2018 ANNUAL REPORT

Sisram Med

復銳醫療科技

Stock Code: 1696

Sisram Medical Ltd

(Incorporated in Israel with limited liability)

Enhancing **Quality of Life**

Contents

Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the note below.

Results

	Year ended December 31,				
	2018	2017	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**153,919**	136,887	118,156	110,406	101,321
Profit before tax	**22,784**	15,821	11,860	10,927	9,323
Income tax expense	**(953)**	(4,772)	(3,359)	(2,334)	(2,618)
Profit for the year	**21,831**	11,049	8,501	8,593	6,705
Profit attributable to:					
Owners of the parent	**21,831**	11,049	8,055	7,814	5,943

Aassets and liabilities

	As at December 31,				
	2018	2017	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets	**350,075**	346,615	279,161	272,992	270,383
Total liabilities	**(35,975)**	(53,639)	(238,675)	(240,447)	(245,261)
Net assets	**314,100**	292,976	40,486	32,545	25,122

Note:

The consolidated results of the Group for the five years ended December 31, 2014, 2015, 2016, 2017 and 2018 and the consolidated assets and liabilities of the Group as at December 31, 2014, 2015, 2016, 2017 and 2018 have been extracted from the published audited consolidated financial statements.

The summary above does not form part of the audited consolidated financial statements.

"Sisram Medical presents excellent results, amidst heightened competition"

Liu Yi
Chairman

Dear Valued Shareholders,
On behalf of the Board of Directors, I am pleased to present you with the Company's 2018 annual report.

The Energy-based Medical Aesthetics Market Landscape

The energy-based medical aesthetics market is facing a new stage where the potential of the consumer market is just showing up. The industry is more focused on the consumers, employing various mechanisms such as C2M (Customer to Maker) and DTC (Direct to Consumer), deriving bottom up demand based on an entirely new purchase decision process, one that relies on social media micro-influencers, new beauty and lifestyle paradigms and enhanced purchasing power. In many ways our industry is similar to the personal luxury goods market, serving as a tool for both self-enhancement and social positioning, ushering in new development opportunities.

Vulnerability to social, economic and political factors as well as rapid changing consumer preferences are some of the challenges facing our industry.

Within this challenging atmosphere, it is necessary to closely follow the market demands, establish a broad and diversified product portfolio, and manage efficient operation and maintenance. Further needs include channel integration and expansion of key regions worldwide as well as continuous supply of high quality products and clinical solutions for customers.

Sisram Medical and Fosun Pharma's Med-Tech Eco-system

At the end of 2018, Sisram Medical added a new Chinese stock-trading name called "Fu Rui Yi Liao Ke Ji" in mandarin. The adoption of the Chinese stock-trading name also shows the strategic significance and position of Sisram Medical in Fosun's Med-Tech Eco-system.

In varied fields, Fosun has been committed to create a healthy, happy and wealthy ecosystem through technological leadership, continuous innovation and C2M (customer-to-maker) initiation. As the controlling shareholder of Sisram Medical, Fosun Pharma has global coverage and industrial advantages in the Health Care field, which allows Fosun to support Sisram Medical in the energy-based medical aesthetics equipment market in China and worldwidely and help to diversify technologies and business in the area of medical devices. In the future, Sisram Medical will not only expand in the field of medical aesthetics, but also in a broader medical device field, mainly focusing on product and service innovation.

Sisram Medical Bridging East and West

As a global company, active across 5 continents and over 80 countries, Sisram Medical is implementing a dynamic management which is well reflected in its 2018 results, demonstrated by two significant achievements:

1. Global growth of 12% year over year, a significant accomplishment considering a lower industry CAGR and the external influencing leading markets in the industry.
2. Maintaining an almost identical geographicl revenue split year over year, despite micro fluctuations in sub-territories.

These achievements are attributed to the Company's wide and diverse product portfolio, strong in-house research and development capabilities, ongoing business evaluation and quick response time to market dynamics along with our "full duplex" methodology which is an essential component of our global operation. At the core of this methodology is the concept of swirl – constant flow between two poles – East and West, mixing the currents into "best of breed" output, benefiting both ends.

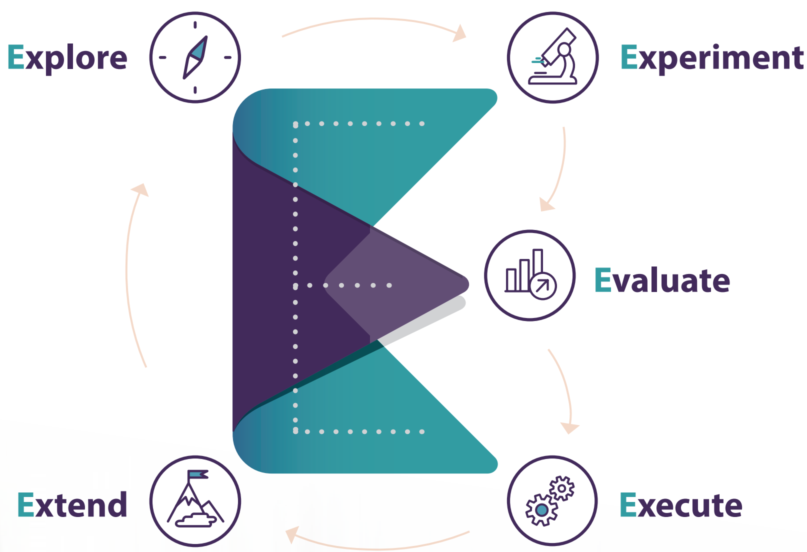
On a closing note, I would like to thank all of our stakeholders for their continued support throughout 2018 and wish us all a successful 2019.

Liu Yi
Chairman
March 18th, 2019

> "We are strong believers in the power of learning and collaboration, thus we use every opportunity to leverage relationships into synergy"

Lior Dayan
CEO

A company's longevity depends heavily on its long-term market insight strategy, that couples wide and far future planning with lesson learned implementation and subsequent adjustment. Sisram Medical's strategy to global success is built on these foundations and reflected as five E's: Explore, Experiment, Evaluate, Execute & Extend.



Explore new horizons and business initiatives

Throughout 2018 we explored new ventures and growth engines both organic and non-organic, which materialized into two main business activities:

- The acquisition of our Israeli distributor and subsequently the formation of a direct operation in Israel
- The injectable distribution operation in Hong Kong, China and India

These ventures will mature to become an "extend your reach and expertise" element upon full cycle completion.

Experiment with new activities

We dedicated 2018 to develop new platforms and upgrade our technological offering:

- Experimenting with new energy sources along with new synergies created using in-house capabilities (new and established energy sources) and external inputs combinations
- Taking an already great product and excelling it. A great example is our new Soprano Titanium laser hair removal platform, launched in January 2019 – reinventing laser hair removal – again!

Evaluate your skills

Throughout 2018, Sisram Medical underwent an organizational upgrade, based on the “Agile Oragnization” methodology, focusing on thriving in a challenging business arena. Implementing an agile methodology means combining both stability and dynamism mechanisms across the entire business operation scope, simultaneously looking at present and future conditions to chart and fine-tune business activities and processes. It is a challenging task, yet as markets and industries become even more dynamic than ever, it is essential. As an Israeli company, agility is in the company's DNA, manifested in each organizational component from employees' spirit to business processes and production operation, all of which facilitate this transition.

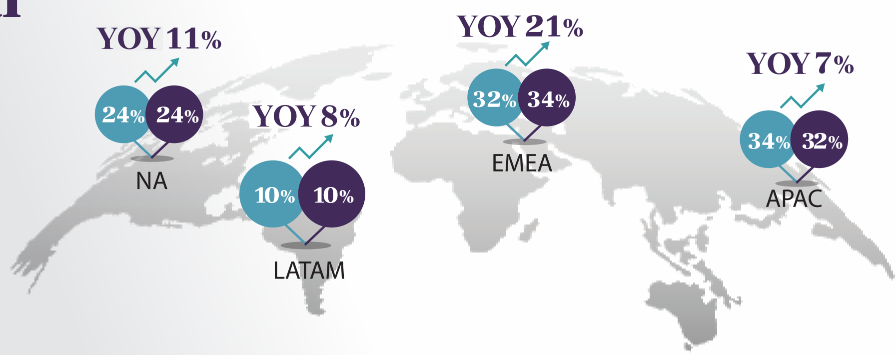
Execute your plans

Our annual results demonstrate a year over year top-line revenue growth of 12%, exceeding the industry CAGR (ranging between 9.7%-10.7% according to multiple research sources). Additional achievements in 2018:

Despite a challenging macro and micro economical environment, we maintain an almost identical geographical revenue mix, demonstrating our ability to early identify potential setbacks, quickly respond to changes and capture new market opportunities.

Geographical revenue mix

2017 2018



11%-13%
YOY growth – across minimally invasive, medical aesthetics and beauty product pillars

22%
YOY growth in Feminine health platform (in units)

Profit for the year increased by
98%
YOY

Adjusted net profit increased
17%
YOY

NA Q4
North America on a positive incline, ramping-up at the 4th quarter

ME18/19
Middle East regulation aspects that slowed down sales growth in the second half of 2018, are now resolved

2019

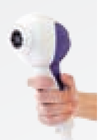
Financial slowdown in Argentina is expected to impact 2019 as well

NEW

New product launches

1 Body contouring
Accentuate
Hands-free body contouring

2 Body contouring
Small areas treatment kit



3 Body contouring
RESHAPE
Ultrasound & Radiofrequency Beauty platform

4 Anti-aging
PICO CLEAR
The shortest picosecond laser

EU& APAC **32%-90%** YOY growth across multiple Europe and Asia Pacific countries

Extend your reach and expertise

We have been maximizing our resources, mapping potential growth engines and tapping into additional business activities with the goal of increasing market share, brand awareness and position:

- Forward integration with Direct to Consumer focus:
  - Acquisition of our Israeli distributor
  - Direct selling to Aesthetic clinics chains
- Horizontal integration (expanding the playground) via our partnership with IBSA Derma in the injectable market, leading the combined treatments trend, ahead of the competition

With 2019 already here, we have completed our strategic methodology cycle, returning to the first base of our framework, to explore additional horizons and business initiatives.

We foresee continuous growth in the medical aesthetic market driven by bottom-up consumer demand inspired by two upcoming trends – pre-juvenation and regenerative medicine.

Pre-juvenation is the concept of initiating medical aesthetic maintenance treatments in one's late teens or early twenties. Practitioners can do so much more for patients when starting early in life, educating consumers regarding skin health, earlier rather than later.

Regenerative medicine addresses a variety of age-related health conditions that previously had no treatments or had very poor and/or insufficient solutions. Regenerative medicine holds the promise of engineering damaged tissues and organs by stimulating the body's own repair mechanisms to functionally heal previously irreparable tissues or organs.

We look forward to continuing our journey along with you, our valued stakeholders, converting natural energy sources into medical devices aimed at enhancing quality of life.

Best Wishes,

Lior Dayan, CEO
Sisram Medical

1. Business review

The Company is a leading global provider of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems, which feature its innovative and proprietary technologies. The "Alma" brand, as well as the brands of many of the Group's products such as "Soprano", "Harmony", "Accent" and "FemiLift" are widely recognized and well regarded among treatment providers and treatment recipients worldwide. The Company has also been the largest provider of energy-based medical aesthetic treatment systems in China and one of the leaders in the medical aesthetic treatment system market globally, in terms of revenue in 2017. The Company sells its treatment systems in approximately 80 countries and jurisdictions worldwide.

The treatment systems developed and manufactured by the Company can be used for a broad range of energy-based non-invasive medical aesthetic and minimally invasive treatments. The Company has a comprehensive portfolio of treatment systems, including its Core product line and Beauty product line, which can be utilized to perform non-invasive medical aesthetic treatments such as hair removal, skin rejuvenation, skin resurfacing, treatment of vascular and pigmented lesions, tattoo removal, acne treatment, cellulite reduction, body contouring and skin tightening. The Company's treatment systems can also be utilized to perform minimally invasive treatments such as laser-based liposuction, treatment of varicose veins and ear, nose and throat procedures. The Company's flagship offerings include: (i) the Soprano family, primarily used for hair removal; (ii) the Harmony family, a versatile multi-application platform that can be used to treat up to 60 different FDA-cleared indications; (iii) the Accent family, primarily used for body contouring and skin tightening, all of which belong to its Core product line; and (iv) FemiLift, a minimally invasive treatment system for treatment of various feminine conditions. In addition, the Company offers Beauty product line treatment systems such as Rejuve and Reshape.

The Company primarily sells its treatment systems either: (i) by direct sales to treatment providers; or (ii) to distributors, that on sell to treatment providers who use the Company's treatment systems to perform medical aesthetic procedures. These treatment providers primarily include: (i) core physicians (plastic surgeons and dermatologists); (ii) non-core physicians (including primary care physicians, obstetricians, gynecologists, and ear, nose and throat specialists); and (iii) aestheticians.

In the United States, Canada, Germany, Austria and India, the Company sells primarily to treatment providers directly. In the rest of the world, the Company sells primarily to distributors, who acquire title to the Company's treatment systems and sell them to their clients who are treatment providers.

For the year ended December 31, 2018, revenue from distributors and direct sales customers represented 61.8% and 38.2% of the Company's total revenue respectively, compared with 62.4% and 37.6% of the Company's total revenue for the year of 2017.

The Company's global sales and distribution network, registered a total revenue increase for the year ended December 31, 2018 as compared to 2017 of 23.0%, 10.5%, 8.4%, 7.0% and 7.1%, which is attributable to the Europe, North America, Latin America, Asia Pacific and Middle East and Africa geographic segments, respectively. See revenue by geographic segments section in the "Financial Review" section below.

Driven by the Company's focus on research and development, the Company has developed numerous proprietary technologies, positioning the Company as a leader in innovation in the energy-based medical aesthetic industry. As at December 31, 2018, the Company had 55 registered patents and 25 patent applications in various jurisdictions which are material to the Company's business. Furthermore, since the inception of the Company, the Company has focused on organic growth and has developed most of its products and technologies internally. For the year ended December 31, 2018, 97.3% of the revenue from sales of products was derived from products that the Company developed in-house, compared with 97.2% of the revenue from sales of products for the year ended December 31, 2017. Moreover, the safety, reliability and quality of the Company's products underpin its strong brand image. A majority of the Company's production processes are performed in-house in the Company's own facilities.

In particular, the Company has also formulated stringent quality control procedures and the final quality control test of each of the Company's products is performed at the Company's in-house facilities.

Looking back on 2018, the medical aesthetic treatment business of the Company continued to benefit from the Company's launch of new products and the increased awareness and acceptance of medical aesthetic treatments.

The table below sets forth certain of the latest products that the Company recently launched:

Product	Brief Description	Launch Date
Small Areas Treatment Kit	2 new radio frequency and ultrasound based applicators specifically designed to treat fat deposits and skin laxity in small, challenging body areas such as the submental area and upper arm.	January 2018
Accentuate, a hands-free body contouring treatment	An innovative radio frequency applicator, offering hands-free body contouring and skin tightening treatments for enhanced clinic ROI.	April 2018
PICO CLEAR	Picosecond laser platform for deep pigments shattering and skin rejuvenation, featuring the shortest pulse duration in the market of 300-350 picosecond.	August 2018
RESHAPE	A new Beauty line platform combining radio frequency and ultrasound technologies to boost the performance of beauty treatments for both face and body.	November 2018

The Company's 2018 annual results correspond with its market trends analysis and forecast, demonstrating growth across 3 main treatment domains – body contouring, feminine health and dermatology.

Alongside our core operation on the product front, we allocated time and resources to support our future growth engines, which led to:

(i) establish direct operation in Israel by the acquisition of our Israeli distributor; and

(ii) the commercial launch of the injectable distribution operation in HK to be followed soon by China and India.

For the year ended December 31, 2018, the revenue increased by 12.4% compared with 2017 to US$153.9 million. The Group generated revenue from the following business segments: (i) sales of goods; (ii) services; and (iii) other. Goods were further categorized into: (i) non-invasive medical aesthetic products; and (ii) minimally invasive products. Substantially all of the products are energy-based medical aesthetic treatment systems and ancillary products for use with the Group's treatment systems. The Group sells products both directly to treatment providers and to distributors, who on sell the products to treatment providers.

The revenue from sales of goods for the year ended December 31, 2018 amounted to US$143.0 million, representing an increase of 11.6% compared with 2017. This increase was primarily attributable to the revenue growth from sales of both non-invasive medical aesthetic and minimally invasive products which grew by 11.7% and 11.2%, respectively, compared with 2017. The revenue from services and other for the year ended December 31, 2018 amounted to US$10.9 million, representing an increase of 24.5% compared with 2017.

For the year ended December 31, 2018, the Group recorded profit before tax of US$22.8 million and recorded profit for the year of US$21.8 million, representing an increase of 44.0% and 97.6% respectively, when compared with the year ended December 31, 2017. The increase in profit before tax and profit for the year was mainly due to the steady business growth (US$2.6 million), lower finance interest expenses (US$4.4 million) and lower income tax expenses ($US3.8 million).

For the year ended December 31, 2018, the Group recorded an adjusted net profit of US$29.5 million representing an increase of 16.6% when compared with the corresponding period of 2017. The adjusted net profit margin for the Reporting Period was 19.1%, up 0.7% when compared with the corresponding period of 2017. The terms of adjusted net profit and adjusted net profit margin are not financial measures defined under IFRSs. Please see "Financial review - Adjusted net profit and adjusted net profit margin" section below for further details.

The net cash flow from operating activities amounted to US$16.2 million, representing a decrease of 4.8% compared to 2017, which was a direct result of IPO bonus expenses incurred in 2017 that were paid during 2018.

2. Outlook for 2019

In 2019, Sisram Medical will continue to be committed to its mission to provide modular, cost-effective and high-performance systems based on the very latest clinical research and cutting-edge technology, adhere to its corporate philosophy of "Enhancing Quality of Life". 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:

1. Leverage our upgraded sales channels in the United States;
2. Further implement our Smart Clinic (IoT) technology into additional treatment systems;
3. Allocate research and development resources to explore the combination of energy sources and pharmaceuticals, develop technologies, products and protocols that will best utilize the findings of the Company's research;
4. Increase funding for clinical studies;
5. In-depth Chinese market planning and execution ramp-up, aligned with recent governmental business initiatives aimed at improving business environment;
6. Implementing a new ERP system; and
7. Integrate Nova Medical Ltd. business and operations as a direct sale commencing the closing of the mergers and acquisitions on January 15, 2019.

