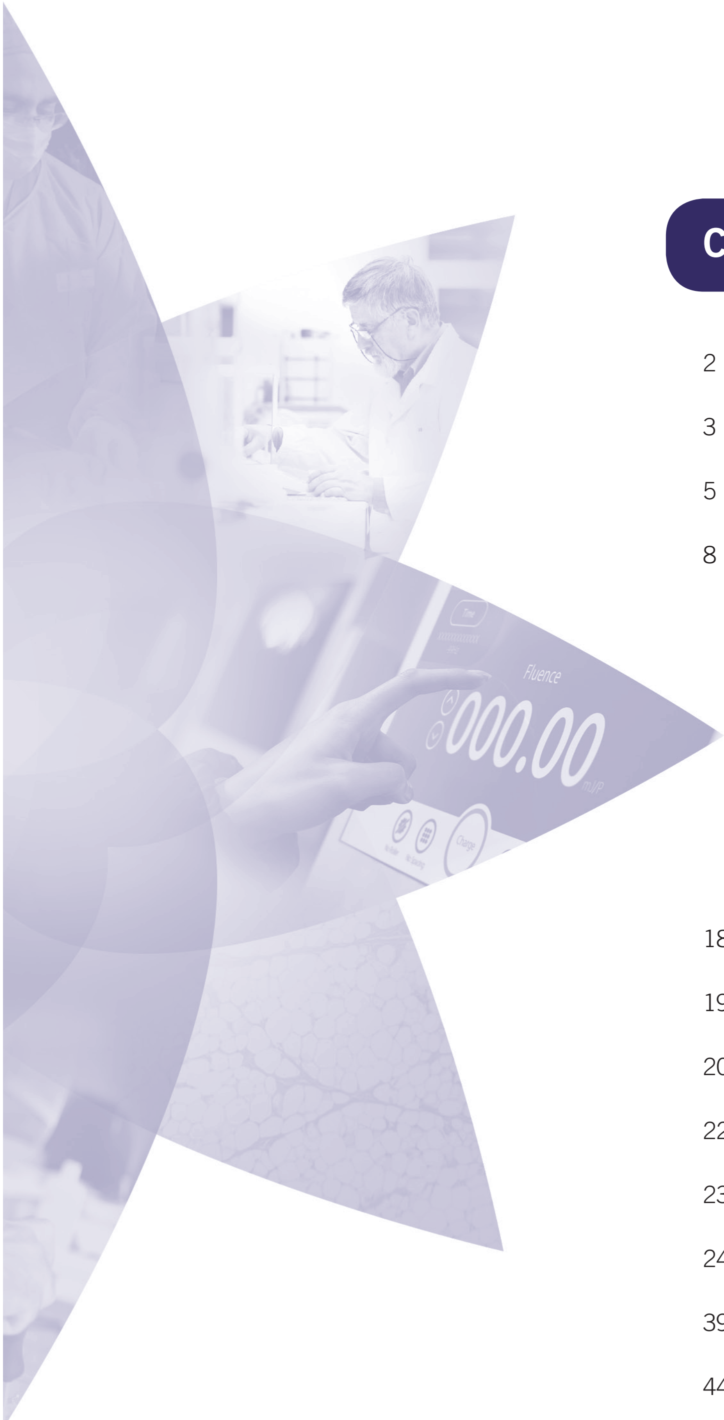
# INTERIM REPORT 2018

Stock Code: 1696


Sisram Medical

(Incorporated in Israel with limited liabillity)

Enhancing Quality of Life

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# FINANCIAL HIGHLIGHTS

| | Six months ended June 30, | | |
|---|---|---|---|
| | **2018** | 2017 | 2016 |
| | **US$'000** | US$'000 | US$'000 |
| **Operating results** | | | |
| Revenue | **78,155** | 66,288 | 58,725 |
| Gross profit | **41,859** | 36,087 | 30,493 |
| Profit before tax | **13,642** | 10,656 | 8,324 |
| Profit for the period attributable to owners of the parent | **11,254** | 7,818 | 5,701 |
| **Profitability** | | | |
| Gross margin | **53.6%** | 54.4% | 51.9% |
| Net profit margin | **14.4%** | 11.8% | 10.5% |

| | **As at June 30, 2018 US$'000** | As at December 31, 2017 US$'000 | As at December 31, 2016 US$'000 |
|---|---|---|---|
| **Assets** | | | |
| Total assets | **350,935** | 346,615 | 279,161 |
| Equity attributable to owners of the parent | **303,736** | 292,976 | 40,486 |
| Total liabilities | **47,199** | 53,639 | 238,675 |
| Cash and bank balances | **98,431** | 104,137 | 41,653 |

# A Bright Future Ahead

It is with great pleasure that I share our excellent interim report with you, our current and potential stakeholders. Sisram Medical Ltd, ("Sisram") has concluded yet another fruitful reporting period, demonstrating a steady and impressive growth. We have increased both sales and profitability during the first half of the year compared with the corresponding period last year.

**Our revenues increased by 17.9% amounting to $78.2 million and the profitability continues on a positive incline with an adjusted net profit of $15.3 million, representing 15.2% year-over-year growth.**

The MedTech industry is a shining star, demonstrating a dramatic positive incline in revenues and investments. The global MedTech industry generated US$364.4 billion in revenue and registered its best year-over-year growth since the global financial crisis of 2008. In aggregate, MedTech companies in the US and Europe expanded their top line 5% in 2016 and grew their total bottom line 17% (EY | Pulse of the industry 2017). Although the medical devices segment is flourishing and is expected to exceed USD 17 billion by 2024 (according to Global Market Insights report, June 2018), there are important trends and mechanisms, shaping and charting the entire MedTech industry that we look out for and aim towards. One of these trends is Consumer-focused decentralization (PharmaPhorum).

The health industry has gone through three eras of evolution: first, the era when surgeries and integrated delivery networks (IDNs) were the target customers, followed by the era when payers and insurance companies were the target audience. We're now in the third wave – the consumer era. The rise of technology has put people at the forefront and in control of their health, with online shopping and the latest healthcare gadgets and apps at their fingertips. Patient empowerment is dictating future innovation. It is expected that more and more product-centric MedTech innovations will be bundled with services and solutions, enabling real-time patient engagement, remote monitoring and more targeted care delivery to create new commercial models. Aligning with this trend, Sisram has and is investing significant portion of it's marketing resources in Direct-to-Consumer activities, targeting brand awareness, bottom-up demand and positive brand perception among consumers worldwide.

With this bright future ahead, Fosun Pharma perceives the MedTech industry as a major growth engine and an important pillar of its operation, supporting the span of its business beyond pharmaceutical. Adhering to the mission of improving human health, Fosun Pharma’s business covers all key sectors of healthcare industry chain, including pharmaceutical manufacturing and R&D, healthcare services, medical devices and medical diagnosis, as well as pharmaceutical distribution and retail. Sisram Medical, as Fosun Pharma’s MedTech pillar, is implementing the group’s development model of “organic growth, external expansion and integrated development” under the guidance of “4IN” strategy (Innovation, Internationalization, Integration, Intelligentization), striving to become a first-tier enterprise in the global MedTech market.

I am confident that the synergic benefit of Fosun Pharma’s financial, regulatory and Healthcare strengths bundled with Sisram’s strong global position, experience and knowledge of bringing the best-of-the-West-to-the-East, is expected to manifest in our near-future outcomes.

## *Words of Appreciation:*

On a closing note, I would like to take this opportunity to thank our customers and key opinion leaders, shareholders, partners, suppliers, and our employees for their contribution to our success as well as the achievement of our future goals.

**Looking forward to a successful 2018,**

**Liu Yi, Chairman**
**VP, CTO & Co-president of medical device division, Fosun Pharma**

# Go East

It's no secret that we have a strong affiliation to Asia Pacific in general and specifically to the People's Republic of China. It starts with our incorporation by Fosun Pharma; one of the largest Healthcare conglomerates in the PRC, weaved into our strong position in the PRC, leading the market with over 16% market share and followed by our public listing on the SEHK and continue with our new subsidiary – Alma Medical Honk-Kong, the establishment of a direct operation in the PRC, our hub from which we tap into the fast-growing Southeast Asian markets.

We began 2018 by sharpening and fine-tuning our growth strategy, charting both organic and non-organic trails, weaving M&A framework and business development activities into this masterplan.

