (S\$’000)</u>
Follow-on investments in Portfolio Companies	10,000	7,179	2,821
Expansion of our operations into new markets	5,000	2,249 ⁽¹⁾	2,751
Expansion of our business units, Trendlines Labs	2,875	2,875	-
Operational expenses to support Portfolio Companies	1,400	-	1,400
Total	19,275	12,303	6,972

Note:

- (1) Inclusive of US\$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 Net Proceeds, as stated in the Company’s Offer Document dated 16 November 2015.

15. Use of Placement proceeds

The Company refers to the net proceeds (“**Placement Net Proceeds**”) amounting to S\$13.34 million raised from the placement of 100 million shares which was completed on 25 October 2017.

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

<u>Use of Placement Net Proceeds</u>	<u>Amount allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
General working capital	4,000	-	4,000
Direct and indirect investments into new, prospective or existing portfolio companies	9,338	-	9,338
Total	13,338	-	13,338

16. 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.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

- 17. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable. The Company has only one operating segment.

- 18. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.**

Please refer to paragraph 8 above.

- 19. A breakdown of total sales as follows:**

	Group		
	FY2017 (Unaudited) US\$'000	FY2016 (Audited) US\$'000	Increase / (Decrease) %
(a) Total (loss)/income reported for first half year	6,563	(1,767)	N.M
(b) Net (loss)/profit after tax before deducting minority interests reported for first half year	735	(5,380)	N.M
(c) Total income reported for second half year	8,856	1,841	381
(d) Net profit (loss) after tax before deducting minority interests reported for second half year	3,197	(1,198)	N.M

N.M. – Not meaningful

- 20. A breakdown of the total annual dividend (in dollar value) for the issuer’s latest full year and its previous full year as follows:**

Not applicable. No dividend has been declared or recommended in FY2017 and FY2016.

- 21. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

There is no person occupying managerial position in the Company or any of its principal subsidiaries who is a relative of Director or Chief Executive officer or substantial shareholders of the Company.

BY ORDER OF THE BOARD

David Todd Dollinger
Chairman and CEO
Date: February 21 2017

This announcement has been prepared by The Trendlines Group Ltd. (the “Company”) and its contents have been reviewed by PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”) for compliance with the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalyst. 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. Jennifer Tan, Senior Manager, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318.