3. Financial review

Overview

The Company is a leading global provider of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems, which feature its innovative and proprietary technologies. The Company sells its treatment systems in approximately 80 countries and jurisdictions worldwide to its direct sale customers and its distributors.

The following table sets forth the consolidated statement of profit or loss for the years indicated:

	2018		2017		
	(US$ in thousands, except for percentages)				
	Amount	**% of revenue**	Amount	% of revenue	***YOY %***
REVENUE	**153,919**	**100.0%**	136,887	100.0%	12.4%
Cost of sales	**(71,622)**	**46.5%**	(63,690)	46.5%	12.5%
Gross profit	**82,297**	**53.5%**	73,197	53.5%	12.4%
Other income and gains	**2,109**	**1.4%**	2,057	1.5%	2.5%
Selling and distribution expenses	**(32,662)**	**21.2%**	(26,059)	19.0%	25.3%
Administrative expenses	**(14,774)**	**9.6%**	(13,862)	10.1%	6.6%
Research and development expenses	**(10,380)**	**6.7%**	(12,399)	9.1%	(16.3%)
Other expenses	**(2,863)**	**1.9%**	(1,780)	1.3%	60.9%
Finance costs	**(943)**	**0.6%**	(5,333)	3.9%	(82.3%)
PROFIT BEFORE TAX	**22,784**	**14.8%**	15,821	11.6%	44.0%
Income tax expense	**(953)**	**0.6%**	(4,772)	3.5%	(80.0%)
PROFIT FOR THE YEAR	**21,831**	**14.2%**	11,049	8.1%	97.6%

A. Revenue

For the year ended December 31, 2018, revenue of the Group was US$153.9 million, representing an increase of US$17.0 million or 12.4% when compared with 2017. The overall increase was primarily attributable to an increase in the sales volume of main consoles and applicators for the Company's different products. Furthermore, the expansion of the Company's business is a direct result of increased brand recognition, expansion into new geographic territories, increased consumable revenue, as well as increased demand for medical aesthetic treatments globally.

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

	2018		2017		***YOY %***
	(US$ in thousands, except for percentages)				
Sale of Goods:					
Non-invasive medical aesthetic:					
Core	**112,834**	**73.3%**	101,189	73.9%	11.5%
Beauty	**11,082**	**7.2%**	9,774	7.1%	13.4%
Subtotal	**123,916**	**80.5%**	110,963	81.0%	11.7%
Minimally invasive	**19,071**	**12.4%**	17,145	12.6%	11.2%
	142,987	**92.9%**	128,108	93.6%	11.6%
Services and Others	**10,932**	**7.1%**	8,779	6.4%	24.5%
Total	**153,919**	**100.0%**	136,887	100.0%	12.4%

The Company has derived a substantial majority of its revenue from the Core product line, which includes the flagship non-invasive medical aesthetic treatment systems such as the Soprano, Harmony and Accent families, as well as its Aesthetic Precision series and a few other families of treatment systems. Revenue from the sale of the non-invasive medical aesthetic product line was US$112.8 million for the year ended December 31, 2018, representing an increase of 11.5% compared to US$101.2 million in 2017. The increase was mainly because of the strong sales especially of Harmony and Accent. The revenue of the Core product line represents 73.3% of the Company's total revenue for 2018 compared with 73.9% of the Company's total revenue in 2017.

The Company's Beauty product line consists of treatment systems that are targeted towards different market segments than the Core product line treatment systems. The Beauty product line caters to aestheticians who generally provide medical aesthetic and beauty treatments that require less complex and powerful treatment systems. For the year ended December 31, 2018, revenue from the Beauty product line was US$11.1 million, representing an increase of 13.4% compared to US$9.8 million in 2017. The increase was mainly due to the growing demand from the global markets. The revenue from the Beauty product line represents 7.2% of the Group's total revenue for 2018, compared with 7.1% of the Group's total revenue in 2017.

For the year ended December 31, 2018, revenue from the sale of the Group's minimally invasive products was US$19.1 million, representing an increase of 11.2% compared to US$17.1 million in 2017. The increase was primarily attributable to an increased sales volume of Lipolife, which is the first system in the industry to receive FDA and CFDA approval for infiltration, aspiration, harvesting, filtering and transferring of fat tissue for aesthetic body contouring. Further increases in revenue are attributable to higher minimally invasive consumables sales. The revenue of minimally invasive products represented 12.4% of the Company's total revenue in 2018 compared to 12.6% of the Group's total revenue in 2017.

Revenue by geographic segments

The following table sets forth the revenue by geographic segments for the years indicated (measured by the location of the Group's direct sales customers and distributors):

	2018		2017		***YOY %***
	(US$ in thousands, except for percentages)				
Asia Pacific	**48,487**	**31.5%**	45,324	33.1%	7.0%
Europe	**46,549**	**30.2%**	37,839	27.6%	23.0%
North America	**37,040**	**24.1%**	33,508	24.5%	10.5%
Latin America	**15,462**	**10.0%**	14,260	10.4%	8.4%
Middle East and Africa	**6,381**	**4.2%**	5,956	4.4%	7.1%
Total	**153,919**	**100.0%**	136,887	100.0%	12.4%

During 2018, Asia Pacific, Europe and North America were the Company's most important geographic segments by revenue contribution, though sales were distributed broadly across many regions globally. The Company has strived to maintain and expand its geographically diverse sales network, which will allow the Company to readily capture strong regional demand, as well as help the Company to balance and minimize risks from regional economics downfalls.

The revenue from the Asia Pacific segment increased by 7.0% from US$45.3 million for the year ended December 31, 2017 to US$48.5 million for the year ended December 31, 2018. This increase is primarily attributable to (i) growth in India, as a result of the direct sales force expansion; and (ii) an increase in sales of products that the company lunched during 2017.

The revenue from the North America segment increased by 10.5% from US$33.5 million for the year ended December 31, 2017 to US$37.0 million for the year ended December 31, 2018. This increase is primarily due to an increase in sales of LipoLife treatment system as well as hair removal systems. The Company believes that the treatment options offered by these systems have gained in popularity among treatment recipients as a result of increased market awareness. The Company also made significant investments in its direct sales force and marketing team in North America during 2018 as it is the largest global market for the Group's products. The Company believes that these investments will enable the Company to increase its market share in the future for this segment.

The revenue from the European segment increased by 23.0% from US$37.8 million for the year ended December 31, 2017 to US$46.5 million for the year ended December 31, 2018. The increase is primarily attributable to significantly increased sales volume in countries in the region as a result of an increased demand for the Group's products across Europe.

The revenue from the Latin America segment increased by 8.4% from US$14.3 million for the year ended December 31, 2017 to US$15.5 million for the year ended December 31, 2018. This increase is attributable to overall increased demand for the Group's products across Latin America.

The revenue from the Middle East and Africa segment increased by 7.1% from US$6.0 million for the year ended December 31, 2017 to US$6.4 million for the year ended December 31, 2018. Despite the challenging environment in this vast region, the Company was able to maintain its leading market position.

B. Cost of sales

During the Reporting Period, the cost of sales primarily comprised the costs of production materials, and to a lesser extent, remuneration of production employees, the cost of rendering of services, and overhead and other miscellaneous costs relating to production. For the year ended December 31, 2018, the cost of sales of the Group increased by 12.5% to US$71.6 million from US$63.7 million for 2017, which is mainly caused by the increase of material costs as a result of the increase in sales volume.

C. Gross profit and gross profit margin

During the Reporting Period, gross profit of the Group increased by 12.4% to US$82.3 million from US$73.2 million in 2017. The gross profit margin remained at 53.5% for the Reporting Period compared to 53.5% in 2017. The Company achieved a steady gross profit margin in spite of challenging competitive environment.

D. Selling and distribution expenses

The selling and distribution expenses primarily consist of: (i) employees' salaries and related cost; (ii) sales commission to sales employees and independent agents; (iii) marketing expenses such as participation in tradeshows; and (iv) administrative and other sales and marketing expenses. For the year ended December 31, 2018, selling and distribution expenses amounted to US$32.7 million, representing an increase of 25.3% from US$26.1 million in 2017. The reason for the increase was mainly due to the sales force expansion in direct sales territories.

E. Administrative expenses

Administrative expenses primarily consist of: (i) amortization of intangible assets; (ii) remuneration paid to administration employees; (iii) professional fees paid and administrative costs; (iv) fees relating to the operation facilities; and (v) other miscellaneous expenses.

During the Reporting Period, administrative expenses of the Group increased by 6.6% to US$14.8 million from US$13.9 million in 2017, representing 9.6% of the total revenue compared to 10.1% in 2017. The increase was primarily attributable to professional fees incurred and facilities expenses.

F. Research and development expenses

The Group's research and development expenses primarily consist of: (i) remuneration to R&D team members; (ii) cost of materials used in research development efforts; (iii) expenses related to clinical studies; and (iv) expenses related to regulatory compliance and registration of patents and trademarks. During the Reporting Period, all research and development expenses were recorded in the period that such expenses were incurred and were not capitalized.

During the Reporting Period, R&D expenses of the Group decreased by 16.3% to US$10.4 million from US$12.4 million in 2017.

For the year ended December 31, 2018, R&D expenses of the Group accounted for 6.7% of the revenue compared to 9.1% in 2017. The decrease is primarily attributable to the IPO Bonus incurred in 2017.

During the Reporting Period, the Group continued to increase its R&D investment. The 2017 R&D expenses include US$4.3 million reflecting IPO bonus and other employment costs of employees who already left the company. Excluding those employment cost, the total R&D investment amounted to US$10.2 million, representing an increase of US$2.1 million or 26.1% compared with the corresponding period of 2017.

G. Finance costs

Finance costs mainly comprise of interest on bank loans and imputed interest on interest free long-term capital notes issued to the then existing shareholders (the "Capital Notes") which were capitalized upon Listing. Finance costs decreased from US$5.3 million in 2017 to US$0.9 million in 2018, since lower interest was recorded on debts during 2018 due to the capitalization of the capital notes and the repayment of bank loans.

H. Income tax expense

The Israeli corporate tax rates are 23.0% and 24.0% in 2018 and 2017 respectively. Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

Alma, the major operating subsidiary of the Company, was granted the status of "Preferred Enterprise" under the 2011 Amendment of the Investment Law and therefore enjoyed a preferential corporate tax rate of 16% during previous periods.

On December 4, 2018, Alma, the major operating subsidiary of the Company received a ruling from the Israeli Income Tax Authority, which grants Alma a Special Preferred Technological Enterprise ("SPTE") status, in accordance with the legal criteria and the conditions mentioned in the ruling, effective January 1, 2017.

As of December 31, 2018, the Company enjoyed a preferential new effective tax rate of 8.44%, for being a SPTE for the years ended December 31, 2017 and 2018. As a result of the ruling with respect to the SPTE status in December 2018, the Company recorded a tax benefit of US$4.3 million for 2018 and 2017 (US$2 million with respect to 2018 and US$2.3 million with respect to 2017).

Due to the abovementioned, the effective tax rate of the Group was 4.2% for the Reporting Period, which was comparable to that of 30.2% in 2017.

I. Profit for the year

Due to the above reasons, during the Reporting Period, profit for the year increased by 97.6% to US$21.8 million from US$11.0 million in 2017. Net profit margin for 2018 and 2017 were 14.2% and 8.1% respectively.

J. Adjusted net profit and adjusted net profit margin

The Group calculates adjusted net profit by taking profit for the period and subtracting: (i) amortization of other intangible assets; (ii) imputed interest expenses arising from the Capital Notes which were no longer outstanding upon Listing; (iii) expenses incurred in relation to the Listing (one-off in nature); (iv) bonus to managements and employees as a result of the completion of the Listing; (v) finance costs arising from the buy-out loan from a related company, which was repaid subsequent to the Listing and is no longer outstanding; (vi) expenses incurred in relation to Due Diligence; (vii) one-off impact on opening deferred tax from changes in tax rate; (viii) deferred tax liability arising from other intangible assets, which primarily relates to the Alma Acquisition; (ix) one-off VAT adjustment; and (x) one-off income tax due to encouragement law true up. The Group calculates adjusted net profit margin by dividing adjusted net profit by revenue.

The Group presents this financial measure because it is used to evaluate financial performance by excluding the impact of items that the Group does not consider indicative of the Group's ordinary operating performance or that were no longer outstanding subsequent to the Listing.

The term adjusted net profit is not a financial measure defined under IFRSs. The use of 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 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 year presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is profit for the year:

	2018 US$'000	2017 US$'000	YOY %
PROFIT FOR THE YEAR	**21,831**	11,049	97.6%
Adjusted for:			
Amortization of other intangible assets arising from the Alma Acquisition	**4,827**	4,827	0.0%
Capital Notes imputed interest expenses	—	3,079	(100.0%)
Listing expenses	—	2,975	(100.0%)
Bonus to managements and employees relating to IPO	**3,992**	3,884	2.8%
Interest expense from a related party loan	—	248	(100.0%)
Due diligence	**739**	—	100.0%
One-off impact on opening deferred tax from changes in tax rate*	—	114	(100.0%)
Deduct: deferred tax arising from other intangible assets	**(596)**	(912)	(34.6%)
One-off VAT adjustment	**1,010**	—	100.0%
One-off income tax due to encouragement law true up	**(2,343)**	—	100.0%
Adjusted net profit	**29,460**	25,264	16.6%
Adjusted net profit margin	**19.1%**	18.5%	

* This represents the re-valuation of the deferred tax in the United States as a result of December 2017 United States tax reform legislation, which is one-off in nature.

4. Debt structure, liquidity and sources of funds

A. Gearing Ratio

As at December 31, 2018, the Group's cash and cash equivalents exceeded total debt. As such, no gearing ratio was presented.

B. Interest Coverage

During the Reporting Period, the interest coverage, which is calculated by EBIT (Earnings before Interest and Taxes) divided by finance costs, was 25.2 times as compared to 4.0 times in 2017. The interest coverage increased mainly because the Group's EBIT during the Reporting Period increased by 11.8% to US$23.7 million from US$21.2 million in 2017, and finance cost decreased by 82.3% to US$0.9 million from US$5.3 million in 2017.

C. Available Facilities

The Group did not have any unutilized banking facilities, as the Company's borrowing was mainly used for the Alma Acquisition and the Group financed its operations historically through cash generated from operating activities.

D. Interest Rate

As at December 31, 2018, total interest-bearing bank and other borrowings at a floating interest rate amounted to US$2.2 million (December 31, 2017: US$11.1 million).

E. Maturity Structure of Outstanding Debts

The following tables sets forth the maturity structure of outstanding debts as at December 31, 2018 and 2017.

	2018			2017		
	Effective interest rate (%)	**Maturity**	**US$'000**	Effective interest rate (%)	Maturity	US$'000
Current						
Current portion of long-term bank loans, secured	**6-month LIBOR+3.75**	**2019**	**2,171**	6-month LIBOR+3.75	2018	4,321
Non-current						
Bank loan, secured				6-month LIBOR+3.75	2020	6,761
			2,171			11,082

Note: LIBOR stands for London Interbank Offered Rate.

	2018 US$'000	2017 US$'000
Loan balance	**2,291**	11,611
Less: loan arrangement fees	**120**	529
	2,171	11,082
Analyzed into:		
Within one year	**2,171**	4,321
In the second year	—	4,861
In the third to fifth years, inclusive	—	1,900
	2,171	11,082

F. Collateral and Pledged Assets

On April 13, 2014, the Company entered into a loan agreement of US$82.0 million 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 loan was to be repaid in twelve semi-annual instalments commencing in October 2014. On December 31, 2014, October 16, 2017, April 13, 2018, October 15, 2018, the Company paid US$9.9 million, early repayment of US$26.0 million, US$2.2 million and US$7.2 million, respectively. As at December 31, 2018, the Company has met all the aforementioned financial covenants. The remaining balance of the loan amounted to US$ 2.2 million as at December 31, 2018, which is fully covered by the Company's cash balance.

5. Cash flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principals of debts due, paying for purchases and capital expenditures, and funding the growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for 2018 and 2017.

	2018 US$'000	2017 US$'000	YOY %
Net cash flows from operating activities	16,236	17,057	(4.8%)
Net cash flows used in investing activities	(4,055)	(44,743)	(90.9%)
Net cash flows from/(used in) financing activities	(17,425)	48,171	(136.2%)
Net increase/(decrease) in cash and cash equivalents	(5,244)	20,485	(125.6%)
Effect of foreign exchange rate changes, net	1,003	(509)	(297.1%)
Cash and cash equivalents at beginning of the year	38,081	18,105	110.3%
Cash and cash equivalents at end of the year	33,840	38,081	(11.1%)
Pledged bank balances for long-term bank loans	70	56	25.0%
Term deposits with original maturity of more than three months	70,620	66,000	7.0%
Cash and bank balances as stated in the consolidated statements of financial position	104,530	104,137	0.4%

Net cash flows from operating activities

For the year ended December 31, 2018, the net cash flows from operating activities were US$16.2 million, which was primarily attributable to: (i) the profit before tax of US$22.8 million; (ii) total adjustments for profit or loss items of US$7.0 million; (iii) working capital adjustments of US$7.9 million; and (iv) income tax paid of US$5.7 million.

Net cash flows used in investing activities

For the year ended December 31, 2018, the net cash flows used in investing activities were US$4.1 million, which was primarily attributable to: (i) an increase of US$4.6 million in term deposits with original maturity of more than three months, in relation to a cash deposit that we made into a savings account at a third-party commercial bank, (ii) US$1.3 million in purchase of plant and equipment; and (iii) offset by US$1.8 million interest received from term deposits.

Net cash flows used in financing activities

For the year ended December 31, 2018, the net cash flows used in financing activities was US$17.4 million, which was primarily attributable to: (i) repayment of bank loans of US$9.3 million; and (ii) payment of IPO related expenses of US$7.4 million.

6. Capital commitments and capital expenditures

During the Reporting Period, capital expenditures of the Group amounted to US$1.3 million, which mainly consisted of additions to property, plant and equipment and other intangible assets.

As at December 31, 2018, the Group did not have any significant capital commitments.

7. Contingent liabilities

As at December 31, 2018, the Group did not have any contingent liabilities.

8. Material acquisition and disposal

On November 16, 2018, Alma Lasers, a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Mr. Ofer Gerassi, Mrs. Sabina Biran, Mr. Jacob Sayef Aaron and Nova Medical Israel Ltd., a private company organised under the laws of Israel, pursuant to which, Alma Lasers has proposed to acquire an aggregate of 60% equity interests in Nova Medical Israel Ltd.. Immediately following the completion of the acquisition on January 15, 2019, Nova Medical Israel Ltd. became a 60%-owned subsidiary of the Company. Please refer to the announcements of the Company dated November 16, November 18 and December 7, 2018 and January 15, 2019 for details.