## The organic trail is paved using the following tiles:

- We grew our human capital by 10% since July 2017, recruiting both top-management as well as cross-function employees, thickening our lines and implementing varied experience and new disciplines. Following our "Go-East" strategy, we increased our Indian subsidiary personal by 32% (since July 2017)

- New Headquarters – we are in the midst of planning a new manufacturing site. This site will consolidate the 3 separate facilities that exist today into one, state-of-the-art, advanced and efficient production site featuring 6,600 sqm – an increase of 68% in total floor space and an increase of 92% of our production floor, that is expected to double our production capacity

- USA spotlight – a 30% investment increase in sales and marketing to facilitate continuous growth in North America has begun late last year and is already showing fruits, with 32% increase in sales force and 12% growth in sales volume compare to H1 2017

- Exploring new technologies, indications and treatments, expending our offering across our three product lines with the addition of Plasma as a fifth energy source

- Establishment of the new direct operation in the PRC – Alma Medical Hong-Kong (as previously mentioned)

## The non-organic trail features the following building-blocks:

- Search for energy-based device manufacturers in the fields of minimally-invasive treatments in the Urology and Feminine health domains

- Distribution operation agreement - entering the injectables business with IBSA, a leading pharma company for the distribution of its injectables product line initially in key eastern territories – Hong-Kong, Peoples Republic of China and India. This initiative is expected to further strengthen our position in APAC as a leading MedTech player

**Our "Go East" strategy couples both our organic and non-organic growth engines into a working plan aimed at migrating the best of the West to the East using a detailed, experience-based introduction and operation methodology.**

Currently, Europe and North America account for 51.5% of our revenue (29.2% and 22.3% correspondingly) as the leading revenue contributing nations, followed by the People's Republic of China, accounting for 17.8%. We believe the PRC is expected to replace Europe as Sisram's largest market within the next five years, demonstrating a revenue portion of 35%, followed by the USA with a contribution of 30% - 35%.
I am confident that this comprehensive outlook will serve as a solid base for us, from which we continue our growth and success in the coming years.

Throughout our business journey, we are constantly addressing the challenging industry environment, adjusting our corporate focus, globalizing our operation and aligning our business goals and brand messaging.
As part of this constant adaptation and improvement process we dedicated the first half of 2018 to our re-branding process, bringing us closer to the end-user and strengthening our global brand awareness and position. Our new brand has been globally launched on July 12, 2018, already generating a great traction among our partners all over the world.

On the products front, we recognize the significance and market potential for feminine healthcare treatments. As the first in the industry to launch a full range feminine healthcare treatments portfolio, based on the superior $CO_2$ laser technology, we plan to maintain our leading position and increase our investments in sales and marketing efforts for this platform globally, investing more than 20% of our marketing budget in this market, boosting both our online presence (digital marketing) and off-line presence (with additional exhibitions and workshops).

Zooming-in to a regional perspective, recent trends on the markets continue with good demand in Europe, including a distinct recovery in Russia that is expected to continue throughout the next couple of years, positioning us as market leaders. Adhering to our Direct-to-Consumer strategy, outlined in 2017, we plan on opening additional "Alma Care" centers in leading European capitals, following the success of the two existing centers, in Rome and Milan. "Alma Care" centers serve as a meeting-point for physicians, treatment-providers, Key Opinion Leaders and patients where they acquire knowledge, experience and practice our new technologies and devices.

Brazil is also riding the body contouring trend, with a massive consumer-targeted campaign covering digital channels, Life-style magazines and special events led by top bloggers and micro-influencers. This high-profile campaign amounts to 60% of the country's annual marketing budget and is based on the impressive Accent Prime install base (our most advanced body contouring platform). Our Indian subsidiary has completed the recruitment of a dedicated and experienced sales team to address the growing interest and demand for body contouring solutions in the territory, derived by the growing proportion of middle-class patients with higher disposable income along with global obesity prevalence and shift towards healthy lifestyle.

## *Words of Appreciation:*

On behalf of my colleagues on the executive board, I would like to thank our employees for their hard work, as well as their willingness to embrace change and to our customers, shareholders and other stakeholders for their trust and support.

**Looking forward to a great annual report 2018,**

**Lior M. Dayan,**
**Chief Executive Officer**

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. BUSINESS REVIEW

During the Reporting Period, revenue of the Group increased by 17.9% compared to the corresponding period in 2017, amounting to US$78.2 million.

- Worldwide sales increased between 7.8% and 40.3% per geographic segment.
- Our minimally-invasive products line sales increased by 28.3%, registering the highest growth among our pillars.
- Services & Others revenue grew by 35.3%, due to strong demand of recurring business.
- Our net profit increased by 43.9% to US$11.3 million from US$7.8 million for the corresponding period of 2017.
- Our adjusted net profit increased by 15.2% to US$15.3 million from US$13.3 million for the corresponding period of 2017. Adjusted net profit margins of the Group during the Reporting Period and the corresponding period of 2017 were 19.6% and 20.1%, respectively.
- Net profit margins of the Group during the Reporting Period and the corresponding period in 2017 were 14.4% and 11.8%, respectively.
- We expanded our business outreach, establishing a new direct sales operation intended to cover additional Medical Technology ("**MedTech**") industry segments, such as distributing aesthetic injectable materials ("**Injectables**").
- The gross profit margin was 53.6%, a slight decrease compared to 54.4% for the corresponding period in 2017 due to higher indirect costs associated with manufacturing.

## 2. BUSINESS REVIEW FOR THE FIRST HALF OF 2018

We started 2018 by implementing our "Go East" strategy, delivering the best of the west to the east by utilizing our technological and operational strengths as an industry leader. Our first step was the establishment of a direct operation in Hong Kong, our new subsidiary – Alma Medical HK (Hong-Kong) in May 2018, which will serve as hub for us to tap into the fast-growing Southeast Asian markets. Our Asia Pacific (excluding the PRC) revenue increased by 40.3% in the first half of 2018.

Our second step is a joint venture distribution engagement - entering the injectables business with IBSA, a leading European pharma company for the distribution of its injectables product line. The first phase of this engagement will be rolled out in key eastern territories – Hong-Kong, PRC and India. This operation is expected to further strengthen our position in Asia Pacific territory as a leading MedTech player.

Our analysis of global trends and market opportunities has identified three major "hot spots" - body contouring, dermatology (skin rejuvenation in specific) and feminine health.

According to the report "Body Contouring Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2017-2022" by Research and Markets, the global body contouring market is expected to expand to US$8 billion by 2022, from US$5.3 billion in 2016, representing a projected compound annual growth rate of about 7% from 2017 to 2022.

In response to this rising demand, we have marked 2018 as "Body Contouring" year, aiming to leverage its core competencies and unique position as one of the few global firms able to harness multiple energy sources in the medical devices industry, to gain a stronger position on a global scale. Among Alma's recent launches in this domain are "UltraSpeed", an Ultrasound based applicator for fat and circumferential reduction'; the "Small Areas" treatment kit, for addressing facial and small areas fat reduction and skin tightening; and "Accentuate", a UniPolar™ Radio Frequency hands-free applicator for body contouring and skin tightening, enabling practitioners to provide advanced, effective treatments while improving their clinic's ROI. All of these innovations are add-on to the Group's best-selling body contouring platform, "Accent Prime".

Looking at our outcomes for the Reported Period, we see a surge in demand for dermatology platforms with an increase of 32.8% in units sold. Dermatology is also our second leading products line, accounting for a third of our total platforms sales and a domain we plan to further bolster via cooperation with third parties. This is consistent with market forecasts and trends analysis as Global Market Insights report, June 2018 states - "UK dermatology devices market was valued at US$450 million in 2017 and anticipated to witness robust growth over the forecast period··· China is anticipated to witness over 11% CAGR over the forecast years due to rising expenditure on skin care treatments and increasing prevalence of acne and other skin ailments. Advances in technology and rising awareness of skin problems is projected to fuel business growth".

The third global trend that is expected to continue to flourish in the coming years is Feminine Health. According to the "Energy-Based Feminine Rejuvenation" research by Medical Insight, April 2017, it was estimated that in 2016 there were 5,900 installed bases of Energy-Based Feminine Rejuvenation devices globally. This number is expected to rise to about 28,000 by 2021 with an estimated compound annual growth rate of 37% and corresponding physician fees of approximately US$2 billion. As one of the first companies to launch an energy-based feminine health platform (FemiLift), we maintain our leading position in the market, with an increase of 38% in units sold along with our clinical trials and research aimed at improving treatments efficacy and expending our treatment options for additional indications.

## 3. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2018

In the second half of 2018, we will continue to be committed to our mission to provide modular, cost-effective and high-performance systems based on the very latest clinical research and cutting-edge technology. We will also continue to adhere to our corporate philosophy of "Enhancing Quality of Life", and it will endeavor to capture the opportunities presented by the broad aesthetic and surgical markets, executing the development strategies of organic growth, external expansion and integrated development, and step up its efforts to acquire and integrate with domestic and overseas quality aesthetic and surgical manufacturing companies. We intend to fully exploit the global rising demand for body contouring, dermatology and feminine health treatments to further expand our market share and bolster our position in each territory.