Save as disclosed above, during the Reporting Period, the Group did not conduct any material acquisition or disposal.

9. Significant investments held and future plans for material investments and capital assets

Save for those disclosed in this annual report, there were no other significant investments held as at December 31, 2018. The Group did not have other plans for material investments and capital assets.

10. Risk management

The operation and development of the Group is not exposed to any material risk factors, but it will be impacted to a certain extent by several factors as illustrated below:

A. 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.

B. 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.

11. Employees and Remuneration Policies

The following table sets forth the number of the employees by function as at December 31, 2018:

Function	Number of Employees
Operations	171
R&D	64
Sales & Marketing	155
General & Administration	35
Total	425

The employees' remuneration comprises basic salary and a performance-based bonus. The performance-based bonus is determined by reference to the performance appraisal of the employees of the Group. Through clearly identifying 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.

12. The use of proceeds from the global offering

Total net proceeds from the Global Offering amounted to approximately HK$771.3 million. As at the end of the Reporting Period, approximately HK$214.4 million has been used in accordance with the plan disclosed in the Prospectus of the Company (as adjusted in accordance with the announcement issued by the Company on October 8, 2018). Details of the use of proceeds are set out below:

Intended use of proceeds as set out in the Prospectus (as adjusted in accordance with the announcement issued on October 8, 2018)		Intended amount to be used as set out in the Prospectus (as adjusted in accordance with the announcement issued on October 8, 2018)	Amounts utilized as at December 31, 2017	Amounts utilized during the period from January 1, 2018 to December 31, 2018	Actual aggregate amounts utilized up to December 31, 2018	Amounts not yet utilized as at December 31, 2018
(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)	—	HK$32.97 million	HK$32.97 million	HK$53.42 million
	Invest in global digital marketing	approximately 3.7% (HK$28.54 million)	—	HK$2.52 million	HK$2.52 million	HK$26.02 million
	Develop analytics capabilities	approximately 3.7% (HK$28.54 million)	—	HK$0.46 million	HK$0.46 million	HK$28.08 million

Intended use of proceeds as set out in the Prospectus (as adjusted in accordance with the announcement issued on October 8, 2018)		Intended amount to be used as set out in the Prospectus (as adjusted in accordance with the announcement issued on October 8, 2018)	Amounts utilized as at December 31, 2017	Amounts utilized during the period from January 1, 2018 to December 31, 2018	Actual aggregate amounts utilized up to December 31, 2018	Amounts not yet utilized as at December 31, 2018
(b) capital investments						
	Upgrade existing or establish new service centers in direct sales markets	approximately 4.2% (HK$32.78 million)	—	HK$0.07 million	HK$0.07 million	HK$32.71 million
	Upgrade and remap production lines	approximately 4.7% (HK$35.90 million)	—	HK$1.11 million	HK$1.11 million	HK$34.79 million
	Optimize and update information technology systems and infrastructure	approximately 4.7% (HK$35.90 million)	—	HK$0.40 million	HK$0.40 million	HK$35.50 million
(c) research and development activities						
	Develop and expand minimally invasive product line	approximately 4.7% (HK$35.90 million)	—	HK$0	HK$0	HK$35.90 million
	Increase the funding for clinical studies in the United States	approximately 4.7% (HK$35.90 million)	—	HK$0.39 million	HK$0.39 million	HK$35.51 million
	Bolster regulatory capabilities	approximately 4.7% (HK$35.90 million)	—	HK$6.63 million	HK$6.63 million	HK$29.27 million
(d) repay the buy-out loan from Fosun Industrial		approximately 9.3% (HK$71.74 million)	HK$71.74 million	—	—	—
(e) strategic acquisition, enter into strategic partnerships and other business development		approximately 29.5% (HK$227.53 million)	—	HK$0.12 million	HK$0.12 million	HK$227.41 million
(f) supplement working capital and other general corporate purpose		approximately 10.0% (HK$77.13 million)	HK$71.8 million	HK$0.90 million	HK$72.71 million	HK$4.42 million
(g) repay a loan with HSBC Bank Plc, Israel Discount Bank Ltd. and Mizrahi Tefahot Bank Ltd.		approximately 5.1% (HK$39.15 million)	—	HK$39.15 million	HK$39.15 million	—

Report of Directors

The Board is pleased to present its 2018 annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2018.

Principal Activities

The Company is principally engaged in the provision of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems, which often feature its innovative and proprietary technologies.

Details of the principal activities of the subsidiaries of the Company are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

Results and Dividends

The results of the Group for the year ended December 31, 2018 are set out in the Consolidated Statement of Profit or Loss on page 61.

The Board has resolved to declare a final dividend of HK$0.10 (inclusive of tax, equivalent to approximately US$0.013) per Share for the year ended December 31, 2018.

Dividend Policy

The Company has adopted Dividend Policy. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its Shareholder value. The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to propose, declare and distribute dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations and the factors.

The Board shall also take into account the factors of the Group when considering the declaration and payment of dividends, including financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, any restrictions on payment of dividends, profits legally available for distribution, which are defined as the greater of retained earnings or earnings accumulated during the preceding two years (the "Profits Criteria"), ability of the Company to pay the Profits Criteria and any other factors that the Board may consider relevant. Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period. The Board will review this Dividend Policy as appropriate from time to time.

Business Review

The business review of the Group for the Reporting Period is set out in the sections headed "Chief Executive Officer's Review" on pages 5 to 8 and "Management Discussion and Analysis" on pages 9 to 25, respectively of this annual report. All references herein to other sections or reports in this annual report form part of this Report of the Directors.

AGM and Closure of Register of Members

The notice of the forthcoming AGM will be published and dispatched to Shareholders of the Company in accordance with the requirements of the Listing Rules and the Articles of Association. The Company will announce the period of closure of register of members in the notice of AGM to be issued.

Summary Financial Information

A summary of the financial information for the last five financial years, as extracted from the audited financial statements, is set out in the section headed "Financial Summary" in this annual report.

Bank Borrowings and Other Borrowings

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at December 31, 2018 are set out in notes 27 and 29 to the financial statements.

Plant and Equipment

Details of movements in plant and equipment of the Company and its subsidiaries during the Reporting Period are set out in note 13 to the financial statements.

Charge On Assets

As at December 31, 2018, no property, plant and equipment was pledged to banks as loan security (December 31, 2017: Nil)

Details of collateral and pledged assets are set out in the section headed "Collateral and Pledged Assets" on page 21 of this annual report.

Share Capital

Details of movements in the Company's share capital during the Reporting Period are set out in note 31 to the financial statements.

Subsidiaries

Particulars of the names, principal countries of operation, places of incorporation and issued/registered share capital of the Company's principal subsidiaries are set out in note 1 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended December 31, 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Distributable Reserves

The amount of the Company's reserves available for distribution as at December 31, 2018, calculated in accordance with Israeli rules and regulations, was US$55.1 million.

Details of the movements in the respective reserves of the Group and the Company during the Reporting Period are set out in the Consolidated Statement of Changes in Equity to the financial statements.

Major Customers and Suppliers

During the Reporting Period, the aggregate amount of purchases attributable to the Group's five largest suppliers were less than 30% of total purchases of the Group. The aggregate amount of turnover attributable to the Group's five largest customers was 24.9% of total turnover of the Group. The aggregate amount of turnover attributable to the Group's largest customer was 16.2% of total turnover of the Group.

During the Reporting Period, to the knowledge of the Directors, none of the Directors, their close associates, or Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the number of issued Shares of the Company) had interests in the five largest suppliers or customers of the Company.

Directors

The following is the list of Directors during the Reporting Period and up to the date of this annual report (unless otherwise stated).

Executive Directors

Mr. Yi LIU *(Chairman)*
Mr. Lior Moshe DAYAN *(Chief Executive Officer)*
Mr. Jianping HUA *(Chief Financial Officer, appointed on March 19, 2018 and resigned on January 17, 2019)*
Mr. Guojun BU *(Chief Financial Officer, appointed on January 17, 2019)*

Non-executive Directors

Mr. Yifang WU
Mr. Yao WANG
Ms. Yang YANG *(appointed on March 19, 2018)*
Mr. Chun LI *(resigned on March 19, 2018)*
Ms. Yu HU *(resigned on March 19, 2018)*

Independent non-executive Directors

Mr. Heung Sang Addy FONG
Mr. Chi Fung Leo CHAN
Ms. Jenny CHEN
Mr. Kai Yu Kenneth LIU

In accordance with the Articles of Association, Mr. Yi LIU, Mr. Guojun BU, Ms. Yang YANG and Ms. Jenny CHEN will retire at the forthcoming AGM and being eligible, offer themselves for re-election.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Company are set out on pages 48 to 53 of this annual report.

Directors' Service Contracts

Each of the Directors (except for Mr. Jianping HUA, Ms. Yang YANG and Mr. Guojun BU) has entered into a letter of appointment with the Company for a period commencing on the Listing Date and ending on August 30, 2020, subject to the provision of retirement and rotation of Directors under the Articles of Association.

Each of Mr. Jianping HUA and Ms. Yang YANG has entered into a letter of appointment with the Company for a period commencing on March 19, 2018 and ending on August 30, 2020 while Mr. Guojun BU has entered into a letter of appointment with the Company for a period commencing on January 17, 2019 and ending on August 30, 2020, subject to the provision of retirement and rotation of Directors under the Articles of Association. Mr. Jianping HUA resigned as an executive Director on January 17, 2019.

None of the Directors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Remuneration Policy

The remuneration policy of the Group is set out in the section headed "Management Discussion and Analysis" on page 24 of this annual report.

Details of the remuneration to Directors and chief executives, senior management and the five highest paid employees are set out in notes 8 and 9 to the financial statements.

Directors' Interest in Transactions, Arrangements and Contracts of Significance

Save as disclosed in the section headed "Related Party Transactions", there is no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in the Reporting Period was a Director or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the Reporting Period or at the end of the Reporting Period.

Pension Scheme

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the Statement of profit or loss for the Reporting Period was US$0.7 million.

Management Contract

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Directors' Rights to Acquire Shares or Debentures

Except as disclosed in this annual report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the Reporting Period or at the end of the Reporting Period.

Directors' Interest in Competing Business

Except Mr. Yifang WU, Mr. Yao WANG and Ms. Yang YANG, who are our non-executive Directors and also the directors of CML, and Mr. Guojun BU, who is our executive Director and also the vice president of CML, none of the Directors is interested in any businesses apart from the Group's business which competes with or is likely to compete, either directly or indirectly, with the Group's business. CML, a subsidiary of Fosun Pharma, acts as agent or distributor in the PRC for a broad range of medical devices (including products relating to the imaging, aesthetics, surgery, dermatology, oncology and dental segments).

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

As at December 31, 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 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 as set out in Appendix 10 of the Listing Rules were as follows:

(a) The Company

Name of Director	Capacity and nature	Number of Shares held	Percentage of shareholding in the Shares
Lior Moshe DAYAN	Beneficial owner (Personal)	36,000	0.01%

(b) Associated corporation of the Company

Name of Directors	The company in which the interests are held	The class of shares	Capacity and nature	Number of shares held	Percentage of shareholding in the relevant class of shares
Yifang WU	Fosun Pharma	H shares	Beneficial owner (Personal)	342,000	0.06%
		A shares	Beneficial owner (Personal)	718,900	0.04%
Yao WANG	Fosun Pharma	A shares	Beneficial owner (Personal)	50,000	0.002%
Jianping HUA[1]	Fosun Pharma	A shares	Beneficial owner (Personal)	25,000	0.001%

Note:

(1) Jianping HUA resigned as an executive Director on January 17, 2019.

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares

As at December 31, 2018, so far as is known to the Directors, the persons or entities, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholders	Capacity	Number of Shares held or interested	Approximate Percentage (%)
CML	Legal and beneficial interest	127,318,640(L)[1]	28.79%
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 Industrial[3]	Interest in controlled corporation	233,582,800(L)	52.83%
Fosun Pharma[4]	Interest in controlled corporation	233,582,800(L)	52.83%
Fosun High Tech[5]	Interest in controlled corporation	233,582,800(L)	52.83%
Magnificent View	Legal and beneficial interest	96,976,000(L)	21.93%
Pramerica-Fosun Fund[6]	Interest in controlled corporation	96,976,000(L)	21.93%
Fosun Equity Investment[7]	Interest in controlled corporation	96,976,000(L)	21.93%
Fosun Industrial Holdings Limited[8]	Interest in controlled corporation	96,976,000(L)	21.93%
Fosun International[9]	Interest in controlled corporation	330,558,800(L)	74.76%
FHL[10]	Interest in controlled corporation	330,558,800(L)	74.76%
FIHL[11]	Interest in controlled corporation	330,558,800(L)	74.76%
Guangchang GUO[12]	Interest in controlled corporation	330,558,800(L)	74.76%

Notes:

(1) (L): Long Positions

(2) CML is wholly owned by Ample Up. Therefore, 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 Industrial. Therefore, Fosun Industrial 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 Industrial is wholly owned by Fosun Pharma. Therefore, Fosun Pharma is deemed to be interested in the Shares in which Fosun Industrial is deemed to be interested.

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

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

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

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

(9) Fosun High Tech and Fosun Industrial Holdings Limited are both wholly owned by Fosun International. Therefore, 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.

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

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

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

Save as disclosed herein, there is no other person known to the Directors or chief executive of the Company who, as at December 31, 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% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Permitted Indemnity

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the directors of the Group.

Share Option Scheme

For the year ended December 31, 2018, the Company did not have any share option scheme.

Equity-Linked Agreements

No equity-linked agreements were entered into by the Group during the Reporting Period or subsisted at the end of the Reporting Period.

Sufficiency of Public Float

Based on the information publicly available to the Company and to the best knowledge of the Directors, during the Reporting Period, the Company has maintained sufficient public float as required by the Listing Rules.

Pre-Emptive Rights

There are no provisions for pre-emptive rights in the Articles of Association or under the applicable laws of Israel where the Company is incorporated.

Connected Transactions

During the Reporting Period, the Company has not entered into or conducted any connected transactions, which were subject to the reporting, announcement or independent shareholders'' approval requirements as required under the Listing Rules.

Related Party Transactions

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 35 to the financial statements. The related party transactions disclosed in note 35 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

Non-competition Undertaking

The Company has entered into a non-compete deed dated August 30, 2017 with Fosun Pharma to ensure a clear delineation between the respective businesses of the Group and the Remaining Fosun Pharma Group with effect from the Listing Date (the "Non-Compete Deed").

Fosun Pharma has provided the Company with an annual confirmation regarding its compliance with the terms of the Non-Compete Deed. The independent non-executive Directors have performed an annual review and confirmed that they are not aware of any circumstances which indicate that Fosun Pharma is not in compliance with non-compete undertakings given by it in the Non-Compete Deed.

Contract of Significance

Save as disclosed in this annual report, at no time during the Reporting Period had the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholders or any of their subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholders or any of their subsidiaries to the Company or any of its subsidiaries.

Use of Proceeds from the Initial Public Offering

Total net proceeds from the Global Offering amounted to approximately HK$771.3 million. As at the end of the Reporting Period, approximately HK$214.4 million has been used in accordance with the plan as disclosed in the Prospectus and adjusted according to the announcement of the Company dated October 8, 2018, comprising HK$103.5 million and HK$110.9 million used to repay bank loans and general working capital purposes, respectively.

Subsequent Events

There was no significant event that took place after the Reporting Period and up to the date of this annual report.

Compliance with Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the Reporting Period, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

Environmental Policies and Performance

The Company is committed to the sustainable development of the environment and the society. In recognition of the potential climate impact due to manufacturing of the Company's products, the Company strives to enhance the environmental performance of its products manufacturing and development through eco-friendly operational measures as well as supporting a number of external charters with regard to energy efficiency and carbon reduction. In addition, during the Reporting Period, the Group had continually increased investment in upgrading its technology, improved production process. The Group constantly strengthened environment protection and optimized the production process for the purposes of energy saving, emission reduction and environment protection. The Group emphasized harmonious development with nature to protect the sustainable development of the environment.

Further information on the Company's environmental policies and performance is set out in the ESG Report on pages 143 to 167 of this annual report.

Significant Legal Proceedings

For the year ended December 31, 2018, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

Relationship with Stakeholders

The Company recognizes that its employees, customers and business partners are keys to its sustainability journey. The Company has been striving to achieve corporate sustainability through engaging its employees, providing quality services for its customers, collaborating with business partners and supporting our community.

The Company places significant emphasis on human capital. The Company provides a fair workplace, promoting non-discrimination and diversity to its staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. The Company administers its employee health and safety management system and ensures the adoption of the principles across the Group. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organizations.

To enhance customer satisfaction and promote a customer-oriented culture within the Company, the Company takes "Customer First" as one of its core values. It values the feedback from customers through daily communication, regular meeting and etc. It has also established the mechanism about customer service, support and complaints. When dealing with a customer complaint, the Company treats it as an opportunity to improve its relationship with the customer, addressing the concern in a timely manner and in accordance with international standards.

The Company believes that its suppliers are equally important in driving quality delivery of its products. It proactively collaborate with its business partners (including suppliers and contractors) to deliver quality sustainable products and services.

Auditors

The financial statements of the Group have been audited by Ernst & Young.

A resolution to re-appoint Ernst & Young as the auditors of the Company and to authorize the Directors to fix its remuneration will be proposed at the forthcoming AGM.

On Behalf of the Board
Yi LIU
Chairman

Shanghai, PRC, March 18, 2019

The board of directors of the Company (the "Board") hereby presents to the Shareholders the corporate governance report for the year ended December 31, 2018.

Corporate Governance Practices

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has complied with all the principles and code provisions of the CG Code for the Reporting Period.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

Specific enquiry has been made of all the Directors and the Directors have fully complied with the relevant requirements set out in its own code of conduct throughout the Reporting Period.

Board of Directors

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises the following Directors:

Executive Directors

Mr. Yi LIU *(Chairman)*
Mr. Lior Moshe DAYAN *(Chief Executive Officer)*
Mr. Guojun BU *(Chief Financial Officer)*

Non-executive Directors

Mr. Yifang WU
Mr. Yao WANG
Ms. Yang YANG

Independent Non-executive Directors

Mr. Heung Sang Addy FONG *(also External Director)*
Mr. Chi Fung Leo CHAN *(also External Director)*
Ms. Jenny CHEN
Mr. Kai Yu Kenneth LIU

On March 19, 2018, Mr. Chun LI and Ms. Yu HU resigned as non-executive Directors while Mr. Jianping HUA and Ms.Yang YANG were appointed as an executive Director and a non-executive Director respectively. On January 17, 2019, Mr. Jianping HUA resigned as an executive Director and Chief Financial Officer while Mr. Guojun BU was appointed as an executive Director and Chief Financial Officer.

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 48 to 51 of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The positions of chairman and chief executive officer are held by Mr. Yi LIU and Mr. Lior Moshe DAYAN respectively. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of 3 years, subject to renewal after the expiry of the then current term.

The Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the next Annual General Meeting after appointment.

Under the Articles of Association, the Directors of the Company (other than any External Directors elected pursuant to the Israeli Companies Law) shall be divided by the Board into three groups, designated as group I, group II and group III. Each group of Directors shall consist, as nearly as possible as determined by the Board, of one-third of the total number of Directors constituting the entire Board (excluding the External Directors). The first term of office of the group I Directors has expired at the annual general meeting occurred in 2018; the first term of office of the group II Directors shall expire at the annual general meeting in 2019; and the first term of office of the group III Directors shall expire at the annual general meeting in 2020. Any Director whose term has expired (upon the expiring of the term of such Director's group) may be re-elected to the Board.

On 17 January, 2019, Mr. Jianping HUA resigned as an executive Director and Mr. Guojun BU has been appointed as an executive Director. In accordance with Article 41(g) of the Articles of Association, Mr. Guojun BU will retire and being eligible, offer himself for re-election at the forthcoming Annual General Meeting.

In accordance with Articles 41(c) and (d) of the Articles of Association, Mr. Yi LIU, Ms. Yang YANG and Ms. Jenny CHEN, being the group II Directors, will retire and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting for a term of office expiring on the third Annual General Meeting next succeeding such re-election.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the Reporting Period:

Name of Directors	Type of Training Note
Executive Directors	
Mr. Yi LIU	A/B
Mr. Lior Moshe DAYAN	B
Mr. Jianping HUA(1)	B
Non-executive Directors	
Mr. Yifang WU	B
Mr. Chun LI(2)	N/A
Mr. Yao WANG	B
Ms. Yu HU(3)	N/A
Ms. Yang YANG(4)	A/B
Independent Non-executive Directors	
Mr. Heung Sang Addy FONG	B
Mr. Chi Fung Leo CHAN	A/B
Ms. Jenny CHEN	A/B
Mr. Kai Yu Kenneth LIU	A/B

(1) Mr. Jianping HUA was appointed as an executive Director on March 19, 2018 and resigned as an executive Director on January 17, 2019.

(2) Mr. Chun LI resigned as non-executive Director on March 19, 2018.

(3) Ms. Yu HU resigned as non-executive Director on March 19, 2018.

(4) Ms. Yang YANG was appointed as a non-executive Director on March 19, 2018.

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 168.

Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review, in respect of the year ended December 31, 2018, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

Remuneration Committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

Details of the remuneration of the Directors and senior management by band are set out in note 8 to the financial statements.

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the annual general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience, independence, availability of services to the Company and tenure.

The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications (such as accounting and financial expertise), skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent directors in accordance with the Hong Kong Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Requirement for the Board to have two external directors in accordance with the Israeli Companies Law and whether the candidate would meet the stringent standards of independence with reference to the Israeli Companies Law and the articles of association of the Company;
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings as below:

(i) Appointment of New Directors

- The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

  Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at a general meeting.

(ii) Re-election of Directors at General Meeting

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance by such director on the Board.
- The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.
- The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at a general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate shall be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

During the Reporting Period, Mr. Chun LI and Ms. Yu HU resigned as non-executive Directors while Mr. Jianping HUA and Ms. Yang YANG were appointed as an executive Director and a non-executive Director respectively. On January 17, 2019, Mr. Jianping HUA resigned as executive Director.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the Reporting Period is set out in the table below:

	Attendance/Number of Meetings				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Mr. Yi LIU	4/4		1/1	1/1	1/1
Mr. Lior Moshe DAYAN	4/4				0/1
Mr. Jianping HUA(1)	4/4				1/1
Mr. Yifang WU	4/4				0/1
Mr. Chun LI(2)	0/1				0/0
Mr. Yao WANG	4/4				0/1
Ms. Yu HU(3)	0/1				0/0
Ms. Yang YANG(4)	4/4				0/1
Mr. Heung Sang Addy FONG	4/4	2/2	1/1	1/1	1/1
Mr. Chi Fung Leo CHAN	4/4	2/2	1/1	1/1	0/1
Ms. Jenny CHEN	4/4	2/2			1/1
Mr. Kai Yu Kenneth LIU	4/4				1/1

(1) Mr. Jianping HUA was appointed as an executive Director on March 19, 2018 and resigned as an executive Director on January 17, 2019.

(2) Mr. Chun LI resigned as non-executive Director on March 19, 2018.

(3) Ms. Yu HU resigned as non-executive Director on March 19, 2018.

(4) Ms. Yang YANG was appointed as a non-executive Director on March 19, 2018

Apart from regular Board meetings, the chairman also held meetings with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

Most independent non-executive Directors have attended general meeting to gain and develop a balanced understanding of the view of shareholders.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. Highlights of the Company's internal control and risk management systems include the following:

- The Company's risk management and internal control systems have been developed so as to allow the Company to maintain the highest standard corporate governance and to identify and mitigate any potential risks.
- The Company has appointed an internal auditor in accordance with the Israeli law requirements. The role of the internal auditor is to examine, among other things, our compliance with applicable law and orderly business procedures. The Audit Committee will also oversee the activities and to assess the performance of the internal auditor as well as review the internal auditor's work plan. The internal auditor will report its findings to the Audit Committee.
- The senior management of the Company conducts internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with relevant staff of the Company, assessed the likelihood of risk occurrence, monitor the risk management progress, and reports to the Audit Committee and the Board on all findings and the effectiveness of the systems.
- In addition, the Company has adopted a Corporate Governance Manual to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions, notifiable transactions, inside information and securities transactions by the Directors. The Company has designated team to monitor its compliance with Listing Rules and other applicable laws and regulations.
- The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Such policy was set out in the Corporate Governance Manual adopted by the Company. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 54 to 60.

Auditors' Remuneration

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the Reporting Period amounted to US$363,000 and US$117,000, respectively.

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the Reporting Period is set out below:

Service Category	**Fees Paid/Payable US$'000**
Audit Services	363
Non-audit Services	117
– Tax Services	69
– IT Services	48
	480

Company Secretary

The Company has engaged Tricor Services Limited, external service provider, and Ms. Yee Har Susan LO has been appointed as the company secretary of the Company. Its primary contact person at the Company is Mr. Guojun BU, the executive Director and chief financial officer of the Company.

Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 26 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting in Hong Kong or elsewhere, if permitted under applicable law or the Listing Rules, and at such time as may be determined by the Board, and shall be obligated to do so upon a requisition in writing in accordance with Sections 63(b) (1) or (2) and 63(c) of the Israeli Companies Law. Moreover, where the Israeli Companies Law refers to the right of a Shareholder to convene an extraordinary general meeting, such provisions will apply to any public investor, as if such person were a Shareholder as defined herein, mutatis mutandis.

Putting Forward Proposals at General Meetings

Pursuant to Article 27(a) of the Articles of Association, a Shareholder (including two or more Shareholders that are acting in concert) holding one percent or more of the outstanding voting rights in the Company (a "Proposing Shareholder") may request, subject to Section 66(b) of the Israeli Companies Law and the regulations promulgated thereunder, that the Board include a proposal on the agenda of a general meeting to be held in the future, provided that the Proposing Shareholder gives timely notice of such request in writing (a "Proposal Request") to the Company and the Proposal Request complies with all the requirements of the Articles of Association and applicable law and the Listing Rules. To be considered timely, a Proposal Request must be delivered, either in person or by certified mail, postage prepaid, and received at the principal executive office of the Company, by the applicable deadline under the Israeli Companies Law as amended from time to time, namely, no later than seven days from the notice of a general meeting whose agenda includes items that require a 35-day prior notice, and no later than three days from the notice of any other general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 14 Halamish Street, Caesarea Industrial Park, Caesarea 38900, Israel

Email: info@sisram-medical.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at 972-4-6275357 for any assistance.

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through Annual General Meetings and other general meetings. At the Annual General Meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the Reporting Period, the Company has not made any changes to its Articles of Association. An up to date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

Board of Directors

Executive Director

Mr. Yi LIU (劉毅), aged 43, was appointed as the Chairman and an executive Director of the Company on April 14, 2016.

Mr. Liu joined the Group in April 2016 and has served as a Director since then. Mr. Liu was the chief technology officer of the medical devices division of Fosun Pharma from November 2015 to December 2016, and has been a vice president of Fosun Pharma since January 2017.

Prior to joining the Fosun Pharma Group, Mr. Liu served as a civil servant at the State Food and Drug Administration of China from July 2000 to August 2004. He served as deputy head of the Beijing Medical Equipment Laboratory (北京市醫療器械檢驗所) from September 2004 to May 2007 and was responsible for the quality system management and regulatory matters with the State Food and Drug Administration of China. He served as the head of that laboratory from May 2007 to November 2015 and was responsible for the overall management of the institute, including strategic planning, government relations and regulatory matters.

Mr. Liu obtained a bachelor's degree of Engineering from Beijing Institute of Technology (北京理工大學) in the PRC in July 1998. He graduated from the Chinese Academy of Governance (國家行政學院) in the PRC in July 2000 and obtained a master's degree in Management from Peking University (北京大學) in the PRC in January 2006. Mr. Liu has been a registered assessor under China National Accreditation Service for Conformity Assessment since April 2013.

Mr. Lior Moshe DAYAN, aged 49, was appointed as Chief Executive Officer and an executive Director of the Company on June 6, 2017. Mr. Dayan has been the Senior Vice President of Global Sales and Managing Director of the German subsidiary of the Group since April 2011.

He is responsible for the direction and management of all sales, marketing and business development operations, including market competitiveness, pricing, compensation, distribution and sales channel strategy. He was the senior director in charge of the Asia-Pacific markets of Alma Lasers from September 2008 to December 2010 and the vice president of sales and marketing of Alma Lasers European and APAC markets from November 2010 to April 2011.

Mr. Dayan has 17 years of experience in the laser industry with operational, logistic, financial and sales expertise, 10 of which were in Asia. Prior to joining the Group, he served in several managing positions at Lumenis Ltd. from September 2001 to September 2008, including sales director of the European and West African markets, sales and marketing regional manager of the countries in South East Asia, director of supply chain and financial director in the medical business unit. Prior to his time in the medical devices industry, Mr. Dayan held several senior financial positions in the hi-tech telecommunications industry from 1996 until 2001, when he acted as the cost of goods and profit controller of ECI Telecom Israel from 1996 to 1998 and the director of cost of goods and inventory control of ECI Telecom Israel from 1998 to 2001.

Mr. Dayan obtained a bachelor's degree in Economics and Logistics from Bar Ilan University in Israel in June 1997 and obtained a Master of Business and Administration from the Israeli branch of Manchester University in November 1999.

Mr. Guojun BU (步國軍), aged 43, was appointed as an executive Director and the Chief Financial Officer of the Company on January 17, 2019.

Mr. Bu has more than 20 years of financial management experience in medical and healthcare industry, in particular in finance operation, financing and investment activities. Mr. Bu has been the vice president of CML, a controlling shareholder of the Company and a subsidiary of Fosun Pharma, and the vice president of the Medical Technology Division of Fosun Pharma, in charge of finance operation and financing and investment activities for medical device business, since January 2017 and January 2019, respectively. He has also acted as the general manager of the finance department of CML from January 2011 to December 2016. Mr. Bu worked with Chindex International, Inc. from January 1997 to December 2010, where he held a number of positions comprising finance manager, senior finance manager, assistant finance director and finance director of China region. Mr. Bu graduated in July 1996 from Beijing University of Technology (the PRC) majoring in Economic Information Management and obtained a master's degree in Computer Science and Technology from Beijing University of Technology in July 2010 and an EMBA degree from Rutgers, the State University of New Jersey (United States) in November 2011, respectively.

Non-executive Directors

Mr. Yifang WU (吳以芳), aged 49, was appointed as a non-executive Director of the Company on October 17, 2016.

Mr. Wu joined the Fosun Pharma Group in April 2004 and is currently the executive director, president and chief executive officer of Fosun Pharma. Mr. Wu was a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠), now known as Jiangsu Wanbang Biopharmaceutical Company Limited (江蘇萬邦生化醫藥集團有限責任公司) ("Jiangsu Wanbang"), from June 1987 to April 1997, a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州(萬邦)生物化學製藥廠), now known as Jiangsu Wanbang, from April 1997 to December 1998, the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司), now known as Jiangsu Wanbang, and a deputy general manager of Jiangsu Wanbang from December 1998 to March 2007 and the president of Jiangsu Wanbang from March 2007 to April 2011 and has been the chairman and CEO of Jiangsu Wanbang since April 2011.

Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) in the PRC majoring in international commerce in 1996 and obtained a master degree in business administration from Saint Joseph's University in the United States in 2005.

Mr. Yao WANG (汪曜), aged 45, was appointed as a non-executive Director of the Company in April 2016.

Mr. Wang is a vice president of Fosun Pharma, a position he has held since September 2014.

Mr. Wang began his career as field management engineer of Shanghai Automotive Casting Plant of SAIC Motor Corporation Limited (上海汽車集團股份有限公司上海汽車鑄造總廠) from July 1995 to January 1998, the senior project manager of the strategic investment committee of D'Long International Strategic Investment Company (德隆國際戰略投資有限公司) from November 1999 to March 2001, the vice general manager of Zhongqi Asset Custody Co., Ltd. (中企資產託管有限公司), a subsidiary of D'Long International Strategic Investment Company from April 2001 to May 2004, and the manager of the investment department of Hongpu Investment Holdings (China) Co., Ltd. (宏普投資控股(中國)有限公司) from June 2004 to April 2006.

He was the director in merger and acquisitions of Asian-Pacific Region of PENTAIR LTD (stock code: PNR. NY), from April 2006 to May 2011, during which he was concurrently the general manager of Beijing Pentair-Jieming Environmental Protection Equipment Co., Ltd. (北京濱特爾潔明環保設備有限公司), an affiliate of PENTAIR LTD, from June 2009 to August 2010, and vice president of group investment and asset management of Suntech Power Holdings Co., Ltd. (stock code: STP. NY), from May 2011 to July 2014.

Mr. Wang obtained a bachelor's degree in metal casting from Shanghai University (上海大學) in the PRC in July 1995 and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in April 2000.

Ms. Yang YANG (楊陽), aged 41, was appointed as a non-executive Director of the Company on March 19, 2018.

Ms. Yang has been the human resources deputy general manager of Fosun Pharma since September 2016. Ms. Yang was the senior manager of Sincere Holding Group Co., Ltd. (協信控股集團) in charge of matters relating to employees' performance and development and the human resources manager of Sino-Singapore Interconnection Investment Fund Management Co., Ltd. (中新互聯互通投資基金管理有限公司) from March 2016 to September 2016. Previously, she worked as the human resources manager from February 2014 to January 2016 and the assistant to the chairman of the board of directors from January 2015 to April 2015, respectively, of Zhongtai Hengyuan Industrial Co., Ltd. (中太恒源實業有限公司), a partner of Peking University Management Consulting Co., Ltd. (北大縱橫管理諮詢有限公司) responsible for human resources related consultation from December 2008 to November 2013, and a purchasing representative for supply chain management of Shanghai Siemens Mobile Communications Company (上海西門子移動通訊公司) from September 2004 to September 2008.

Ms. Yang obtained a bachelor's degree in Computer Science and Technology from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in July 2000, a master's degree in Electronic Commerce from the University of Wyoming in the United States in August 2004 and a doctor's degree in Corporate Management from the Swiss Federal Institute of Technology Zurich in September 2008.

Independent Non-executive Directors

Mr. Heung Sang Addy FONG (方香生), aged 59, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Mr. Fong has more than 21 years of audit, financial and capital market experiences. Mr. Fong has been the chief financial officer of Adlai Nortye Biopharma Co., Ltd. (stock code: 870946.NEEQ) since October 2017. Before that he was a managing director of Bonus Eventus Securities Limited since April 2015 and previously, he served as chief financial officer of China Harmony Auto Holding Limited (stock code: 3836.HK) from October 2012 to March 2015, chief financial officer of Chendu CYPCO Biotechnology Co., Ltd. from August 2011 to October 2012, director and chief financial officer of China Electric Motor, Inc. (delisted from NASDAQ in June 2011) from January 2010 to May 2011, director and chief financial officer of Apollo Solar Energy Inc. (stock code: ASOE.PK) from February 2009 to March 2010 and the executive vice president of the corporate development of Fuqi International, Inc. (delisted from NASDAQ in March 2011) from December 2006 to January 2009.

In addition, Mr. Fong also acted as an independent director of various listed companies. He was an independent director of Universal Technologies Holdings Ltd (stock code: 1026.HK) from July 2006 to June 2013, an independent director of China Housing and Land Development, Inc. (delisted from NASDAQ in March 2016) from September 2010 to April 2014, an independent director and chairman of the audit committee of Kandi Technologies Group Inc (stock code: KNDI.NASDAQ) from July 2007 to June 2011, and an independent director and chairman of the audit committee of Diguang International Development Co., Ltd. (stock code: DGNG.PK) from August 2007 to April 2014.

Mr. Fong obtained a master's degree of business administration from the University of Nevada, Reno, in the United States in December 1989 and a master's degree in science from the University of Illinois, Champaign, in the United States in June 1993. He is a member of the American Institute of Certified Public Accountants, the Hong Kong Institute of Certified Public Accountants and the State Board of Accountancy of Washington State.

Mr. Chi Fung Leo CHAN (陳志峰), aged 40, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Mr. Chan has been appointed as an independent non-executive director, chairman of audit committee, a member of nomination committee and remuneration committee of Ziyuanyuan Holdings Group Limited (stock code: 8223.HK) since June 2018. He also has been the managing director of Red Solar Capital Limited since October 2017. Previously, he served as the managing director of LY Capital Limited from May 2016 to October 2017. He also served as deputy managing director of V Baron Global Financial Services Limited from May 2015 to April 2016, director of the corporate finance team of CITIC Securities International in Hong Kong from December 2011 to April 2015, manager of the consumer team and corporate financing team of BNP Paribas in Hong Kong and Paris from August 2007 to December 2011, associate of the corporate financing team of CCB International Capital Limited in Hong Kong from July 2006 to July 2007, the officer of corporate financing team of Kingsway Group in Hong Kong from January 2005 to June 2006 and staff accountant of the audit group of Ernst & Young Hong Kong from September 2001 to March 2004, respectively.