**We plan to focus on the following missions:**

- To expand our sales channels in the United States.
- To strengthen our body contouring product line sales team in India, to meet the rising demand.
- To develop analytics capabilities, by implementing cloud technology into our treatment systems.
- To upgrade existing service centres and establish new service center in Germany.
- To redesign and upgrade our production lines, to enhance efficiency and increase output, as well as strengthening our ability and capacity to develop and manufacture, high-technology products.
- To develop and expand our minimally invasive product line to treat additional indications that can now be performed outside of the operating room, as an office procedure.
- To increase funding for clinical studies.
- To enhance and widen our regulatory compliance operation.
- To commercially launch our Injectable operation in Hong Kong.

## 4. FINANCIAL REVIEW

During the Reporting Period, the unaudited interim results and the summary of financial results are as follows:

**Revenue**

During the Reporting Period, revenue of the Group increased from US$66.3 million to US$78.2 million, representing an increase of 17.9% as compared to the corresponding period in 2017.

*Revenue by main product segments*

We generate revenue from the following revenue streams: (i) sale of goods; and (ii) services and others. The revenue from sale of goods amounted to US$72.0 million, representing an increase of 16.6% as compared to the corresponding period in 2017, which was mainly contributed by the growing revenue from sales of non-invasive medical aesthetic products. The revenue from service and others amounted to US$6.2 million, representing an increase of 35.3% as compared to the corresponding period in 2017.

The following table sets forth our revenue breakdown by main product lines and as a percentage of our total revenue for the six months ended in the years indicated:

| | Six months ended June 30, | | | | |
|---|---|---|---|---|---|
| | **2018** | | 2017 | | YOY % |
| | (US$ in thousands, except for percentages) | | | | |
| Sale of Goods: | | | | | |
| Non-invasive medical aesthetics: | | | | | |
| Core | **57,238** | **73.2%** | 50,204 | 75.7% | 14.0% |
| Beauty | **5,629** | **7.2%** | 4,415 | 6.7% | 27.5% |
| Subtotal | **62,867** | **80.4%** | 54,619 | 82.4% | 15.1% |
| Minimally invasive | **9,135** | **11.7%** | 7,122 | 10.7% | 28.3% |
| | **72,002** | **92.1%** | 61,741 | 93.1% | 16.6% |
| Services and Others | **6,153** | **7.9%** | 4,547 | 6.9% | 35.3% |
| **Total** | **78,155** | **100.0%** | 66,288 | 100.0% | 17.9% |

We have derived a substantial majority of our revenue from our Core product line, representing 73.2% of our total revenue for the reporting period. This includes our flagship non-invasive medical aesthetics treatment systems: Soprano, Harmony and Accent platforms, as well as our Aesthetic Precision product line. Revenue from the sale of our Core product line was US$57.2 million for the six months ended June 30, 2018, which increased by 14.0% in comparison with a revenue of US$50.2 million in the corresponding period in 2017. The increase was mainly attributed to our Dermatology platform.

Our minimally invasive product line revenue increased by 28.3%, and amounted to US$9.1 million compared to US$7.1 million for the corresponding period in 2017. The increase is primarily attributed to the growth in sales volume of our FemiLift platform and its related consumables goods along with the North America launch of our fat suction and grafting platform Lipolife, post FDA and CFDA approval. This FDA clearance will enable us to penetrate the liposuction market and strengthen our minimally-invasive product offerings in North America.

Our Beauty product line revenue increased by 27.5% to US$5.6 million, compared to US$4.4 million in the corresponding period in 2017. The increase is attributed to the global growing demand following our recent product launches in this category.

*Revenue by geographic segments*

The following table sets forth our revenue by geographic segments for the six months ended in the years indicated (measured by the location of our direct sales customers and our distributors):

| | Six months ended June 30, | | | | |
|---|---|---|---|---|---|
| | **2018** | | 2017 | | YOY % |
| | (US$ in thousands, except for percentages) | | | | |
| Europe | **22,805** | **29.2%** | 19,156 | 28.9% | 19.0% |
| North America | **17,444** | **22.3%** | 15,632 | 23.6% | 11.6% |
| PRC | **13,923** | **17.8%** | 12,677 | 19.1% | 9.8% |
| Asia Pacific (excluding PRC) | **11,596** | **14.8%** | 8,267 | 12.5% | 40.3% |
| Latin America | **8,693** | **11.1%** | 7,128 | 10.8% | 22.0% |
| Middle East and Africa | **3,694** | **4.8%** | 3,428 | 5.1% | 7.8% |
| Total | **78,155** | **100.0%** | 66,288 | 100.0% | 17.9% |

During the Reporting Period, Europe, North America and the PRC generated 69% of our revenues. This geographical span ensures we are well diverse and able to mitigate any geographical and economical risks as well as benefit from the global economic.

Our Europe revenue increased by 19.0% to US$22.8 million in the Reporting Period from US$19.2 million for the corresponding period in 2017. The increase is attributed to a high demand in Europe.

Our North America revenue increased by 11.6% to US$17.4 million in the Reporting Period from US$15.6 million in the corresponding period in 2017. The increase is attributed to the growing investment in sales force and marketing.

Our PRC revenue increased by 9.8% to US$13.9 million in the Reporting Period from US$12.7 million in the corresponding period in 2017. We believe that the treatment procedures have gained popularity among treatment recipients as a result of increased market awareness. We believe that we will increase our market share in the following years.

Our Asia Pacific (excluding PRC) revenue increased by 40.3% to US$11.6 million in the Reporting Period from US$8.3 million in the corresponding period in 2017. The increase is primarily attributable to the growth of direct sales in India by 88% and sales in Hong Kong.

Our Latin America revenue increased by 22.0% to US$8.7 million in the Reporting Period from US$7.1 million in the corresponding period in 2017. The increase is primarily attributable to strong demand for body contouring treatments in Brazil following a massive consumer-targeted campaign covering digital channels, Life-style magazines and special events led by top bloggers and micro-influencers.

**Gross profit and gross profit margin**

During the Reporting Period, gross profit of the Group increased by 16.0% to US$41.9 million from US$36.1 million for the corresponding period in 2017 due to the increase in revenues.

The gross profit margin for the Reporting Period and the corresponding period in 2017 were 53.6% and 54.4%, respectively. The decrease is due to higher indirect costs associated with the manufacturing.

**Selling and distribution expenses**

During the Reporting Period, selling and distribution expenses of the Group increased by 33.9% to US$15.8 million from US$11.8 million for the corresponding period in 2017, which was mainly due to the growth in the sales volume and to the extensive market expansion during the Reporting Period.

**Administrative expenses**

During the Reporting Period, administrative expenses of the Group increased by 14.0% to US$6.8 million from US$6.0 million for the corresponding period in 2017. This was mainly due to additional consulting fees to facilitate future growth.

Administrative expenses include amortization of intangible assets arising from the acquisition of Alma Lasers (the "**Alma Acquisition**"). During the Reporting Period. the amortization is US$2.5 million, compared to US$2.4 million in the corresponding period in 2017.

**Research and development expenses**

During the Reporting Period, we maintained a consistent level of research and development expenses based on industry benchmark and the corresponding period in 2017 amounting to US$4.9 million.

**Finance costs**

Finance costs comprise mainly interest on bank loans. Finance costs decreased from US$3.6 million during the corresponding period in 2017 to US$0.5 million, primarily attributable to a lower debt balance in the Reporting Period due to the repayment of bank loans and the capitalization of the capital notes issued by the Company upon listing of the Company's shares in September 2017.

**Income tax expense**

Income tax expense decreased by 15.9% to US$2.4 million in the Reporting Period from US$2.8 million in the corresponding period in 2017. This was primarily attributable to the tax reform in the US and one-off tax expenses in the Israeli subsidiary.

The effective tax rate of the Group was 17.5% for the Reporting Period in comparison to 26.6% during the corresponding period in 2017.

**Profit for the period**

As a result of the foregoing, during the Reporting Period, our profit increased by 43.9% to US$11.3 million from US$7.8 million for the corresponding period in 2017.

The net profit margin of the Group during the Reporting Period and the corresponding period in 2017 were 14.4% and 11.8%, respectively.

**Adjusted net profit and adjusted net profit margin**

Sisram presents this financial measure since it is used to evaluate financial performance by excluding the impact of items that are not considered indicative of the ordinary operating performance or that are no longer outstanding subsequent to the Listing.

Sisram calculates the adjusted net profit by adding back to the profit of the Reporting Period:

a. *Expenses associated with the acquisition of Alma Lasers shares:* (1) the amortization of other intangible assets resulting entirely from the Alma Acquisition; (2) the deferred tax liability arising from other intangible assets, which primarily relates to the Alma Acquisition; (3) interest expenses arising from the Capital Notes that were no longer outstanding upon Listing; and (4) finance costs arising from the buy-out loan from a related company, which was repaid subsequent to the Listing and is no longer outstanding; and

b. *Expenses related to the listing of Sisram:* (1) expenses incurred in relation to the Listing (one-off in nature); and (2) bonus to managements and employees as a result of the completion of the Listing

The adjusted net profit margin is defined by dividing adjusted net profit by revenue.