Mr. Chan obtained a bachelor of business administration with a major in Accounting from the Hong Kong University of Science and Technology in Hong Kong in November 2001. Mr. Chan was admitted as a member of the Hong Kong Institute of Certified Public Accountants in October 2005.

Ms. Jenny CHEN (陳怡芳), aged 39, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Ms. Chen has more than 15 years' experience in the legal profession. She co-founded CFN Lawyers, a Hong Kong law firm in association with Broad & Bright in January 2013 and is currently a partner of the firm. Prior to that, she worked as a corporate associate in Maples and Calder (Hong Kong) LLP from January 2012 to January 2013, an associate general counsel of American International Assurance Company, Limited from September 2009 to May 2011, and a corporate associate in DLA Piper Hong Kong from July 2006 to September 2009. She also worked at Woo Kwan Lee & Lo from July 2002 to June 2006 with her last position as an assistant solicitor.

Ms. Chen obtained her LL.B degree from the Law School of the University of Hong Kong in November 2001 and completed her Postgraduate Certificate in Laws (PCLL) at the same university in June 2002.

Ms. Chen was admitted to practice as a solicitor in Hong Kong in September 2004 and a solicitor in England and Wales in September 2005, respectively.

Mr. Kai Yu Kenneth LIU (廖啟宇), aged 49, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Mr. Liu has been appointed as an independent non-executive director of Tianli Education International Holdings Limited since June 2018. Besides, Mr. Liu worked with Hong Kong Exchanges and Clearing Limited (stock code: 388.HK) from June 2004 to October 2016, in his last position as assistant vice president in IPO Transactions, Listing & Regulatory Affairs Division. Prior to that, he worked with VC CEF Capital Limited (now known as VC Capital Limited) from September 2000 to May 2003, in his last position as an assistant manager in the corporate finance department. He also worked as an audit officer in the internal audit department of Kowloon-Canton Railway Corporation from January 2000 to September 2000, an assistant manager of the audit and control division of the Hong Kong branch of Banque Nationale de Paris from August 1996 to September 1997, an accountant of Ernst & Young from August 1994 to May 1996 and a junior accountant in the audit department of Kwan Wong Tan & Fong (merged with Deloitte Touche Tohmatsu in 1997) from May 1994 to August 1994.

Mr. Liu obtained a bachelor of engineering degree in mechanical engineering from the Imperial College of Science, Technology and Medicine of the University of London in August 1991 and a master of business administration degree in international banking and finance from the University of Birmingham in December 1998. Mr. Liu has been a member of the HKICPA since July 1999 and a fellow of the Association of Chartered Certified Accountants since April 2004.

Senior Management of the Group

Mr. Ran EZIONI, aged 52, was appointed as the Chief Operating Officer of the Group on April 1, 2018.

Mr. Ezioni has over 23 years of multi-dimensional experience in the fields of global operations, supply chain management, information technology, outsourcing and service and maintenance in various industries, including the medical aesthetic industry. Prior to joining the Company, Mr. Ezioni served as a vice president of global supply chain, purchasing and information technology at Arkal Automotive, a global developer and worldwide manufacturer of solutions for the global automotive industry. Mr. Ezioni holds a bachelor of science degree in Industrial Engineering from the Technion, the Israeli Institute of Technology, with honors, and is Certified Six Sigma Black Belt (CSSBB) by the American Society for Quality.

Mr. Avraham FARBSTEIN, aged 64, has been the Chief Executive Officer of the Group's North America operations since March 2013 and the Chief Strategy Officer of the Company with effect from March 19, 2018.

Mr. Farbstein joined the Group in January 2007 and served as Executive Vice President of Operations from January 2007 to October 2010 and as the General Manager of North America Operations from November 2010 to March 2013. Mr. Farbstein has more than 36 years' experience in the medical and aesthetic devices industry, beginning with his involvement in researching and developing one of the first lasers introduced into the surgical devices field. He has served in various leadership roles relating to aesthetic laser and light based products. Prior to joining the Group, Mr. Farbstein served as the vice president of operations at Sharplan/ESC Inc. from February 1988 to June 2011, and vice president of operations at Lumenis Ltd. from July 2004 to December 2006.

Mr. Farbstein attended the electrical engineering program at Tel Aviv University in Israel and subsequently obtained a bachelor of science degree in electric engineering from Tel Aviv University in Israel in May 1981.

Mr. Doron YANNAI, aged 58, has been the Vice President in charge of financial matters of the Group since February 2014.

Mr. Yannai joined the Group in March 2007 and served as director in charge of financial matters of the Group and Human Resources of Alma Lasers from March 2007 to February 2014. He is responsible for financial and human resources operations of the Group.

Mr. Yannai has more than 21 years' experience of financial management in private and public companies in various industries such as software, communications and construction. Prior to joining the Group, he was controller at Tecnomatix/Oshap from January 1991 to May 1995, the chief financial officer at Shaked Group from June 1995 to December 1996, the chief financial officer at NetFormx Ltd. from January 1997 to June 2001, the director of finance at SAP Portals from July 2001 to December 2002, and chief financial officer at WiNetworks from January 2004 to February 2007.

Mr. Yannai obtained a bachelor's degree in Economics & Labor Science from Tel Aviv University in Israel in May 1985 and a bachelor's degree in Accounting from Tel Aviv University in Israel in June 1988. He has also been a Certified Public Accountant in Israel since December 1990.

Company Secretary

Ms. Yee Har Susan LO, aged 60, was appointed as the Company Secretary of the Company on June 6, 2017.

Ms. Lo is an executive director and head of learning & development of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Lo has over 31 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lo is currently the company secretary/joint company secretary of six listed companies on the Stock Exchange, namely, Fosun Pharma (stock code: 2196.HK), Dongfeng Motor Group Company Limited (東風汽車集團股份有限公司) (stock code: 489.HK), China National Building Material Company Limited (中國建材股份有限公司) (stock code: 3323.HK), China Shanshui Cement Group Limited (中國山水水泥集團有限公司) (stock code: 691.HK) and Hebei Yichen Industrial Group Corporation Limited (河北翼辰實業集團股份有限公司) (stock code: 1596.HK). She also conducts regular continuous training programs for directors and senior management of listed issuers and is an active speaker at seminars.

Ms. Lo is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Ms. Lo graduated from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University).

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To the shareholders of Sisram Medical Ltd
(Incorporated in Israel with limited liability)

Opinion

We have audited the consolidated financial statements of Sisram Medical Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 142, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill in the consolidated financial statements amounted to US$108,351,000 as at December 31, 2018. In accordance with IFRSs, the Company is required to perform the impairment test for goodwill at least annually. The impairment test is based on the recoverable amount of the cash-generating unit to which the goodwill is allocated to. The recoverable amount of the cash-generating unit is the higher of its fair value less costs of disposal and its value in use using cash flow projections based on a financial budget covering a five-year period. This matter is significant to our audit because the impairment test process is complex and involves significant management's judgements. The disclosures about the impairment of goodwill are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 14 "Goodwill" to the consolidated financial statements, which specifically explain the key assumptions the management used for the calculations of the recoverable amount.	We updated our understanding of the internal control over the impairment test of goodwill process, performed walkthroughs and test of controls, and assessed the effectiveness of the design of the relevant internal controls. Our substantive audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Company, in particular, discount rate and growth rate beyond a 5-year period. We paid specific attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the business development plan of the cash-generating unit. We also focused on the adequacy of the disclosures of the impairment of goodwill.

Key audit matter	How our audit addressed the key audit matter
Impairment of indefinite-life intangible asset	
The carrying value of indefinite-life intangible asset (trademarks) in the consolidated financial statements amounted to US$24,493,000 as at December 31, 2018. In accordance with IFRSs, the Company is required to perform the impairment test for indefinite-life intangible asset at least annually. The impairment test is based on the royalty saved with regard to the trademarks. The recoverable amount is the higher of its fair value less costs of disposal and its value in use using cash flow projections based on a financial budget covering a five-year period. This matter is significant to our audit because the impairment test process is complex and involves significant management's judgements. The disclosures about the impairment of indefinite-life intangible asset are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 15 "Other intangible assets" to the consolidated financial statements, which specifically explain the key assumptions the management used for the calculations of the recoverable amount.	We updated our understanding of the internal control over the impairment test of indefinite-life intangible asset process, performed walkthroughs and test of controls, and assessed the effectiveness of the design and the relevant internal controls. Our substantive audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Company, in particular, discount rate and growth rate beyond a 5-year period used in the cash flow forecast of the individual asset. We paid specific attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the product revenue plan of the individual asset. We also focused on the adequacy of the Company's disclosures of the impairment of indefinite-life intangible asset.

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of trade receivables	
The provision for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and involves significant management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of those receivables, including the creditworthiness and the past collection history of each customer. We focused on the provision for impairment of trade receivables due to the materiality to the consolidated financial statements and the high level of management's judgement involved. Related disclosures are included in note 2.4 "Summary of significant accounting policies, note 3 "Significant accounting judgements and estimates" and note 20 "Trade receivables" to the consolidated financial statements.	We updated our understanding of the internal control over the provision for impairment of trade receivables process, performed walkthroughs and test of controls, and assessed the effectiveness of the design and the relevant internal controls. We tested the ageing analysis of the outstanding receivables and reviewed the information prepared by the management used to determine the provision for impairment of trade receivables. We then tested overdue trade receivable balances where no provision was recognized by checking whether there were indicators of impairment. This included verifying if payments had been received since the year-end, and reviewing historical payment patterns and any correspondence with customers on expected settlement dates. We selected samples of material trade receivable balances where provisions for impairment were recognized and understood the rationale behind management's judgement. In order to evaluate the appropriateness of these judgements, we verified whether balances were overdue, the customers' historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available. We also focused on the adequacy of the disclosures of the provision for impairment of trade receivables.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Siu Fung Terence Ho*.

Ernst & Young
Certified Public Accountants
Hong Kong
March 18, 2019

Consolidated Statement of Profit or Loss

Year ended December 31, 2018

	Notes	2018 US$'000	2017 US$'000
REVENUE	5	**153,919**	136,887
Cost of sales		**(71,622)**	(63,690)
Gross profit		**82,297**	73,197
Other income and gains	5	**2,109**	2,057
Selling and distribution expenses		**(32,662)**	(26,059)
Administrative expenses		**(14,774)**	(13,862)
Research and development expenses		**(10,380)**	(12,399)
Other expenses		**(2,863)**	(1,780)
Finance costs	7	**(943)**	(5,333)
PROFIT BEFORE TAX	6	**22,784**	15,821
Income tax expense	10	**(953)**	(4,772)
PROFIT FOR THE YEAR		**21,831**	11,049
Profit attributable to:			
Owners of the parent		**21,831**	11,049
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the year (US$ cents)	12	**4.94**	3.88

Consolidated Statement of Comprehensive Income

Year ended December 31, 2018

	Note	2018 US$'000	2017 US$'000
PROFIT FOR THE YEAR		**21,831**	11,049
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(601)**	581
Effective portion of changes in fair value of hedging instruments arising during the year		**(91)**	13
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(692)**	594
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement loss of a defined benefit plan	30	**(65)**	(439)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(65)**	(439)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(757)**	155
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**21,074**	11,204
Total comprehensive income attributable to:			
Owners of the parent		**21,074**	11,204

Consolidated Statement of Financial Position

December 31, 2018

	Notes	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS			
Plant and equipment	13	**2,716**	2,320
Goodwill	14	**108,351**	108,351
Other intangible assets	15	**59,089**	64,039
Deferred tax assets	17	**4,451**	5,268
Other non-current assets	18	**61**	139
Total non-current assets		**174,668**	180,117
CURRENT ASSETS			
Inventories	19	**27,520**	23,898
Trade receivables	20	**36,490**	35,249
Prepayments, other receivables and other assets	21	**3,205**	3,214
Tax recoverable		**3,543**	—
Derivative financial instruments	22	**119**	—
Cash and bank balances	23	**104,530**	104,137
Total current assets		**175,407**	166,498
CURRENT LIABILITIES			
Contract liabilities	24	**2,216**	—
Trade payables	25	**6,947**	6,742
Other payables and accruals	26	**12,840**	21,719
Interest-bearing bank borrowings	27	**2,171**	4,321
Derivative financial instruments	22	—	245
Tax payable		—	1,496
Total current liabilities		**24,174**	34,523
NET CURRENT ASSETS		**151,233**	131,975
TOTAL ASSETS LESS CURRENT LIABILITIES		**325,901**	312,092
NON-CURRENT LIABILITIES			
Contract liabilities	24	**423**	—
Interest-bearing bank borrowings	27	—	6,761
Deferred tax liabilities	17	**10,082**	10,686
Deferred income	28	—	573
Other long-term liabilities	29	**1,296**	1,096
Total non-current liabilities		**11,801**	19,116
NET ASSETS		**314,100**	292,976

Consolidated Statement of Financial Position

December 31, 2018

	Notes	2018 US$'000	2017 US$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**1,254**	1,254
Reserves	32	**312,846**	291,722
Total equity		**314,100**	292,976

Yi LIU	**Lior Moshe DAYAN**
Director	*Director*

Consolidated Statement of Changes in Equity

Year ended December 31, 2018

	Attributable to owners of the parent						
	Share capital US$'000 (note 31)	Share premium* US$'000 (note 31)	Other reserve* US$'000 (note 32)	Cash flow hedge reserves* US$'000	Exchange fluctuation reserve* US$'000	Retained earnings* US$'000	Total US$'000
At January 1, 2018	1,254	240,766	17,530	13	30	33,383	292,976
Profit for the year	—	—	—	—	—	21,831	21,831
Other comprehensive income for the year:							
Effective portion of changes in fair value of hedging instruments arising during the year	—	—	—	(91)	—	—	(91)
Exchange differences on translation of foreign operations	—	—	—	—	(601)	—	(601)
Remeasurement loss of a defined benefit plan	—	—	—	—	—	(65)	(65)
Total comprehensive income for the year	—	—	—	(91)	(601)	21,766	21,074
Excess of tax deduction for previous share-based payment of a subsidiary	—	—	50	—	—	—	50
At December 31, 2018	1,254	240,766	17,580	(78)	(571)	55,149	314,100

Consolidated Statement of Changes in Equity

Year ended December 31, 2017

	Attributable to owners of the parent						
	Share capital US$'000 (note 31)	Share premium* US$'000 (note 31)	Other reserves* US$'000 (note 32)	Cash flow hedge reserve* US$'000	Exchange fluctuation reserve* US$'000	Retained earnings* US$'000	Total US$'000
At January 1, 2017	2	999	17,263	—	(551)	22,773	40,486
Profit for the year	—	—	—	—	—	11,049	11,049
Other comprehensive income for the year:							
Effective portion of changes in fair value of hedging instruments arising during the year	—	—	—	13	—	—	13
Exchange differences on translation of foreign operations	—	—	—	—	581	—	581
Remeasurement loss of a defined benefit plan	—	—	—	—	—	(439)	(439)
Total comprehensive income for the year	—	—	—	13	581	10,610	11,204
Capitalization issue of shares	630	(630)	—	—	—	—	—
Capitalization of the Capital Notes	366	143,625	—	—	—	—	143,991
Issue of shares from initial public offering	250	100,458	—	—	—	—	100,708
Issue of shares from partial exercise of an over-allotment option	6	2,439	—	—	—	—	2,445
Share issue expenses	—	(6,125)	—	—	—	—	(6,125)
Excess of tax deduction for pervious share-based payment of a subsidiary	—	—	267	—	—	—	267
At December 31, 2017	1,254	240,766	17,530	13	30	33,383	292,976

* These reserve accounts comprise the consolidated reserves of US$312,846,000 (2017: US$291,722,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended December 31, 2018

	Notes	2018 US$'000	2017 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**22,784**	15,821
Adjustments for:			
Finance costs	7	**943**	5,333
Bank interest income	5	**(1,851)**	(655)
Fair value gains from foreign exchange forward contracts not qualifying as hedges	5	**(258)**	(211)
Depreciation	6	**871**	877
Amortization of other intangible assets	6	**4,950**	4,985
Provision for impairment of trade receivables	6	**884**	697
Provision for impairment of inventories	6	**1,485**	1,083
		29,808	27,930
Increase in inventories		**(5,107)**	(3,026)
Increase in trade receivables		**(2,125)**	(7,739)
Decrease/(increase) in prepayments, other receivables and other assets		**15**	(941)
Decrease/(increase)in other non-current assets		**78**	(1)
Increase/(decrease) in trade payables		**205**	(630)
(Decrease)/increase in other payables and accruals		**(3,210)**	8,033
Decrease in deferred income		**(573)**	(61)
Increase in contract liabilities		**2,639**	—
Increase/(decrease) in other long-term liabilities		**185**	(215)
Cash generated from operations		**21,915**	23,350
Income tax paid		**(5,679)**	(6,293)
Net cash flows from operating activities		**16,236**	17,057
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,831**	458
Purchases of items of plant and equipment		**(1,266)**	(769)
Additions to other intangible assets		—	(1,932)
Increase in term deposits with original maturity of more than three months		**(4,620)**	(42,500)
Net cash flows used in investing activities		**(4,055)**	(44,743)

Consolidated Statement of Cash Flows

Year ended December 31, 2018

	Note	2018 US$'000	2017 US$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		—	103,153
Share issue expenses		**(7,361)**	(5,235)
Increase in pledged deposits		—	(8)
Repayment of bank loans		**(9,321)**	(38,246)
Repayment of loans received from a related party		—	(10,093)
Interest paid		**(546)**	(2,056)
(Payment to)/proceeds from settlement of foreign currency forward contracts		**(197)**	656
Net cash flows from/(used in) financing activities		**(17,425)**	48,171
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(5,244)**	20,485
Cash and cash equivalents at beginning of year		**38,081**	18,105
Effect of foreign exchange rate changes, net		**1,003**	(509)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**33,840**	38,081
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of cash flows		**33,840**	38,081
Pledged bank balances for bank loans	23	**70**	56
Term deposits with original maturity of more than three months	23	**70,620**	66,000
Cash and bank balances as stated in the consolidated statement of financial position	23	**104,530**	104,137

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. During the year, 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. More details are set out in the paragraph headed "The Acquisition of the Group by the Fosun Pharma Group" in the section headed "History and Corporate Structure" in the Prospectus of the Company dated September 5, 2017. 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 these financial statements, the Company held 100% of Alma's shares.