The term adjusted net profit is not a financial measure defined under IFRSs. The use of the adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact net profit for the period. Items excluded from the adjusted net profit are significant components in understanding and assessing the Group's operating and financial performance. The following table reconciles the adjusted net profit for the period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is the profit for the period:

| | Six months ended June 30, | |
|---|---|---|
| | **2018**<br>**US$'000** | 2017<br>US$'000 |
| **PROFIT FOR THE PERIOD** | **11,254** | **7,818** |
| Adjusted for: | | |
| Amortization of other intangible assets arising from the Alma Acquisition | **2,519** | 2,446 |
| Deduct: deferred tax arising from other intangible assets | **(412)** | (440) |
| Shareholder Capital Notes imputed interest expenses | — | 2,112 |
| Interest expense from a related party loan | — | 170 |
| Expenses related to the listing of Sisram | | |
| Listing expenses | — | 1,189 |
| Bonus to managements and employees relating to initial public offering | **1,950** | — |
| **Adjusted net profit** | **15,311** | **13,295** |
| **Adjusted net profit margin** | **19.6%** | **20.1%** |

## Debt Structure, Liquidity and Sources of Funds

### Gearing Ratio

As at June 30, 2018 and December 31, 2017, the Group's cash and cash equivalents exceeded the total debt. As such, no gearing ratio was presented. The gearing ratio is calculated as net debt divided by total equity plus net debt.

### Interest Coverage

During the Reporting Period, the interest coverage, which is calculated by EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) divided by financial costs was 45.8 as compared with 5.1 for the corresponding period in 2017. The interest coverage increased mainly because the Group's finance costs during the Reporting Period decreased to US$0.5 million from US$3.6 million for the corresponding period in 2017.

### Available Banking Facilities

As of June 30, 2018, Sisram did not have any unutilized banking facilities. Sisram is financing its operations through cash generated from operating activities.

### Maturity Structure of Outstanding Debts

As of June 30, 2018, the total interest-bearing bank and other borrowings at a floating interest rate amounted to US$9.1 million (December 31, 2017: US$11.1 million).

| | **June 30, 2018 US$'000** | December 31, 2017 US$'000 |
|---|---|---|
| Within 1 year | **4,591** | 4,321 |
| 1 to 2 years | **4,536** | 4,861 |
| 2 to 5 years | — | 1,900 |
| Total | **9,127** | 11,082 |

### Collateral and Pledged Assets

On April 13, 2014, the Company entered into a loan agreement pursuant to which an unconditional guarantee agreement with the banks was entered into, pursuant to which, the Company granted and pledged to the banks a continuing security interest in all the Company's assets. In addition, the Company granted and pledged to the banks all of the issued and outstanding shares of Alma and a floating charge over all of the present and future assets of the Company as they may be from time to time. The Company also agreed not to sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its assets. The Company has met all the aforementioned financial covenants. The remaining balance of the loan amounted to US$9.1 million as of June 30, 2018, which is fully covered by the Company's cash balance.

### Cash Flow

Sisram is using its cash primarily for operating activities, payments of interest and principals of debts due, capital expenditures and funding growth and expansion of its business.

The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for the Reporting Period and the corresponding period of 2017.

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| Net cash flows from operating activities | **3,054** | 9,339 |
| Net cash flows (used in)/from investing activities | **(4,400)** | 5,813 |
| Net cash flows used in financing activities | **(10,416)** | (7,759) |
| Net (decrease)/increase in cash and cash equivalents | **(11,762)** | 7,393 |
| Cash and cash equivalents at the beginning of the period | **38,081** | 18,105 |
| Effect of foreign exchange rate changes, net | **1,041** | (320) |
| Cash and cash equivalents | **27,360** | 25,178 |
| Cash and cash equivalents | **27,360** | 25,178 |
| Pledged bank balances for long term bank loans | **55** | 53 |
| Term deposits with original maturity of more than three months | **71,016** | 15,500 |
| Cash and bank balance at the end of the period | **98,431** | 40,731 |

### Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to US$0.2 million, which mainly consisted of additions to property, plant and equipment and other intangible assets.

As of June 30, 2018, the Group did not have any significant capital commitments.

### Contingent Liabilities

As of June 30, 2018, the Group did not have any contingent liabilities.

### Material Acquisition and Disposal

During the Reporting Period, the Group did not conduct any material acquisition or disposal.

## 5. RISK MANAGEMENT

### Foreign Currency Exposure

The functional currency of the Group is the U.S. dollar and most of the sales proceeds are denominated in U.S. dollars. However, the Company also generates revenue globally in a few other currencies, particularly Euros, and incurs costs mostly in New Israeli Shekels. Furthermore, the functional currencies of certain overseas subsidiaries are currencies other than the U.S. dollar, including the Euro and the Indian Rupee. As at the end of the Reporting Period, the assets and liabilities of these entities were translated into the U.S. dollar at the exchange rates prevailing at the end of the Reporting Period and their statements of profit or loss were translated into the U.S. dollar at the weighted average exchange rates for the period. As such the Group's results of operations are sensitive to changes in foreign currency exchange rates.

The Company has formally established a hedging management framework in 2014 and the hedging transactions are mainly managed by the Company's finance department. By analyzing the currency balance sheet and trends in the foreign exchange markets, the Company has entered into forward contracts from time to time to mitigate the adverse effects of exchange rate fluctuations.

### Interest Rate Exposure

It is the Group's strategy to use debts with fixed and floating interest rates to manage its interest costs. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

### Potential Risks

*I. Market risks*

The global medical aesthetic treatment market is subject to intense competition. The Group competes against energy-based aesthetic devices offered by private and public companies, and these companies have specialised in developing and marketing energy-based medical aesthetic treatment systems. Additional competitors may enter the market, and the Group is likely to compete with new companies in the future. New technologies could be developed and commercialized that are superior to the Group's technologies. New entrants or existing competitors may develop products that would compete directly with the Group's products. If these competitors are better able to develop and market aesthetic treatment systems, or develop more effective and/or less expensive products that render the Group's systems obsolete or non-competitive, or deploy larger or more effective marketing and sales resources, the Group's business will be harmed and commercial opportunities will be reduced or eliminated.

*II. Business and operating risks*

Energy-based medical aesthetic treatment systems are inherently complex in design and require ongoing regular maintenance. The technical complexity of the products, changes in suppliers' manufacturing processes, the inadvertent use of defective or contaminated materials by suppliers and subcontractors, as well as various other factors, could restrict our ability to achieve acceptable product reliability. In addition, the Group's products are produced using components and subassemblies supplied by third party suppliers, which may contain defects. As a result, should a problem occur, it may be difficult to identify the source of the problem. There are also risks of physical injury to treatment recipients when treated with one of the Group's products, even if the product is not defective.

*III. Force majeure risks*

Severe natural disasters and abrupt public health incidents may harm the properties and personnel of the Group, and may affect the ordinary production and operation of the Group.

## 6. EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth the number of our employees by function as at June 30, 2018:

| Function | Number of Employees |
|---|---|
| Operations | 159 |
| Research and Development | 56 |
| Sales & Marketing | 145 |
| General and Administration | 30 |
| Total | 390 |

The employees' remuneration includes basic salary and a performance-based salary. The performance-based salary is determined by reference to the performance appraisal of the employees of the Group. Through clearly locating position-oriented performance targets and formulating performance standards, the Company has managed to assess employees' performance in an objective manner. By materializing reward and penalty in the performance-related portion of the employees' remuneration, the Company is able to achieve the coexistence of incentives and restraints.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2018

| | | Six months ended June 30, | |
|---|---|---|---|
| | Notes | **2018 US$'000 (Unaudited)** | 2017 US$'000 (Unaudited) |
| **REVENUE** | 4 | **78,155** | 66,288 |
| Cost of sales | | **(36,296)** | (30,201) |
| Gross profit | | **41,859** | 36,087 |
| Other income and gains | 4 | **897** | 1,376 |
| Selling and distribution expenses | | **(15,830)** | (11,821) |
| Administrative expenses | | **(6,805)** | (5,971) |
| Research and development expenses | | **(4,876)** | (4,818) |
| Other expenses | | **(1,077)** | (642) |
| Finance costs | 6 | **(526)** | (3,555) |
| **PROFIT BEFORE TAX** | 5 | **13,642** | 10,656 |
| Income tax expense | 7 | **(2,388)** | (2,838) |
| **PROFIT FOR THE PERIOD** | | | |
| Attributable to owners of the parent | | **11,254** | 7,818 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted | | | |
| For profit for the period (US cents) | 8 | **2.55** | 3.51 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| | **(Unaudited)** | (Unaudited) |
| **PROFIT FOR THE PERIOD** | **11,254** | 7,818 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **(479)** | 483 |
| Effective portion of changes in fair value of hedging instruments arising during the period | **(65)** | — |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods | **(544)** | 483 |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | **(544)** | 483 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | |
| Attributable to owners of the parent | **10,710** | 8,301 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

| | Notes | As at June 30, 2018 US$'000 (Unaudited) | As at December 31, 2017 US$'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 9 | **2,206** | 2,320 |
| Goodwill | | **108,351** | 108,351 |
| Other intangible assets | | **61,520** | 64,039 |
| Deferred tax assets | | **5,542** | 5,268 |
| Other non-current assets | | **148** | 139 |
| Total non-current assets | | **177,767** | 180,117 |
| **CURRENT ASSETS** | | | |
| Inventories | | **30,265** | 23,898 |
| Trade receivables | 10 | **39,733** | 35,249 |
| Prepayments, deposits and other receivables | | **4,658** | 3,214 |
| Derivative financial instruments | | **81** | — |
| Cash and bank balances | 11 | **98,431** | 104,137 |
| Total current assets | | **173,168** | 166,498 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 12 | **11,712** | 6,742 |
| Contract liabilities | | **2,491** | — |
| Other payables and accruals | 13 | **10,713** | 21,719 |
| Interest-bearing bank borrowings | 14 | **4,591** | 4,321 |
| Derivative financial instruments | | **—** | 245 |
| Tax payable | | **1,295** | 1,496 |
| Total current liabilities | | **30,802** | 34,523 |
| **NET CURRENT ASSETS** | | **142,366** | 131,975 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **320,133** | 312,092 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank borrowings | 14 | **4,536** | 6,761 |
| Deferred tax liabilities | | **10,293** | 10,686 |
| Contract liabilities | | **526** | 573 |
| Other long-term liabilities | | **1,042** | 1,096 |
| Total non-current liabilities | | **16,397** | 19,116 |
| **NET ASSETS** | | **303,736** | 292,976 |

# INTERIM CONDRNSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

| | As at June 30, 2018 US$'000 (Unaudited) | As at December 31, 2017 US$'000 (Audited) |
|---|---|---|
| **EQUITY** | | |
| **Equity attributable to owners of the parent** | | |
| Share capital | **1,254** | 1,254 |
| Reserves | **302,482** | 291,722 |
| Total equity | **303,736** | 292,976 |

| **Yi LIU** | **Lior Moshe DAYAN** |
|---|---|
| *Director* | *Director* |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital US$'000 (Unaudited) | Share premium* US$'000 (Unaudited) | Other reserve* US$'000 (Unaudited) | Cashflow hedge reserves* US$'000 (Unaudited) | Exchange fluctuation reserve* US$'000 (Unaudited) | Retained earnings* US$'000 (Unaudited) | Total US$'000 (Unaudited) |
| At January 1, 2018 | 1,254 | 240,766 | 17,530 | 13 | 30 | 33,383 | 292,976 |
| Profit for the period | — | — | — | — | — | 11,254 | 11,254 |
| Other comprehensive income for the period: | | | | | | | |
| Effective portion of changes in fair value of hedging instruments arising during the period | — | — | — | (65) | — | — | (65) |
| Exchange differences on translation of foreign operations | — | — | — | — | (479) | — | (479) |
| Total comprehensive income for the period | — | — | — | (65) | (479) | 11,254 | 10,710 |
| Excess of tax deduction for former share-based payment of a subsidiary | — | — | 50 | — | — | — | 50 |
| At June 30, 2018 | 1,254 | 240,766* | 17,580* | (52)* | (449)* | 44,637* | 303,736 |

* These reserve accounts comprise the consolidated other reserves of US$302,482,000 (December 31, 2017: US$291,722,000) in the consolidated statement of financial position.

| | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|
| | Share capital US$'000 (Unaudited) | Share premium account US$'000 (Unaudited) | Other reserves US$'000 (Unaudited) | Exchange fluctuation reserve US$'000 (Unaudited) | Retained earnings US$'000 (Unaudited) | Total US$'000 (Unaudited) |
| At January 1, 2017 | 2 | 999 | 17,263 | (551) | 22,773 | 40,486 |
| Profit for the period | — | — | — | — | 7,818 | 7,818 |
| Other comprehensive income for the period: | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | 483 | — | 483 |
| Total comprehensive income for the period | — | — | — | 483 | 7,818 | 8,301 |
| At June 30, 2017 | 2 | 999 | 17,263 | (68) | 30,591 | 48,787 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| | **(Unaudited)** | (Unaudited) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash generated from operations | **6,099** | 13,082 |
| Income tax paid | **(3,045)** | (3,743) |
| Net cash flows from operating activities | **3,054** | 9,339 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | **857** | 207 |
| Purchases of items of plant and equipment | **(241)** | (461) |
| Additions to other intangible assets | **—** | (1,933) |
| (Increase)/decrease in term deposits with original maturity of more than three months | **(5,016)** | 8,000 |
| Net cash flows (used in)/from investing activities | **(4,400)** | 5,813 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Share issue expenses | **(7,361)** | — |
| Repayment of bank loans | **(2,160)** | (7,177) |
| Interest paid | **(579)** | (1,302) |
| (Payment to)/proceeds from settlement of foreign currency forward contracts | **(316)** | 720 |
| Net cash flows used in financing activities | **(10,416)** | (7,759) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(11,762)** | 7,393 |
| Cash and cash equivalents at beginning of period | **38,081** | 18,105 |
| Effect of foreign exchange rate changes, net | **1,041** | (320) |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **27,360** | 25,178 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| Cash and cash equivalents as stated in the consolidated statements of cash flows | **27,360** | 25,178 |
| Pledged bank balances for longterm bank loans | **55** | 53 |
| Term deposits with original maturity of more than three months | **71,016** | 15,500 |
| Cash and bank balances as stated in the consolidated statements of financial position | **98,431** | 40,731 |

# NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Sisram Medical Ltd (the "**Company**" or "**Sisram**") is a limited liability company incorporated under the laws of the State of Israel on April 25, 2013. The registered office of the Company is located at 14 Halamish Street, Caesarea Industrial Park, Caesarea 38900, Israel.

The Company is an investment holding company. The Company's subsidiaries (together with the Company, the "**Group**") were mainly involved in the design, development, manufacture and sale of energy-based aesthetic medical and minimally invasive treatment systems.

On May 27, 2013, the Company acquired a 95.16% equity interest in Alma Lasers Ltd. ("**Alma**"), a global medical technology company incorporated in Caesarea, Israel. On July 28, 2016, the Company acquired all the remaining shares held by the non-controlling shareholders of Alma. As a result of the transaction, and as of the date of this report, the Company held 100% of Alma's shares.

The shares of the Company were listed on the Main Board of the Stock Exchange on September 19, 2017 (the "**Listing**").

On June 6, 2018, the Company established a new 100% fully owned subsidiary in Hong Kong named Alma Medical HK Limited.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at June 30, 2018 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months ended June 30, 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting approved by the International Accounting Standards Board.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at December 31, 2017.

The interim condensed consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

### 2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning on January 1, 2018.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

### 2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP *(Continued)*

| | |
|---|---|
| Amendments to IFRS 2 | *Classification and Measurement of Share-based Payment Transactions* |
| Amendments to IFRS 4 | *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* |
| IFRS 9 | *Financial Instruments* |
| IFRS 15 | *Revenue from Contracts with Customers* |
| Amendments to IFRS 15 | *Clarifications to IFRS 15 Revenue from Contracts with Customers* |
| Amendments to IAS 40 | *Transfers of Investment Property* |
| IFRIC 22 | *Foreign Currency Transactions and Advance Consideration* |
| Annual Improvements 2014-2016 Cycle | *Amendments to IFRS 1 and IAS 28* |

The adoption of the above new and amended standards and interpretation did not have a material impact on the Group's unaudited condensed consolidated financial information. The nature and effect of these changes are disclosed below.

**IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue and related Interpretations* and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group is in the business of the design, development, manufacture and sale of energy-based aesthetic medical and minimally invasive treatment systems. The equipment and services are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and/or services.

The Directors of the Company considers the revenue recognition results for the revenue sources of the Group are consistent between under IFRS 15 and IAS 18. As a result, no reconciliation from IAS 18 to IFRS 15 is presented.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

**IFRS 9 *Financial Instruments***

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

(a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("**FVPL**"), amortized cost, or fair value through other comprehensive income ("**FVOCI**"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's debt financial assets are, as follows:

- *Debt instruments at amortized cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables.
- *Debt instruments at FVOCI*, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, the Group's quoted debt instruments were classified as available-for-sale ("**AFS**") financial assets.