On September 19, 2017, the shares in the capital of the Company were listed on the Main Board of the Hong Kong Stock Exchange (the "Stock Exchange") ("Listing"). In connection with the Company's Listing, 88,000,000 new shares of the Company were issued and allotted at the offer price of HK$8.88 per share. On October 8, 2017, an aggregate of 2,155,600 over-allotment shares were issued and allotted by the Company at HK$8.88 per share.

In the opinion of the directors, the holding company of the Company is Ample Up Limited and the ultimate holding company of the Company is Fosun International Holdings Ltd., which are incorporated in Hong Kong and the British Virgin Islands, respectively. The ultimate controlling shareholder of the Company is Mr. Guangchang GUO.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Alma Lasers Ltd.	Israel October 5, 1999	New Israeli Shekels ("NIS") 14,000,000	100%	—	Manufacture and sale of medical equipment
Alma Lasers Inc.	United States August 1, 2005	US$10	—	100%	Distribution of medical equipment
Alma Lasers GmbH	Germany July 31, 2012	EUR25,000	—	100%	Distribution of medical equipment
Alma Lasers AT GmbH	Austria March 22, 2010	EUR35,000	—	100%	Distribution of medical equipment
Alma Medical Private Limited	India December 3, 2014	Indian Rupee ("INR") 7,500,000	—	100%	Distribution of medical equipment
Alma Medical HK Limited	Hong Kong June 6, 2018	Hong Kong Dollar ("HK$") 100	—	100%	Distribution of medical equipment

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and the defined benefit plan which have been measured at fair value. The financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended December 31, 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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

Other than as explained below, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

The adoption of the above new and amended standards and interpretation did not have a material impact on the Group's audited 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.

2.2 Changes in Accounting Policies and Disclosures (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.

2.2 Changes in Accounting Policies and Disclosures (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 December 31, 2017 was not restated as the Group has no financial instruments subject to the changes mentioned above.

2.2 Changes in Accounting Policies and Disclosures (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 consolidated 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.

2.3 Issued But Not Yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after January 1, 2019

2 Effective for annual periods beginning on or after January 1, 2020

3 Effective for annual periods beginning on or after January 1, 2021

4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from January 1, 2020.

2.3 Issued But Not Yet Effective International Financial Reporting Standards (Continued)

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from January 1, 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at January 1, 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of US$8,682,000 and lease liabilities of US$8,682,000 will be recognised at January 1, 2019.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from January 1, 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued But Not Yet Effective International Financial Reporting Standards (Continued)

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on January 1, 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on January 1, 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from January 1, 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Summary of Significant Accounting Policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 Summary of Significant Accounting Policies (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 Summary of Significant Accounting Policies (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 Summary of Significant Accounting Policies (Continued)

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	15% to 33%
Furniture and fixtures	6% to 15%
Leasehold improvements	Over the shorter of the lease terms and 10%

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 Summary of Significant Accounting Policies (Continued)

Intangible assets (other than goodwill) (Continued)

Customer relationships

Customer relationships are stated at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful lives of 14.5 years.

Trademarks

Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents and technology

Patents and technology are stated at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful lives of 5 to 10 years.

License agreement

Purchased license agreement is stated at cost less any impairment losses and is amortized on the straight-line basis over the estimated useful life of 8 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Expenditure which does not meet these criteria is expensed when incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (policies under IFRS 9 applicable from January 1, 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from January 1, 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments) The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (policies under IFRS 9 applicable from January 1, 2018) (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (policies under IFRS 9 applicable from January 1, 2018) (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (policies under IAS 39 applicable before January 1, 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition (applicable before January 1, 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (policies under IAS 39 applicable before January 1, 2018) (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets (policies under IFRS 9 applicable from January 1, 2018 and policies under IAS 39 applicable before January 1, 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates, if and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (policies under IFRS 9 applicable from January 1, 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (policies under IAS 39 applicable before January 1, 2018)

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance against revenues and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

Financial liabilities (policies under IFRS 9 applicable from January 1, 2018 and IAS 39 applicable before January 1, 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings, payables, or as derivatives designated as hedge instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings, derivative financial instruments and other long-term liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss (policies under IFRS 9 applicable from January 1, 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at fair value through profit or loss (policies under IAS 39 applicable before January 1, 2018)

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

2.4 Summary of Significant Accounting Policies (Continued)

Financial liabilities (policies under IFRS 9 applicable from January 1, 2018 and IAS 39 applicable before January 1, 2018) (Continued)

Subsequent measurement (Continued)

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities (policies under IFRS 9 applicable from January 1, 2018 and IAS 39 applicable before January 1, 2018)

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments (policies under IFRS 9 applicable from January 1, 2018 and IAS 39 applicable before January 1, 2018)

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

2.4 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments (policies under IFRS 9 applicable from January 1, 2018 and IAS 39 applicable before January 1, 2018)

Initial recognition and subsequent measurement

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

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

Before January 1, 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group assessed the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Starting from January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

2.4 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments (policies under IFRS 9 applicable from January 1, 2018 and IAS 39 applicable before January 1, 2018) (Continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal. Any provision for impairment of inventories is recognized within other expenses in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 Summary of Significant Accounting Policies (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

(a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (applicable from January 1, 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Some contracts for the sale of products provide customers with volume rebates, while there are no rights of return. The volume rebates give rise to variable consideration.

(i) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (applicable from January 1, 2018) (Continued)

Revenue from contracts with customers (Continued)

(b) Installation services

The Group provides installation services that are either sold separately or bundled together with the sale of products to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the products.

Contracts for bundled sales of products and installation services are comprised of two performance obligations because the promises to transfer the products and provide installation services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the products and installation services.

Revenue from installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before January 1, 2018)

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant fees can be measured reliably; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 Summary of Significant Accounting Policies (Continued)

Contract liabilities (applicable from January 1, 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

Defined benefit plan

The Group's liability for severance pay for its employees is pursuant to the Israel's Severance Pay Law and is based on the most recent salary of the employees multiplied by the number of years of employment. Employees are entitled to severance pay equal to one month's salary for each year of employment, or a portion thereof. The Group's liability for its employees is provided for by monthly deposits with severance pay funds, insurance policies and by an accrual.

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

The cost of providing severance pay is determined based on the valuations performed by an independent actuary. Remeasurements arising from a defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under "cost of sales", "selling and distribution expenses", "administrative expenses" and "research and development expenses" in the consolidated statement of profit or loss by function:

(a) service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements

(b) net interest expense or income

Dividends

Dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare dividends. Consequently, dividends are recognized immediately as a liability when they are proposed and declared.

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currencies

These financial statements are presented in US$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into US$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into US$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2018 was US$108,351,000. Further details are given in note 14 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Net realisable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs or competitors' actions in response to the product industry cycle. Management reassesses these estimates at the end of the reporting period.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

Useful lives and residual value of plant and equipment

The Group determines the estimated useful lives, residual value and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual value of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized. Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. 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.

Geographical information

(a) Revenue from external customers

	2018 US$'000	2017 US$'000
Asia Pacific	**48,487**	45,324
Europe	**46,549**	37,839
North America*	**37,040**	33,508
Latin America	**15,462**	14,260
Middle East and Africa	**6,381**	5,956
	153,919	136,887

* North America includes Canada and the United States (excluding Mexico).

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2018 US$'000	2017 US$'000
Israel	**169,913**	174,508
United States	**94**	190
Other countries	**210**	151
	170,217	174,849

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

Revenue from a major customer located in Asia Pacific which accounted for more than 10% of the total revenue for the reporting period is as follows:

	2018 US$'000	2017 US$'000
Customer A	**24,934**	28,216

5. Revenue, Other Income and Gains

An analysis of revenue is as follows:

	2018 US$'000	2017 US$'000
Revenue from contracts with customers	**153,919**	—
Sale of goods	—	128,108
Services and others	—	8,779
	153,919	136,887

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended December 31, 2018

	2018 US$'000
Types of goods or services	
Sale of goods	**142,987**
Services provided	**10,932**
Total revenue from contracts with customers	**153,919**
Timing of revenue recognition	
Goods transferred at a point in time	**142,987**
Services transferred over time	**10,932**
Total revenue from contracts with customers	**153,919**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 US$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	**1,455**
Services provided	**573**
Total revenue from contracts with customers	**2,028**

5. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Services provided

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance, except for new customers, where payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2018 are as follows:

	2018 US$'000
Within one year	1,392
Above one year	423
	1,815

All the remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2018 US$'000	2017 US$'000
Other income and gains		
Bank interest income	1,851	655
Foreign exchange gains, net	—	1,191
Fair value gains from foreign exchange forward contracts not qualifying as hedges	258	211
	2,109	2,057

6. Profit before Tax

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

	2018 US$'000	2017 US$'000
Cost of inventories sold	**48,496**	44,145
Cost of services and others	**23,126**	19,545
Employee benefit expense (including directors' and senior management's remuneration (note 8)):		
Wages and salaries	**22,844**	21,083
Listing bonuses	**3,992**	3,884
Defined benefit plan costs	**727**	816
	27,563	25,783
Research and development expenses:		
Current year expenditure	**10,380**	12,399
Listing expenses	—	2,975
Auditors' remuneration	**480**	445
Minimum lease payments under operating leases	**2,064**	1,970
Depreciation (note 13)	**871**	877
Amortization of other intangible assets (note 15)	**4,950**	4,985
Provision for impairment of inventories	**1,485**	1,083
Provision for impairment of trade receivables (note 20)	**884**	697
Foreign exchange differences, net	**494**	(1,191)

7. Finance Costs

An analysis of finance costs is as follows:

	2018 US$'000	2017 US$'000
Interest on loans and borrowings	**943**	2,254
Imputed interest on long-term interest-free capital notes (the "Capital Notes") due to the Company's then shareholders	—	3,079
	943	5,333

8. Directors' and Senior Management's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 US$'000	2017 US$'000
Fees	100	36
Other emoluments:		
Salaries, allowances and benefits in kind	615	361
Performance related bonuses	218	19
Listing bonuses	99	28
	1,032	444

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 US$'000	2017 US$'000
Mr. Heung Sang Addy FONG (i)	25	9
Mr. Chi Fung Leo CHAN (i)	25	9
Ms. Jenny CHEN (i)	25	9
Mr. Kai Yu Kenneth LIU (i)	25	9
	100	36

(i) Mr. Heung Sang Addy FONG, Mr. Chi Fung Leo CHAN, Ms. Jenny CHEN and Mr. Kai Yu Kenneth LIU were appointed as independent non-executive directors of the Company on August 30, 2017.

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

8. Directors' and Senior Management's Remuneration (Continued)

(b) Executive directors and the chief executive

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses US$'000	Listing bonuses US$'000	Total remuneration US$'000
Year ended December 31, 2018					
Director:					
Mr. Chun LI (ii)	—	—	—	—	—
Ms. Yu HU (ii)	—	—	—	—	—
Mr. Yao WANG	—	—	—	—	—
Mr. Yi LIU	—	—	—	—	—
Mr. Yifang WU	—	—	—	—	—
Mr. Jianping HUA (ii)(iii)	—	**55**	**12**	—	**67**
Ms. Yang YANG (ii)	—	—	—	—	—
Chief executive:					
Mr. Lior Moshe DAYAN (i)	—	**560**	**225**	**99**	**884**
	—	**615**	**237**	**99**	**951**
Year ended December 31, 2017					
Director:					
Mr. Chun LI (ii)	—	—	—	—	—
Ms. Yu HU (ii)	—	—	—	—	—
Mr. Yao WANG	—	—	—	—	—
Mr. Yi LIU	—	—	—	—	—
Mr. Yifang WU	—	—	—	—	—
Chief executive:					
Mr. Lior Moshe DAYAN (i)	—	361	167	28	556
	—	361	167	28	556

(i) Mr. Lior Moshe DAYAN was appointed as the chief executive officer and a director of the Company on June 6, 2017.

(ii) Mr. Chun LI and Ms. Yu HU resigned as directors of the Company and Mr. Jianping HUA and Ms. Yang YANG were appointed as directors of the Company on March 19, 2018.

(iii) Mr. Jianping HUA resigned as a director of the Company on January 17, 2019.

There was no arrangement under which a director or chief executive waived or agreed to waive any remuneration during the year.

9. Five Highest Paid Employees

The five highest paid employees during the reporting period included one director who is also the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration for the reporting period of the remaining four highest paid employees who are neither directors nor the chief executive of the Company are as follows:

	2018 US$'000	2017 US$'000
Salaries, allowances and benefits in kind	1,105	2,756
Performance related bonuses	1,243	853
Listing bonuses	334	2,475
	2,682	6,084

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
US$300,001 to US$350,000	—	1
US$350,001 to US$400,000	1	—
US$400,001 to US$450,000	2	1
US$500,001 to US$550,000	—	1
US$550,001 to US$600,000	1	—
US$4,300,001 to US$4,350,000	—	1
	4	4

10. Income Tax

The Israeli corporate tax rate applicable to the Company was 23% and 24% for the years ended December 31, 2018 and 2017, 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 year. Taxes on taxable income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Alma, 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 year.

In December 2016, the Israeli Knesset passed Amendment 73 to the Investment Law, which included a number of changes to the Investments Law regime. Certain changes were scheduled to come into effect beginning January 1, 2017, provided that regulations are promulgated by the Finance Ministry to implement the "Nexus Principles" based on OECD guidelines recently published as part of the Base Erosion and Profit Shifting (BEPS) project. The regulations were approved in May 2017 and accordingly, have come into effect.

Applicable benefits under the new regime include:

Introduction of a benefit regime for "Preferred Technology Enterprises", granting a 12% tax rate in central Israel and a 7.5% tax rate in special areas - on income deriving from Intellectual Property, subject to a number of conditions being fulfilled, including a minimal amount or ratio of annual R&D expenditure and R&D employees, as well as having at least 25% of annual income derived from exports. Technological Preferred Enterprise is defined as an enterprise which meets the aforementioned conditions and for which total consolidated revenues of its parent company and all subsidiaries are less than 10 billion NIS. In cases where the parent company and all subsidiaries have more than NIS10 billion of consolidated revenues, the tax rate will be 6% in all of Israel regions.

A Special Preferred Technological Enterprise ("SPTE") - where the parent company total revenues are more than 10 billion NIS in the tax year, its preferred income will be subject to a tax rate of 6%, regardless of the geographical location of the enterprise. On December 4, 2018, the Company received a ruling from the Israeli Income Tax Authority, which grants the Company the SPTE status, in accordance with the law criteria mentioned above and the conditions mentioned in the ruling, effective January 1, 2017.

The following applies to SPTE:

- A 6% capital gains tax rate on the sale of a preferred intangible asset to a foreign affiliated enterprise, in accordance with the criteria mentioned in the law.
- A withholding tax rate of 20% for dividends paid from Preferred Technology Enterprise income (with an exemption from such withholding tax applying to dividends paid to an Israeli company). Such rate may be reduced to 4% on dividends paid to a foreign resident company, subject to certain conditions regarding the percentage of foreign ownership of the distributing entity.

10. Income Tax (Continued)

As of December 31, 2018, Alma enjoyed a preferential new effective tax rate of 8.44%, for being an SPTE for the years ended December 31, 2017 and 2018. As a result of receipt of the ruling with respect to the SPTE status in December 2018, the Company recorded a tax benefit of US$4,301,000 (US$1,958,000 in respect of 2018 and US$343,000 in respect of 2017).

The U.S. Tax Cuts and Jobs Act of 2017 ("TCJA") was approved by the U.S. Congress on December 20, 2017 and signed into law by the U.S. President Donald J. Trump on December 22, 2017. This legislation has made complex and significant changes to the U.S. Internal Revenue Code. Such changes include a reduction in the corporate tax rate and limitations on certain corporate deductions and credits, among other changes. The changes include, but are not limited to:

Rate Reduction

The TCJA reduces the U.S. federal corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. In addition, the TCJA has made certain changes to the depreciation rules and was implemented new limits on the deductibility of certain expenses and deduction.

The income of 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 year and the company was also subject to additional trade income taxes of 15.65% as applicable.

The income of 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 year 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 year (which was not a flat rate but included many deductions/exemptions/rebates as per the Income Tax Act 1961) and the company was also subject to withholding taxes as per the provisions of the said Income Tax Act 1961.

The income of Alma Medical HK Limited, a subsidiary incorporated in Hong Kong, is taxed at the rate of 16.5% on its estimated assessable profits arising in Hong Kong.

	2018 **US$'000**	2017 US$'000
Current	**740**	5,708
Deferred (note 17)	**213**	(936)
Total tax charge for the year	**953**	4,772

10. Income Tax (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country in which the Company and its major operating subsidiary are domiciled to the tax expense at the effective tax rates is as follows:

Profit before tax	**22,784**	15,821
Statutory tax rate	**23.0%**	24.0%
Tax at the statutory tax rate	**5,240**	3,797
Different tax rates for certain entities	**(3,105)**	(1,779)
Effect on opening deferred tax from changes in tax rates	**625**	114
Expenses not deductible for tax	**462**	2,046
Taxes in respect of previous years	**(2,343)**	480
Others	**74**	114
Total tax charge for the year	**953**	4,772

11. Dividend

On March 18, 2019, the Board resolved to declare a final dividend of HK$0.10 (inclusive of tax, equivalent to approximately US$0.013) per share for the year ended December 31, 2018 (year ended December 31, 2017: nil).

12. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 442,155,600 (year ended December 31, 2017: 284,694,839) in issue during the year.

The calculation of basic earnings per share is based on:

	2018 **US$'000**	2017 US$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**21,831**	11,049

	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation*	**442,155,600**	284,694,839

* Arrived at on the assumption that the capitalization issue of 222,213,648 shares (note 31) had been in issue since January 1, 2017.

No adjustment has been made to the basic earnings per share presented for the years ended December 31, 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during the years.

13. Plant and Equipment

	Plant and machinery US$'000	Furniture and fixtures US$'000	Leasehold improvements US$'000	Total US$'000
Cost:				
At January 1, 2018	**4,138**	**587**	**558**	**5,283**
Additions	**994**	—	**273**	**1,267**
At December 31, 2018	**5,132**	**587**	**831**	**6,550**
Accumulated depreciation:				
At January 1, 2018	**2,457**	**264**	**242**	**2,963**
Depreciation provided during the year (note 6)	**787**	**28**	**56**	**871**
At December 31, 2018	**3,244**	**292**	**298**	**3,834**
Net carrying amount:				
At December 31, 2018	**1,888**	**295**	**533**	**2,716**
At January 1, 2018	**1,681**	**323**	**316**	**2,320**
Cost:				
At January 1, 2017	3,626	607	459	4,692
Reclassification	27	(27)	—	—
Additions	738	7	99	844
Disposals	(253)	—	—	(253)
At December 31, 2017	4,138	587	558	5,283
Accumulated depreciation:				
At January 1, 2017	1,904	249	186	2,339
Depreciation provided during the year (note 6)	806	15	56	877
Disposals	(253)	—	—	(253)
At December 31, 2017	2,457	264	242	2,963
Net carrying amount:				
At December 31, 2017	1,681	323	316	2,320
At January 1, 2017	1,722	358	273	2,353

14. Goodwill

	US$'000
Cost and net carrying amount at December 31, 2018 and 2017	108,351

Impairment testing of goodwill

The Group's goodwill acquired through business combination is from the acquisition of Alma in 2013 and the goodwill has been allocated to Alma as the cash-generating unit for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 17.4% for the year (2017: 18.0%). The growth rate used to extrapolate the cash flows of the above cash-generating unit beyond the five-year period is 3% (2017: 3%), which is also an estimate of the rate of raw materials price inflation.