Other financial assets are classified and subsequently measured, as follows:

- *Equity instruments at FVOCI*, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.
- *Financial assets at FVPL* comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's quoted equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to quoted equity securities, which had been previously recognized under accumulated OCI, was reclassified to retained earnings.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

**IFRS 9 *Financial Instruments*** *(Continued)*

### (a) Classification and measurement (Continued)

The assessment of the Group's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognized in the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

### (b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The statement of financial position as at 31 December 2017 was not restated as the Group has no financial instruments subject to the changes mentioned above.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

**IFRS 9 *Financial Instruments*** *(Continued)*

(c) Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's financial statements.

Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. Therefore, upon adoption of IFRS 9, the net gain or loss on cash flow hedges of forecast purchases of non-financial assets was presented under 'other comprehensive income not to be reclassified to profit or loss in subsequent periods'. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, which is the design, development, manufacture and sale of energy-based aesthetic medical and minimally invasive treatment systems. Therefore, no analysis by operating segment is presented.

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

| | Six months ended June 30, | |
|---|---|---|
| | **2018<br>US$'000<br>(Unaudited)** | 2017<br>US$'000<br>(Unaudited) |
| **Revenue** | | |
| Sale of goods | **72,002** | 61,741 |
| Services and others | **6,153** | 4,547 |
| | **78,155** | 66,288 |
| **Other income and gains** | | |
| Bank interest income | **822** | 185 |
| Foreign exchange gains, net | — | 602 |
| Fair value gains from foreign exchange forward contracts not qualifying as hedges | **75** | 589 |
| | **897** | 1,376 |

## 5. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **25,366** | 21,731 |
| Cost of services and others | **10,930** | 8,470 |
| Employee benefit expense | | |
| (including directors' and chief executive's remuneration): | | |
| Wages and salaries | **11,117** | 10,077 |
| Listing bonus | **1,950** | — |
| Defined benefit plan costs | **458** | 421 |
| | **13,525** | 10,498 |
| Research and development expenses: | | |
| Current period expenditure | **4,876** | 4,818 |
| Listing expenses | **—** | 1,189 |
| Auditors' remuneration | **131** | 127 |
| Minimum lease payments under operating leases | **1,048** | 830 |
| Depreciation (Note 9) | **436** | 430 |
| Amortization of other intangible assets | **2,519** | 2,446 |
| Provision for impairment of inventories | **322** | 337 |
| Provision for impairment of trade receivables | **319** | 305 |
| Foreign exchange differences, net | **436** | (602) |

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest on loans and borrowings | **526** | 1,443 |
| Imputed interest on long-term interest-free capital notes | **—** | 2,112 |
| | **526** | 3,555 |

## 7. INCOME TAX

The Israeli corporate tax rates applicable to the Company were 24.0% and 23.0% for the six months ended June 30, 2017 and 2018, respectively. Each entity in the group is taxable based on its standalone results as measured by the local tax system.

No income tax has been provided for the Company itself as there was no assessable profit earned by the Company for the Reporting Period. Taxes on taxable income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Alma Lasers Ltd., the major operating subsidiary of the Company, was granted the status of "Preferred Enterprise" under the Law for the Encouragement of Capital Investments, 1959 (as amended in 2011, the "**2011 Amendment of the Investment Law**") and therefore enjoyed a preferential corporate tax rate of 16% during the Reporting Period.

The income of Alma Lasers Inc. is taxed based upon the tax law in the United States, the country of residence. Alma Lasers Inc. had cumulative net operating losses ("**NOL**") for U.S. federal income tax return purposes at the end of the Reporting Period.

The income of the Alma Lasers GmbH, a subsidiary incorporated in Germany, is taxed based upon the tax law in Germany, the country of residence. Income was taxed at a flat corporate income tax rate of 15% during the Reporting Period and was also subject to additional trade income taxes of 15.65% as applicable.

The income of the Alma Lasers AT GmbH, a subsidiary incorporated in Austria, is taxed based upon the tax law in Austria, the country of residence. Income was taxed at a flat corporate income tax rate of 25% during the Reporting Period and was also subject to additional trade income taxes as applicable.

The income of Alma Medical Private Limited, a subsidiary incorporated in India, is taxed based upon the tax law in India, the country of residence. Income was taxed at a corporate income tax rate of 30.9% during the Reporting Period (which was not a flat rate but included many deductions/exemptions/rebates as per Income tax Act 1961) and was also subject to withholding taxes as per provisions of the said Income tax act 1961.

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| | **(Unaudited)** | (Unaudited) |
| Current | **3,055** | 3,488 |
| Deferred | **(667)** | (650) |
| Total tax charge for the period | **2,388** | 2,838 |

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the six months ended June 30, 2018 and 2017 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 442,155,600 (six months ended June 30, 2017: 222,948,648) in issue during the period.

The calculation of basic earnings per share is based on:

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation | **11,254** | 7,818 |

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | **442,155,600** | 222,948,648 |

No adjustment has been made to the basic earnings per share presented for the six months ended June 30, 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during those periods.

## 9. PLANT AND EQUIPMENT

During the six months ended June 30, 2018, the Group acquired property, plant and equipment with a cost of US$322,000 (six months ended June 30, 2017: US$532,000).

During the six months ended June 30, 2018, depreciation for property, plant and equipment was US$436,000 (six months ended June 30, 2017: US$430,000).

## 10. TRADE RECEIVABLES

| | As at June 30, 2018 US$'000 (Unaudited) | As at December 31, 2017 US$'000 (Audited) |
|---|---|---|
| Trade receivables | **40,756** | 36,308 |
| Impairment | **(1,023)** | (1,059) |
| | **39,733** | 35,249 |

The Group's trading terms with its customers are mainly on credit. The ordinary credit period is up to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of provisions, is as follows:

| | As at June 30, 2018 US$'000 (Unaudited) | As at December 31, 2017 US$'000 (Audited) |
|---|---|---|
| Within 1 month | **13,546** | 13,325 |
| 1 to 2 months | **9,278** | 8,086 |
| 2 to 3 months | **4,968** | 6,111 |
| Over 3 months | **11,941** | 7,727 |
| | **39,733** | 35,249 |

## 11. CASH AND BANK BALANCES

| | As at June 30, 2018 US$'000 (Unaudited) | As at December 31, 2017 US$'000 (Audited) |
|---|---|---|
| Cash and cash equivalents as stated in the consolidated statements of cash flows | **27,360** | 38,081 |
| Pledged bank balances for long-term bank loans | **55** | 56 |
| Term deposits with original maturity of more than three months | **71,016** | 66,000 |
| Cash and bank balances as stated in the consolidated statements of financial position | **98,431** | 104,137 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of above three months to less than one year, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of Reporting Period, based on the invoice date, is as follows:

| | **As at June 30, 2018 US$'000 (Unaudited)** | As at December 31, 2017 US$'000 (Audited) |
|---|---|---|
| Within 1 month | **9,579** | 4,997 |
| 1 to 2 months | **2,133** | 1,745 |
| | **11,712** | 6,742 |

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

## 13. OTHER PAYABLES AND ACCRUALS

| | **As at June 30, 2018 US$'000 (Unaudited)** | As at December 31, 2017 US$'000 (Audited) |
|---|---|---|
| Advances from customers | — | 1,455 |
| Payroll | **5,381** | 6,254 |
| Accrued expenses | **4,225** | 6,777 |
| Current portion of deferred warranty income | — | 1,472 |
| Others | **1,107** | 5,761 |
| | **10,713** | 21,719 |

## 14. INTEREST-BEARING BANK BORROWINGS

| | **As at June 30, 2018** | | | As at December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | **US$'000 (Unaudited)** | Effective interest rate (%) | Maturity | US$'000 (Audited) |
| **Current** | | | | | | |
| | **6-month LIBOR+ 3.75** | **2018** | **4,591** | 6-month LIBOR- 3.75 | 2018 | 4,321 |
| **Non-current** | | | | | | |
| | **6-month LIBOR+ 3.75** | **2020** | **4,536** | 6-month LIBOR+ 3.75 | 2020 | 6,761 |
| | | | **9,127** | | | 11,082 |

Note: LIBOR stands for London Interbank Offered Rate.

## 14. INTEREST-BEARING BANK BORROWINGS (Continued)

| | As at June 30, 2018 US$'000 (Unaudited) | As at December 31, 2017 US$'000 (Audited) |
|---|---|---|
| Loan balance | **9,451** | 11,611 |
| Less: loan arrangement fees | **324** | 529 |
| | **9,127** | 11,082 |
| Analyzed into: | | |
| Within one year | **4,591** | 4,321 |
| In the second year | **4,536** | 4,861 |
| In the third to fifth years, inclusive | — | 1,900 |
| | **9,127** | 11,082 |

(a) In May 2014, the Company obtained a bank loan of US$82,000,000 from a group of banks. The loan was to be repaid in twelve semi-annual instalments commencing in October 2014. On December 31, 2014 and October 16, 2017, the Company paid US$9,900,000 and US$26,000,000 as an early repayment. The loan was secured by 100% equity interests of the Company held by the three shareholders of the Company. The Share pledges were released by the lender upon the Listing of the Company on September 19, 2017. As part of this loan, the Company paid coordination and arrangement fees in the amount of US$2,050,000 which will be amortized over the term of the loan.