Assumptions were used in the value in use calculation of the cash-generating unit for the reporting period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development. The budgeted gross margin used in the current year was 52.7% (2017: 52.7%).

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant unit.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for Israel from where the raw materials are sourced.

The values assigned to the key assumptions on market development of the medical equipment industry, discount rates and raw materials price inflation are consistent with external information sources.

14. Goodwill (Continued)

Impairment testing of goodwill (Continued)

The following table illustrates the breakeven points of each key variables, with all other variables held constant, where the recoverable amount of the cash-generating unit would have been approximately equal to the carrying amount.

	2018	2017
Budgeted gross margins	50.8%	50.9%
Pre-tax discount rate	19.3%	19.6%
Growth rate beyond the five-year period	(2.4%)	(0.4%)

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of goodwill impairment testing of Alma as of the dates indicated.

Possible changes of key assumptions	Recoverable amount of the cash-generating unit exceeding/ (below) its carrying amount by	
	2018	2017
Gross margins decrease by 1%	14,116	9,507
Gross margins decrease by 3%	(18,444)	(14,191)
Pre-tax discount rate increases by 1%	13,228	7,714
Pre-tax discount rate increases by 3%	(14,772)	(14,948)
Growth rate beyond the five-year period decreases by 1%	24,284	14,055
Growth rate beyond the five-year period decreases by 3%	12,691	1,887

15. Other Intangible Assets

	Customer relationships US$'000	Trademarks US$'000	Patents and technology US$'000	Licence agreement US$'000	Total US$'000
Cost:					
At January 1, 2018 and December 31, 2018	**39,896**	**24,493**	**19,676**	**2,383**	**86,448**
Accumulated amortization:					
At January 1, 2018	**12,611**	—	**9,514**	**284**	**22,409**
Amortization provided during the year (note 6)	**2,751**	—	**1,921**	**278**	**4,950**
At December 31, 2018	**15,362**	—	**11,435**	**562**	**27,359**
Net carrying amount:					
At December 31, 2018	**24,534**	**24,493**	**8,241**	**1,821**	**59,089**
At January 1, 2018	**27,285**	**24,493**	**10,162**	**2,099**	**64,039**
Cost:					
At January 1, 2017	39,896	24,493	19,676	451	84,516
Additions	—	—	—	1,932	1,932
At December 31, 2017	39,896	24,493	19,676	2,383	86,448
Accumulated amortization:					
At January 1, 2017	9,860	—	7,438	126	17,424
Amortization provided during the year (note 6)	2,751	—	2,076	158	4,985
At December 31, 2017	12,611	—	9,514	284	22,409
Net carrying amount:					
At December 31, 2017	27,285	24,493	10,162	2,099	64,039
At January 1, 2017	30,036	24,493	12,238	325	67,092

15. Other Intangible Assets (Continued)

The useful life of trademarks was determined as indefinite in accordance with IAS 38 Intangible Assets. The trademarks are capable of being renewed indefinitely at insignificant cost according to their legal rights and therefore are perpetual in duration, and based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely.

Impairment test of trademarks

The Group performs impairment test for the trademarks depending on the royalty saved with regard to the trademarks.

The recoverable amounts of trademarks have been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 18.5% (2017: 17.6%) for the reporting period. The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2017: 3%), which is also an estimate of the rate of inflation.

Key assumptions used for the value in use calculation

Assumptions were used in the value-in-use calculation for the reporting period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of indefinite life intangible assets:

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for Israel from where the raw materials are sourced.

The values assigned to the key assumptions on market development of the medical equipment industry, discount rates and raw materials price inflation are consistent with external information sources.

The following table illustrates the breakeven points of each key variable, with all other variables held constant, where the recoverable amount of the trademarks would have been approximately equal to the carrying amount.

	2018	2017
Pre-tax discount rate	**28.8%**	21.3%
Growth rate beyond the five-year period	**(37.3%)**	(3.8%)

15. Other Intangible Assets (Continued)

Key assumptions used for the value in use calculation (Continued)

The following table sets forth the impact of reasonably possible changes in each of the key assumptions, with all other variables held constant, of trademarks impairment testing of Alma as of the dates indicated.

Possible changes of key assumptions	Recoverable amount of trademarks exceeding/(below) its carrying amount by	
	2018	2017
Pre-tax discount rate increases by 1%	**13,724**	4,031
Pre-tax discount rate increases by 3%	**9,564**	898
Growth rate beyond the five-year period decreases by 1%	**15,556**	4,726
Growth rate beyond the five-year period decreases by 3%	**14,275**	2,745

16. Investment in an Associate

	2018 US$'000	2017 US$'000
Share of net assets	—	—

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
BELKIN Laser Ltd.*	Ordinary shares	Israel	7.78	Development of laser treatment for glaucoma

* The Group's investment in the associate is accounted for under the equity method of accounting because the Group has significant influence over the entity by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's equity interest in the associate was lower than 20% during the reporting period.

The Group's shareholdings in the associate all comprise equity shares held through Alma, a subsidiary of the Company.

The Group has discontinued the recognition of its share of losses of BELKIN Laser Ltd. because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amount of the Group's unrecognized share of losses of this associate was US$112,000 for current year (2017: US$124,000). As at December 31, 2018, the accumulated unrecognized share of losses of this associate was US$221,000 (2017: US$178,000).

17. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Warranties US$'000	Reserves and allowances US$'000	Research and development US$'000	Intangible assets US$'000	U.S. net operating loss carried forward US$'000	Deferred revenue US$'000	Unrealized intercompany profit and others US$'000	Total US$'000
Gross deferred tax assets at January 1, 2017	133	1,353	1,147	158	517	314	2,781	6,403
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(37)	(378)	600	25	(517)	(120)	(532)	(959)
Gross deferred tax assets at December 31, 2017 and January 1, 2018	96	975	1,747	183	—	194	2,249	5,444
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	13	81	(786)	(85)	—	(23)	(59)	(859)
Gross deferred tax assets at December 31, 2018	109	1,056	961	98	—	171	2,190	4,585

17. Deferred Tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries US$'000	Others US$'000	Total US$'000
Gross deferred tax liabilities at January 1, 2017	12,431	326	12,757
Deferred tax credited to the statement of profit or loss during the year (note 10)	(1,889)	(6)	(1,895)
Gross deferred tax liabilities at December 31, 2017	10,542	320	10,862
Deferred tax (credited)/charged to the statement of profit or loss during the year (note 10)	(662)	16	(646)
Gross deferred tax liabilities at December 31, 2018	9,880	336	10,216

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2018 **US$'000**	2017 US$'000
Gross deferred tax assets	**4,585**	5,444
Offsetting with deferred tax liabilities	**(134)**	(176)
Net deferred tax assets recognized in the consolidated statement of financial position	**4,451**	5,268
Gross deferred tax liabilities	**10,216**	10,862
Offsetting with deferred tax assets	**(134)**	(176)
Net deferred tax liabilities recognized in the consolidated statement of financial position	**10,082**	10,686

18. Other Non-Current Assets

	2018 US$'000	2017 US$'000
Long-term deposits	61	139

19. Inventories

	2018 US$'000	2017 US$'000
Raw materials	11,573	10,079
Work in progress	4,894	3,596
Finished goods	12,774	11,555
Provision	(1,721)	(1,332)
	27,520	23,898

20. Trade Receivables

	2018 US$'000	2017 US$'000
Trade receivables	37,877	36,308
Impairment	(1,387)	(1,059)
	36,490	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.

Details of the concentration of credit risk arising from the customers are set out in note 38 to the financial statements.

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 US$'000	2017 US$'000
Within 1 month	12,302	13,325
1 to 2 months	5,168	8,086
2 to 3 months	3,775	6,111
Over 3 months	15,245	7,727
	36,490	35,249

20. Trade Receivables (Continued)

The movements in loss allowance for impairment of trade receivables are as follows:

	2018 US$'000	2017 US$'000
At beginning of year	**1,059**	978
Impairment losses recognized (note 6)	**884**	697
Written off	**(556)**	(616)
At the end of year	**1,387**	1,059

Impairment under IFRS 9 for the year ended December 31, 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at December 31, 2018

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.2%	1.8%	1.8%	37.3%	3.8%
Gross carrying amount (US$'000)	29,296	1,860	1,967	3,367	36,490
Expected credit losses (US$'000)	65	33	35	1,254	1,387

20. Trade Receivables (Continued)

Impairment under IAS 39 for the year ended December 31, 2017

The individually impaired trade receivables relate to customers that are having financial difficulties or are in default and only a portion of the receivables are expected to be recovered.

The ageing analysis of the trade receivables as at December 31, 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 US$'000
Neither past due nor impaired	24,818
Less than 1 month past due	4,443
1 to 3 months past due	2,268
Over 3 months	3,453
	34,982

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

21. Prepayments, Other Receivables and Other Assets

	2018 US$'000	2017 US$'000
Advances to suppliers	**1,524**	831
Deposits and other receivables	**1,681**	2,383
	3,205	3,214

The probability of default is quite remote and the loss given default was estimated to be immaterial. None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. Derivative Financial Instruments

	2018 US$'000	2017 US$'000
Foreign exchange forward contracts assets/(liabilities)	**119**	(245)

23. Cash and Bank Balances

	2018 US$'000	2017 US$'000
Cash and cash equivalents as stated in the consolidated statement of cash flows	**33,840**	38,081
Pledged bank balances for bank loans	**70**	56
Term deposits with original maturity of more than three months	**70,620**	66,000
Cash and bank balances as stated in the consolidated statement of financial position	**104,530**	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.

24. Contract Liabilities

Details of contract liabilities as at December 31, 2018 and January 1, 2018 are as follows:

	December 31, 2018 US$'000	January 1, 2018* US$'000
Short-term advances received from customers		
Sale of goods	824	1,455
Warranty services	1,392	1,472
	2,216	2,927
Long-term advances received from customers		
Warranty services	423	573
Total contract liabilities	2,639	3,500

Contract liabilities include short-term advances received to deliver products and render warranty services.

* The advances received from customers were included in other payables and accruals (current portion, note 26) and deferred income (non-current portion, note 28), respectively, before the application IFRS 15.

25. Trade Payables

An ageing analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2018 US$'000	2017 US$'000
Within 1 month	5,361	4,997
1 to 2 months	1,468	1,745
2 to 3 months	118	—
	6,947	6,742

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

26. Other Payables and Accruals

	2018 US$'000	2017 US$'000
Advances from customers	—	1,455
Payroll	6,504	6,254
Accrued expenses	5,309	6,777
Current portion of deferred warranty income (note 28)	—	1,472
Others	1,027	5,761
	12,840	21,719

Other payables are non-interest-bearing and have an average term of three months.

27. Interest-Bearing Bank Borrowings

	2018			2017		
	Effective interest rate (%)	**Maturity**	**US$'000**	Effective interest rate (%)	Maturity	US$'000
Current						
Current portion of long-term bank loans, secured (a)/(b)	**6-month LIBOR+ 3.75**	**2019**	**2,171**	6-month LIBOR+ 3.75	2018	4,321
Non-current						
Bank loan, secured (a)/(b)			**—**	6-month LIBOR+ 3.75	2020	6,761
			2,171			11,082

Note: LIBOR stands for London Interbank Offered Rate.

	2018 US$'000	2017 US$'000
Loan balance	**2,291**	11,611
Less: loan arrangement fees	**120**	529
	2,171	11,082
Analyzed into:		
Within one year	**2,171**	4,321
In the second year	**—**	4,861
In the third to fifth years, inclusive	**—**	1,900
	2,171	11,082

Notes:

(a) 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 December 31, 2018 and 2017, the Company has met all the financial covenants.

(b) In October 2018, the Company early repaid US$5,000,000. The underlying coordination and arrangement fees in the amount of US$2,050,000 is amortized over the remaining term of the loan.

28. Deferred Income

	2018 US$'000	2017 US$'000
Deferred warranty income	—	2,045
Less: deferred warranty income classified as current portion (note 26)	—	1,472
	—	573

Deferred income represents the consideration received for either standalone warranty service contracts or extended warranties sold with the sale of certain equipment. Such deferred income is amortized on a straight-line basis during the service period or warranty term as applicable.

29. Other Long-term Liabilities

	2018 US$'000	2017 US$'000
Employee benefit liabilities, net (note 30)	**1,013**	813
Others	**283**	283
	1,296	1,096

30. Defined Benefit Obligations

The Group operates a defined benefit plan in respect of severance pay pursuant to the Israel's Severance Pay Law. According to the law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index of Israel with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies (the "Plan Assets"). The Plan Assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. The Plan Assets are not available to the Group's own creditors and cannot be returned directly to the Group.

The liability for employee benefits shown in the consolidated statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets. Remeasurement of the net liability is recognized in other comprehensive income in the reporting period in which it occurs.

The most recent actuarial valuations of the Plan Assets and the present value of the defined benefit obligations were carried out on December 31, 2018 by Ogen, an Israeli actuarial company, using the projected unit credit actuarial valuation method.

30. Defined Benefit Obligations (Continued)

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2018	2017
Discount rate		
Employees	**3.80%**	3.30%
Officers	**3.57%**	2.90%

	2018	2017
Expected rate of salary increase		
Employees	**5.00%**	5.00%
Officers	**5.00%**	5.00%

The actuarial valuation showed that the market value of the Plan Assets was US$4,742,000 as at December 31, 2018 (December 31, 2017: US$5,020,000), and that the actuarial value of these assets represented 82.4% (December 31, 2017: 86.1%) of the benefits that had accrued to qualifying employees.

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

Employees

	2018	2017
Recorded liability	**4,352**	4,364
Discount rate changed to	**4.80%**	4.30%
Adjusted liability	**3,996**	4,301
Discount rate changed to	**2.80%**	2.30%
Adjusted liability	**4,770**	4,529
Expected rate of salary increase changed to	**6.00%**	6.00%
Adjusted liability	**4,600**	4,528
Expected rate of salary increase changed to	**4.00%**	4.00%
Adjusted liability	**4,151**	4,301

30. Defined Benefit Obligations (Continued)

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below (Continued):

Officers

	2018	2017
Recorded liability	1,403	1,469
Discount rate changed to	4.57%	3.90%
Adjusted liability	1,297	1,407
Discount rate changed to	2.57%	1.90%
Adjusted liability	1,523	1,563
Expected rate of salary increase changed to	6.00%	6.00%
Adjusted liability	1,514	1,564
Expected rate of salary increase changed to	4.00%	4.00%
Adjusted liability	1,304	1,408

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The total expenses recognized in the consolidated statement of profit or loss in respect of the plan are as follows:

	2018 US$'000	2017 US$'000
Current service cost	702	788
Net interest expense	25	28
Net benefit expenses	727	816
Recognized in cost of sales	324	364
Recognized in selling and distribution expenses	229	272
Recognized in administrative expenses	62	60
Recognized in research and development expenses	112	120
Net benefit expenses	727	816

30. Defined Benefit Obligations (Continued)

The movements in the present value of the defined benefit obligations are as follows:

	2018 US$'000	2017 US$'000
At beginning of year	**5,833**	4,980
Current service cost	**702**	788
Net interest expense	**25**	28
Benefits paid	**(723)**	(1,363)
Return on plan assets	**155**	249
Loss from measurement in other comprehensive income	**112**	513
Effect of changes in foreign exchange rate	**(349)**	638
At end of year	**5,755**	5,833

The movements in the defined benefit obligations and the fair value of the Plan Assets are as follows:

For the year ended December 31, 2018

		Expenses recognized in profit or loss				Gain (loss) from measurement in other comprehensive income						
	Balance at January 1, 2018 US$'000	Current service cost US$'000	Net interest expense US$'000	Total expense recognized in profit or loss for the year US$'000	Payments from the plan US$'000	Return on plan assets (excluding amounts included in net interest expenses) US$'000	Actuarial loss (gain) arising from changes in financial assumptions US$'000	Actuarial loss (gain) arising from experience adjustments US$'000	Total effect on other comprehensive loss for the year US$'000	Effect of changes in foreign exchange rates US$'000	Contributions by employer US$'000	Balance at December 31, 2018 US$'000
Defined benefit obligations	5,833	702	25	727	(723)	155	(60)	172	112	(349)	–	5,755
Fair value of plan assets	5,020	–	–	–	(689)	155	–	47	47	(484)	693	4,742
Net defined benefit liability	813	702	25	727	(34)	–	(60)	125	65	135	(693)	1,013

30. Defined Benefit Obligations (Continued)

For the year ended December 31, 2017

		Expenses recognized in profit or loss				Gain (loss) from measurement in other comprehensive income						
	Balance at January 1, 2017 US$'000	Current service cost US$'000	Net interest expense US$'000	Total expense recognized in profit or loss for the year US$'000	Payments from the plan US$'000	Return on plan assets (excluding amounts included in net interest expenses) US$'000	Actuarial loss (gain) arising from changes in financial assumptions US$'000	Actuarial loss (gain) arising from experience adjustments US$'000	Total effect on other comprehensive loss for the year US$'000	Effect of changes in foreign exchange rates US$'000	Contributions by employer US$'000	Balance at December 31, 2017 US$'000
Defined benefit obligations	4,980	788	28	816	(1,363)	249	565	(52)	513	638	—	5,833
Fair value of plan assets	4,509	—	—	—	(1,032)	249	—	74	74	494	726	5,020
Net defined benefit liability	471	788	28	816	(331)	—	565	(126)	439	144	(726)	813

Expected contributions to the defined benefit plan in future years are as follows:

	2018 US$'000	2017 US$'000
Within the next 12 months	**676**	732

A maturity analysis of the expected payments for terminated employees is as follows:

	2018 US$'000	2017 US$'000
Within the next 12 months	**495**	439
Between 1 and 2 years	**802**	392
Between 2 and 5 years	**1,341**	1,304
Between 5 and 10 years	**1,889**	1,962
Over 10 years	**4,172**	4,162
Total expected payments	**8,699**	8,259

31. Share Capital

Shares

	2018 **US$'000**	2017 US$'000
Authorised:		
1,000,000,000 (2017: 1,000,000,000) ordinary shares of NIS0.01 each	**2,835**	2,835
Issued and fully paid:		
442,155,600 (2017: 442,155,600) ordinary shares of NIS0.01 each	**1,254**	1,254

On August 30, 2017, in preparation for the Listing, the then shareholders of the Company passed a resolution to increase the authorized share capital of the Company from NIS10,000 comprising 1,000,000 shares of NIS0.01 each to NIS10,000,000 comprising 1,000,000,000 shares of NIS0.01 each.