(b) On April 13, 2014, the Company entered into a loan agreement pursuant to which an unconditional guarantee agreement with the banks was entered into, pursuant to which, the Company granted and pledged to the banks a continuing security interest in all the Company's assets. In addition, the Company granted and pledged to the banks all of the issued and outstanding shares of Alma and a floating charge over all of the present and future assets of the Company as they may be from time to time, the Company also agreed not to sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its assets. As at June 30, 2018 and December 31, 2017, the Company has met all the aforementioned financial covenants.

## 15. DIVIDEND

The Directors did not recommend the payment of an interim dividend in respect of the Reporting Period (six months ended June 30, 2017: Nil).

## 16. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

**Operating lease arrangements**

As lessee

The Group leases certain of its office building, production plant and equipment and commercial vehicles under operating lease arrangements. The leases are negotiated for terms ranging from three to ten years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | As at June 30, 2018 US$'000 (Unaudited) | As at December 31, 2017 US$'000 (Audited) |
|---|---|---|
| Within one year | **3,143** | 3,148 |
| In the second to fifth years, inclusive | **11,332** | 9,237 |
| After five years | **6,082** | 9,515 |
| | **20,557** | 21,900 |

**Commitments**

Other than the operating lease commitments detailed above, the Group did not have any significant capital commitments as at the end of the Reporting Period.

## 17. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had no transactions with its related parties during the Reporting Period:

(b) Compensation of key management personnel of the Group:

| | Six months ended June 30, | |
|---|---|---|
| | 2018 US$'000 (Unaudited) | 2017 US$'000 (Unaudited) |
| Salaries, allowances and benefits in kind | **426** | 712 |
| Listing bonus | **53** | — |
| Performance related bonuses | **—** | 189 |
| Total compensation paid to key management personnel | **479** | 901 |

## 18. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Reporting Period are as follows:

Financial assets

| | As at June 30, 2018 US$'000 (Unaudited) | As at December 31, 2017 US$'000 (Audited) |
|---|---|---|
| *Financial assets at fair value through profit or loss designated as such upon initial recognition* | | |
| Derivative financial instruments | **81** | — |
| *Loans and receivables* | | |
| Other non-current assets | **148** | 139 |
| Trade receivables | **39,733** | 35,249 |
| Financial assets included in prepayments, deposits and other receivables | **2,943** | 2,383 |
| Cash and bank balances | **98,431** | 104,137 |
| | **141,255** | 141,908 |
| | **141,336** | 141,908 |

Financial liabilities

| | As at June 30, 2018 US$'000 (Unaudited) | As at December 31, 2017 US$'000 (Audited) |
|---|---|---|
| *Financial liabilities at fair value through profit or loss designated as such upon initial recognition* | | |
| Derivative financial instruments | — | 245 |
| *Financial liabilities at amortized cost* | | |
| Trade payables | **11,712** | 6,742 |
| Financial liabilities included in other payables and accruals | **5,332** | 12,538 |
| Interest-bearing bank borrowings | **9,127** | 11,082 |
| | **26,171** | 30,362 |
| | **26,171** | 30,607 |

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at June 30, 2018 and December 31, 2017, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, deposits, and other receivables, trade payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the Reporting Period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the non-current portion of interest-bearing bank borrowings and other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank borrowings as at the end of the Reporting Period was assessed to be insignificant.

The Group enters into derivative financial instruments with The Hongkong and Shanghai Banking Corporation Limited. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

**As at June 30, 2018 (Unaudited)**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) US$'000 | Significant observable inputs (Level 2) US$'000 | Significant unobservable inputs (Level 3) US$'000 | Total US$'000 |
| Foreign exchange forward contracts | — | 81 | — | 81 |

**As at December 31, 2017 (Audited)**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) US$'000 | Significant observable inputs (Level 2) US$'000 | Significant unobservable inputs (Level 3) US$'000 | Total US$'000 |
| Foreign exchange forward contracts | — | 245 | — | 245 |

During the Reporting Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

## 20. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors on August 20, 2018.

## Results and Dividends

The Group's profit for the six months ended June 30, 2018 and the state of affairs of the Group as at June 30, 2018 are set out in the interim condensed consolidated financial statements and the accompanying notes on pages 18 to 38.

The Board has not recommended the distribution of any interim dividend for the Reporting Period.

## The Global Offering

On September 19, 2017, the Shares of the Company were listed on the Main Board of the Stock Exchange. The global offering of the Shares (the "**Global Offering**") comprises the Hong Kong public offering of initially 11,000,000 Shares and the international offering (including the preferential offering) of initially 99,000,000 Shares (subject to, in each case, reallocation and the over-allotment option granted by the Company).

## Use of Proceeds from the Global Offering

Total net proceeds from the Global Offering amounted to approximately HK$771.3 million. Details of the use of proceeds are set out below:

| Intended use of proceeds as set out in the Prospectus | | Intended amount to be used as set out in the Prospectus | Amounts not utilized as at December 31, 2017 (HK$ million) | Amounts utilized during the period from January 1, 2018 to June 30, 2018 (HK$ million) | Actual amounts utilized up to June 30, 2018 (HK$ million) | Amounts not yet utilized as at June 30, 2018 (HK$ million) |
|---|---|---|---|---|---|---|
| (a) expanding sales channels and distribution network and intensify marking efforts | | | | | | |
| | Expanding sales channels in the United States, Germany and India and distribution network globally | approximately 11.2% (HK$86.39 million) | — | 34.04 | 34.04 | 52.35 |
| | Invest in global digital marketing | approximately 3.7% (HK$28.54 million) | — | 1.46 | 1.46 | 27.08 |
| | Develop analytics capabilities | approximately 3.7% (HK$28.54 million) | — | — | — | 28.54 |
| (b) capital investments | | | | | | |
| | Upgrade existing or establish new service centers in direct sales markets | approximately 9.3% (HK$71.73 million) | — | — | — | 71.73 |
| | Upgrade and remap production lines | approximately 4.7% (HK$36.25 million) | — | — | — | 36.25 |
| | Optimize and update information technology systems and infrastructure | approximately 4.7% (HK$36.25 million) | — | 0.25 | 0.25 | 36.00 |

| Intended use of proceeds as set out in the Prospectus | | Intended amount to be used as set out in the Prospectus | Amounts not utilized as at December 31, 2017 (HK$ million) | Amounts utilized during the period from January 1, 2018 to June 30, 2018 (HK$ million) | Actual amounts utilized up to June 30, 2018 (HK$ million) | Amounts not yet utilized as at June 30, 2018 (HK$ million) |
|---|---|---|---|---|---|---|
| **(c) research and development activities** | | | | | | |
| | Develop and expand minimally invasive product line | approximately 4.7% (HK$36.25 million) | — | | — | 36.25 |
| | Increase the funding for clinical studies in the United States | approximately 4.7% (HK$36.25 million) | — | 0.20 | 0.20 | 36.05 |
| | Bolster regulatory capabilities | approximately 4.7% (HK$36.25 million) | — | 4.17 | 4.17 | 32.09 |
| **(d) repay the buy-out loan from Fosun Industrial Co., Limited** | | approximately 9.3% (HK$71.73 million) | 71.74 | — | 71.74 | — |
| **(e) strategic acquisition, enter into strategic partnerships and other business development** | | approximately 29.5% (HK$227.53 million) | — | — | — | 227.53 |
| **(f) supplement working capital and other general corporate purpose** | | approximately 10.0% (HK$77.13 million) | 71.08 | — | 71.08 | 6.05 |

The Company currently expects to use the remaining proceeds in those matters as disclosed in the Prospectus.

### Share Capital

As at the date of this interim report, the authorised share capital of the Company is NIS10,000,000, comprising 1,000,000,000 Shares of NIS0.01 each, among which, 442,155,600 Shares are issued and fully paid.

### Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a public float of no less than 25% of the issued Shares as at the date of this interim report.

### Purchase, Sale or Redemption of Listed Securities by the Company

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

**Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures**

As at June 30, 2018, the interest and/or short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Commission (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

| Name of Director | The Company in Which the Interests are Held | The Class of Shares | Capacity and Nature | Number of Shares Held | Percentage of Issued Shares |
|---|---|---|---|---|---|
| Lior Moshe DAYAN | Company | Ordinary Shares | Beneficial owner (Personal) | 36,000 | 0.01% |
| Jianping HUA | Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("**Fosun Pharma**") | A Shares | Beneficial owner (Personal) | 25,000 | 0.001% |
| Yifang WU | Fosun Pharma | H shares | Beneficial owner (Personal) | 312,000 | 0.06% |
| | | A shares | Beneficial owner (Personal) | 683,900 | 0.03% |
| Yao WANG | Fosun Pharma | A shares | Beneficial owner (Personal) | 50,000 | 0.002% |

Save as disclosed in the foregoing, as at June 30, 2018, none of the Directors or chief executives of the Company or their respective close associates had any interests or short positions in any shares, underlying shares, or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

During the Reporting Period, no rights to acquire benefits by means of the acquisition of shares or debentures of the Company were granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement which enabled the Directors to acquire such rights in any other body corporate.

### Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at June 30, 2018, the following persons (other than the Director or chief executive of the Company) had the following interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of Part XV of the SFO:

| Name of Shareholder | Capacity | Number of Shares Held or Interested | Approximate Percentage (%) |
|---|---|---|---|
| Chindex Medical Limited ("**CML**") | Legal and beneficial interest | 127,318,640 (L)[1] | 28.79% |
| Ample Up Limited ("**Ample Up**")[2] | Legal and beneficial interest | 106,264,160 (L) | |
| | Interest in controlled corporation | 127,318,640 (L) | |
| | | 233,582,800 (L) | 52.83% |
| Fosun Pharma[3] | Interest in controlled corporation | 233,582,800 (L) | 52.83% |
| Shanghai Fosun High Technology (Group) Co., Ltd. ("**Fosun High Tech**")[4] | Interest in controlled corporation | 233,582,800 (L) | 52.83% |
| Magnificent View Investments Limited ("**Magnificent View**") | Legal and beneficial interest | 96,976,000 (L) | 21.93% |
| Pramerica-Fosun China Opportunity Fund, L.P. ("**Pramerica-Fosun Fund**")[5] | Interest in controlled corporation | 96,976,000 (L) | 21.93% |
| Fosun Equity Investment Ltd. ("**Fosun Equity Investment**")[6] | Interest in controlled corporation | 96,976,000 (L) | 21.93% |
| Fosun Industrial Holdings Limited[7] | Interest in controlled corporation | 96,976,000 (L) | 21.93% |
| Fosun International Limited ("**Fosun International**")[8] | Interest in controlled corporation | 330,558,800 (L) | 74.76% |
| Fosun Holdings Limited ("**FHL**")[9] | Interest in controlled corporation | 330,558,800 (L) | 74.76% |
| Fosun International Holdings Ltd. ("**FIHL**")[10] | Interest in controlled corporation | 330,558,800 (L) | 74.76% |
| Guangchang GUO[11] | Interest in controlled corporation | 330,558,800 (L) | 74.76% |

Notes:

(1) (L): Long Positions

(2) CML is wholly owned by Ample Up. Ample Up is deemed to be interested in the Shares in which CML is interested as legal and beneficial owner.

(3) Ample Up is wholly owned by Fosun Pharma and its wholly-owned subsidiary, Fosun Industrial Co., Limited. Accordingly, Fosun Pharma is deemed to be interested in an aggregate holding of 233,582,800 Shares which Ample Up is interested in, comprising 106,264,160 Shares held by Ample Up and 127,318,640 Shares held by CML.

(4) Fosun High Tech controls the exercise of more than one-third of the voting rights at the general meeting of Fosun Pharma. Fosun High Tech is deemed to be interested in the Shares in which Fosun Pharma is deemed to be interested.

(5) Magnificent View is wholly owned by Pramerica-Fosun Fund. Pramerica-Fosun Fund is deemed to be interested in the Shares in which Magnificent View is interested as legal and beneficial owner.

(6) Fosun Equity Investment is the general partner of Pramerica-Fosun Fund. Fosun Equity Investment is deemed to be interested in the Shares in which Pramerica-Fosun Fund is deemed to be interested.

(7) Fosun Equity Investment is wholly owned by Fosun Industrial Holdings Limited. Fosun Industrial Holdings Limited is deemed to be interested in the Shares in which Fosun Equity Investment is deemed to be interested.

(8) Fosun High Tech and Fosun Industrial Holdings Limited are both wholly owned by Fosun International. Fosun International is deemed to be interested in the Shares in which Fosun High Tech and Fosun Industrial Holdings Limited are deemed to be interested.

(9) FHL controls the exercise of more than one-third of the voting rights at the general meeting of Fosun International. FHL is deemed to be interested in the Shares in which Fosun International is deemed to be interested.

(10) FHL is wholly owned by FIHL. FIHL is deemed to be interested in the Shares in which FHL is deemed to be interested.

(11) Guangchang GUO controls the exercise of more than one-third of the voting rights at the general meeting of FIHL. Mr. GUO Guangchang is deemed to be interested in the Shares in which FIHL is deemed to be interested.

Save as disclosed above, there is no other person known to the Directors or chief executive of the Company who, as at June 30, 2018, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 under Part XV of the SFO or who is, directly or indirectly, interested in 5% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## Model Code for Securities Transactions

The Company has adopted Directors' and Chief Executive Officer's Dealing Policy which is no less exacting than the required standard pursuant to the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry to all Directors, all Directors confirmed that they have complied with all the relevant requirements set out in its own code of conduct throughout the Reporting Period.

## Compliance with the Corporate Governance Code

The Company is committed to enhancing shareholder value by achieving high standards of corporate conduct, transparency and accountability. The Board is of the view that, during the Reporting Period, the Company has been in full compliance with all code provisions of the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules.

## Review of Interim Report by the Audit Committee of the Company

The Audit Committee of the Company comprised Mr. Heung Sang Addy FONG, Mr. Chi Fung Leo CHAN and Ms. Jenny CHEN, all being independent non-executive Directors. The Audit Committee of the Company has reviewed the unaudited interim results and the interim report of the Group for the six months ended June 30, 2018.

## Share Option Scheme

During the Reporting Period, the Group has no share option scheme.

# CORPORATE INFORMATION

## Directors

### Executive Directors

Mr. Yi LIU (劉毅) *(Chairman)*
Mr. Lior Moshe DAYAN *(Chief Executive Officer)*
Mr. Jianping HUA (華劍平) *(Chief Financial Officer)*

### Non-executive Directors

Mr. Yifang WU (吳以芳)
Mr. Yao WANG (汪曜)
Ms. Yang YANG (楊陽)

### Independent Non-executive Directors

Mr. Heung Sang Addy FONG (方香生)
Mr. Chi Fung Leo CHAN (陳志峰)
Ms. Jenny CHEN (陳怡芳)
Mr. Kai Yu Kenneth LIU (廖啟宇)

## Audit Committee

Mr. Heung Sang Addy FONG (方香生) *(Chairman)*
Mr. Chi Fung Leo CHAN (陳志峰)
Ms. Jenny CHEN (陳怡芳)

## Nomination Committee

Mr. Yi LIU (劉毅) *(Chairman)*
Mr. Heung Sang Addy FONG (方香生)
Mr. Chi Fung Leo CHAN (陳志峰)

## Remuneration Committee

Mr. Chi Fung Leo CHAN (陳志峰) *(Chairman)*
Mr. Yi LIU (劉毅)
Mr. Heung Sang Addy FONG (方香生)

## Company Secretary

Ms. Yee Har Susan LO (盧綺霞) *(FSC (PE), FCIS)*

## Authorized Representatives

Mr. Yi LIU (劉毅)
Ms. Yee Har Susan LO (盧綺霞)

## Headquarters, Registered Office and Principal Place of Business in Israel

14 Halamish Street
Caesarea Industrial Park
Caesarea 38900
Israel

## Principal Place of Business in Hong Kong

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

## Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## Compliance Adviser

CMB International Capital Limited
Units 1803-4, 18/F
Bank of America Tower
12 Harcourt Road
Hong Kong

## Auditors

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

## Hong Kong Legal Adviser

Freshfields Bruckhaus Deringer
55/F, One Island East
Taikoo Place, Quarry Bay
Hong Kong

## Israeli Legal Adviser

Weinstock Zecler & Co, Law Offices
5 Azrieli Center
Tel-Aviv, 67025
Israel

## Stock Short Name

SISRAM MED

## Stock Code

01696

## Company Website

www.sisram-medical.com

# DEFINITIONS

In this interim report, the following expressions have the meanings set out below unless the context requires otherwise.

| | |
|---|---|
| "**Board**" | the board of Directors of the Company |
| "**Company**" | Sisram Medical Ltd, a company incorporated in Israel with limited liability and whose Shares are listed on the Stock Exchange |
| "**Director(s)**" | the director(s) of the Company |
| "**Group**" | the Company and its subsidiaries |
| "**HK$**" | Hong Kong dollars, the lawful currency of Hong Kong |
| "**Listing Rules**" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "**Prospectus**" | the prospectus issued by the Company on September 5, 2017 in connection with the Hong Kong public offering and the preferential offering of the Shares |
| "**Share(s)**" | the share(s) in the capital of the Company |
| "**Stock Exchange**" | The Stock Exchange of Hong Kong Limited |
| "**Reporting Period**" | For the six months ended June 30, 2018 |