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital US$'000	Share premium account US$'000	Total US$'000
At January 1, 2017		735,000	2	999	1,001
Capitalization issue of shares	(a)	222,213,648	630	(630)	—
Capitalization of the Capital Notes	(a)	129,051,352	366	143,625	143,991
Issue of shares from the Listing	(b)	88,000,000	250	100,458	100,708
Issue of shares from partial exercise of an over-allotment option	(c)	2,155,600	6	2,439	2,445
Share issue expenses		—	—	(6,125)	(6,125)
At December 31, 2017 and January 1, 2018 and December 31, 2018		442,155,600	1,254	240,766	242,020

Notes:

(a) A total number of 351,265,000 new shares were issued pursuant to the capitalization issue on September 19, 2017, comprising 222,213,648 shares issued pursuant to the capitalization of the share premium upon the share premium account of the Company being credited as a result of the allotment and issue of the shares pursuant to the Listing and 129,051,352 shares issued pursuant to the capitalization of the Capital Notes with the carrying amount of US$143,991,000.

(b) In connection with the Company's Listing on September 19, 2017, 88,000,000 new shares of the Company were issued and allotted at an offer price of HK$8.88 per share.

(c) In connection with the partially exercised over-allotment option, 2,155,600 new shares of the Company were issued and allotted at an offer price of HK$8.88 per share on October 8, 2017.

32. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Other reserves

Alma Lasers Inc. had excess of the tax deduction for previous options amounting to US$50,000 as at December 31, 2018 (2017: US$267,000) due to the tax reform bill of the United States in 2017.

33. Note to the Consolidated Statement of Cash Flows

(a) Changes in liabilities arising from financing activities

2018

	Interest-bearing bank borrowings US$'000	Derivative financial instruments US$'000
At January 1, 2018	11,082	245
Changes from financing cash flows	(9,321)	(197)
Fair value gains from foreign exchange forward contracts not qualifying as hedges	—	(258)
Cash flow hedge reserve	—	91
Finance costs	943	—
Interest paid	(546)	—
Others	13	—
	2,171	(119)

33. Note to the Consolidated Statement of Cash Flows (Continued)

(a) Changes in liabilities arising from financing activities (Continued)

2017

	Interest-bearing bank borrowings US$'000	Derivative financial instruments US$'000	Loan from a related party US$'000	Interest-free loan from shareholders US$'000
At January 1, 2017	48,918	(187)	9,845	140,912
Changes from financing cash flows	(38,246)	656	(10,093)	—
Fair value gains from foreign exchange forward contracts not qualifying as hedges	—	(211)	—	—
Cash flow hedge reserve	—	(13)	—	—
Finance costs	2,006	—	248	3,079
Interest paid	(2,056)	—	—	—
Capitalization of the Capital Notes	—	—	—	(143,991)
Others	460	—	—	—
	11,082	245	—	—

34. 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:

	2018 US$'000	2017 US$'000
Within one year	**2,653**	3,148
In the second to fifth years, inclusive	**6,348**	9,237
After five years	**388**	9,515
	9,389	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.

35. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with its related parties during the reporting period:

On September 22, 2017, the Company repaid the loan from Fosun Industrial Co., Limited, a related party of the Company, in an aggregate amount of US$10,093,000.

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

	2018 US$'000	2017 US$'000
Salaries, allowances and benefits in kind	**614**	2,179
Performance related bonuses	**238**	315
Listing bonuses	**99**	2,395
Total compensation paid to key management personnel	**951**	4,889

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

36. 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

	2018 US$'000	2017 US$'000
Financial assets at fair value through profit or loss designated as such upon initial recognition		
Derivative financial instruments	**119**	—
Loans and receivables		
Other non-current assets	**61**	139
Trade receivables	**36,490**	35,249
Financial assets included in prepayments, deposits and other receivables	**617**	2,383
Cash and bank balances	**104,530**	104,137
	141,698	141,908
	141,817	141,908

36. Financial Instruments by Category (Continued)

Financial liabilities

	2018 US$'000	2017 US$'000
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	**6,947**	6,742
Financial liabilities included in other payables and accruals	**6,336**	12,538
Interest-bearing bank borrowings	**2,171**	11,082
	15,454	30,362
	15,454	30,607

37. Fair Value and Fair Value Hierarchy of Financial Instruments

As at December 31, 2018 and 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 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.

37. 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:

Liabilities measured at fair value:

As at December 31, 2017

	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

Assets measured at fair value:

As at December 31, 2018

	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	—	**119**	—	**119**

During the year, 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 (2017: Nil).

38. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the reporting period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to interest rate risk relates principally to the Group's interest-bearing bank borrowings with floating interest rates. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

All of the Group's interest-bearing bank borrowings bore interest at floating rates as at December 31, 2018 and 2017.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax US$'000
For the year ended December 31, 2018	**100**	**(23)**
	(100)	**23**
For the year ended December 31, 2017	100	(116)
	(100)	116

38. Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax US$'000
For the year ended December 31, 2018		
If US$ strengthens against NIS	**5**	**260**
If US$ weakens against NIS	**(5)**	**(260)**
If US$ strengthens against EUR	**5**	**(431)**
If US$ weakens against EUR	**(5)**	**431**
If US$ strengthens against CAD	**5**	**(148)**
If US$ weakens against CAD	**(5)**	**148**
For the year ended December 31, 2017		
If US$ strengthens against NIS	5	221
If US$ weakens against NIS	(5)	(221)
If US$ strengthens against EUR	5	(289)
If US$ weakens against EUR	(5)	289
If US$ strengthens against CAD	5	(168)
If US$ weakens against CAD	(5)	168

38. Financial Risk Management Objectives and Policies (Continued)

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. As at December 31, 2018, the Group had certain concentrations of credit risk as 4% of the Group's trade receivables were due from the Group's largest customer (2017: 26%), and 25% of the Group's trade receivables were due from the five largest customers (2017: 44%).

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance from shareholders. As at December 31, 2018, the Group's all borrowings would mature in less than one year (2017: 38%), based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

December 31, 2018

	On demand US$'000	Less than 3 months US$'000	3 to less than 12 months US$'000	1 to 5 years US$'000	Total US$'000
Trade payables	6,947	—	—	—	6,947
Financial liabilities included in other payables and accruals	6,336	—	—	—	6,336
Interest-bearing bank borrowings	—	—	2,241	—	2,241
	13,283	—	2,241	—	15,524

38. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

December 31, 2017

	On demand US$'000	Less than 3 months US$'000	3 to less than 12 months US$'000	1 to 5 years US$'000	Total US$'000
Trade payables	6,742	—	—	—	6,742
Financial liabilities included in other payables and accruals	12,538	—	—	—	12,538
Interest-bearing bank borrowings	—	—	4,764	7,823	12,587
	19,280	—	4,764	7,823	31,867

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests.

As at December 31, 2018 and 2017, the Group's cash and cash equivalents exceeded the total debt. As such, no gearing ratio as at December 31, 2018 and 2017 was presented.

39. Events After the Reporting Period

On January 15, 2019, the Company acquired an aggregate of 60% equity interest in Nova Medical Israel Ltd. for a total consideration of NIS31,650,000 (equivalent to approximately US$8,592,000, assuming no set-off and adjustment are made to the deferred consideration (as defined in the share purchase agreeement).

40. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**229,233**	222,033
CURRENT ASSETS		
Due from subsidiaries	**13,329**	13,329
Prepayments, other receivables and other assets	**112**	108
Cash and bank balances	**55,361**	70,903
Total current assets	**68,802**	84,340
CURRENT LIABILITIES		
Other payables and accruals	**559**	4,565
Interest-bearing bank borrowings	**2,171**	4,321
Total current liabilities	**2,730**	8,886
NET CURRENT ASSETS	**66,072**	75,454
TOTAL ASSETS LESS CURRENT LIABILITIES	**295,305**	297,487
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	—	6,761
Other long-term liabilities	**283**	283
Total non-current liabilities	**283**	7,044
NET ASSETS	**295,022**	290,443
EQUITY		
Share capital	**1,254**	1,254
Reserves (note)	**293,768**	289,189
Total equity	**295,022**	290,443

40. Statement of Financial Position of the Company (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
Balance at January 1, 2017	999	20,474	1,114	22,587
Capitalization issue of shares	(630)	—	—	(630)
Capitalization of the Capital Notes	143,625	—	—	143,625
Issue of shares from the Listing	100,458	—	—	100,458
Issue of shares from partial exercise of an over-allotment option	2,439	—	—	2,439
Share issue expenses	(6,125)	—	—	(6,125)
Total comprehensive income for the year	—	—	26,835	26,835
At December 31, 2017 and January 1, 2018	240,766	20,474	27,949	289,189
Total comprehensive income for the year	—	—	4,579	4,579
At December 31, 2018	240,766	20,474	32,528	293,768

41. Approval of the Financial Statements

The financial statements were approved and authorized for issue by the board of directors on March 18, 2019.

1. About this Report

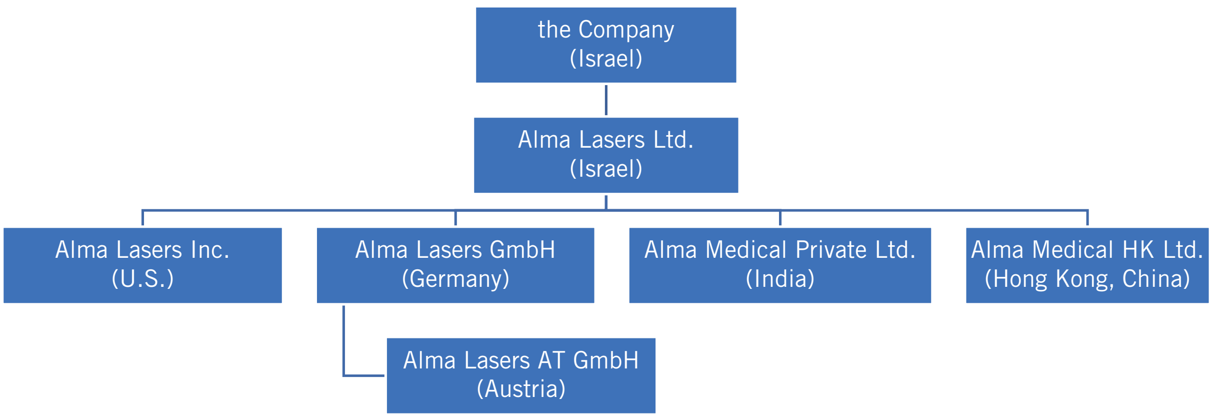
1.1 Reporting Period

This is the second Environmental, Social and Governance ("ESG") Report of the Group that covers the environment and social performance from January 1st, 2018 to December 31st, 2018 unless otherwise stated.

1.2 Reporting Scope

The data and information in the Report are referenced from the archived questionnaires, records and statistics of Sisram Medical Ltd. (hereinafter referred to as "the Company"). The Report covers the information of the Company and all its subsidiaries, collectively referred to as the "Group" or "we".

This simplified corporate structure of the Group which shows all subsidiaries of the Company and the locations of its subsidiaries is as follows:



Note:

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

1.3 Reference Basis

This report is written according to the "Environmental, Social and Governance Reporting Guide 2015" by the Stock Exchange of Hong Kong Limited (hereinafter referred to as "HKEX").

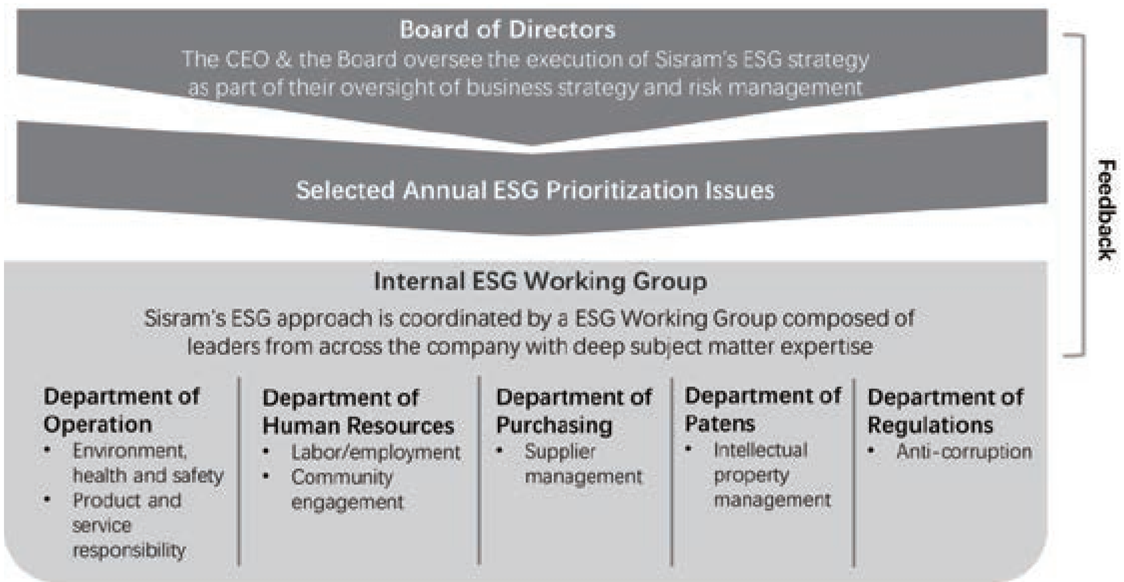
2. Our Approaches to ESG management

Being a world-leading provider of energy-based solutions for the surgical, medical aesthetics and beauty markets, the Group is constantly striving to enable greater access to healthcare and enhance the well-being of the environment for all, through:

- Products satisfying patients' unmet needs
- Efficient use of natural resources
- Raw materials sourced from an environmentally and socially sound supply chain
- Responsible production processes that are not hazardous to people or the environment
- Commitment to ethical and honest business practices

ESG management is embedded into the fabrics of the Group's business operation. Our ESG governance framework lays out a rational and informed process via which organizational leadership identifies, evaluates, and addresses ESG risks and opportunities in the commercial environment. In the meantime, we fully engage our internal ESG working group to provide support and valuable insight as we strive to continuously improve our ESG practices.

ESG Governance Framework



3. Our Environment

3.1 Environmental Protection Management

The Group is a leading global provider of energy-based medical aesthetic treatment systems, with comprehensive in-house capability to design, develop and produce such systems. Our production operations can be generally divided into five main stages: (i) product design, research and development, (ii) forecasting, (iii) procurement, (iv) assembly of semi-finished products, and (v) calibration, integration, customisation and testing. For a substantial majority of the main consoles of our treatment systems and almost all applicators for our treatment systems, the production process of the semi-finished product is conducted in-house at the production facilities in Caesarea, Israel. For a very small portion of certain products, the final steps of production and assembly products are conducted in Germany.

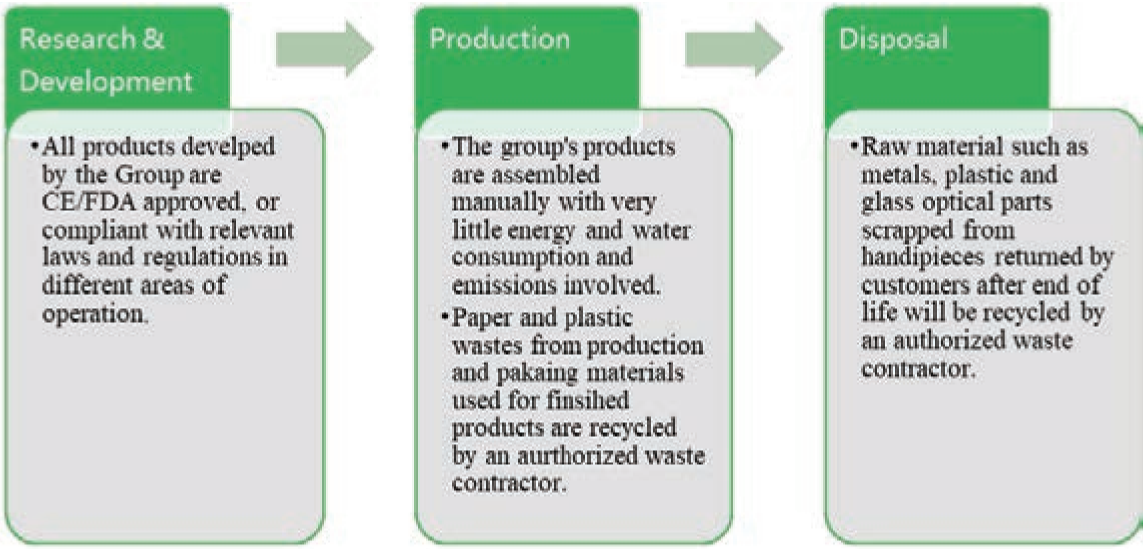
As our products are assembled manually with very little energy and water consumption involved, and, hence, they do not pose a major source of environmental pollution and the impact of its operations on the environment is not significant. Nevertheless, environmental protection is an integral part of our business operation.

The Group strictly abides by the regulations and laws related to environmental protection applicable to its operations and there was no report of any violation during the reporting period.

Aspect	Main laws and regulations identified by jurisdictions
Environmental Protection	**Israel:** *Packaging Law (Packaging Management Law) 2011, Israeli Dangerous Substances Law 5753-1993, The Pharmacists Regulations (Radioactive Elements and By Products) 1980, etc.*
	U.S.: *Environmental Protection Act, etc.*
	India: *Environment Protection Act 1986, Wildlife (Protection) Act 1972, Forests (Conservation) Act 1980, Water (Prevention and Control of Pollution) Act 1974, etc.*
	EU: *German Environmental Protection Act (Bundes-Immissionsschutzgesetz), Austrian Environmental Protection Act, etc.*

Note: EU refers to member states of the European Union & contracting states of EFTA, with the exception of Switzerland.

We are also committed to taking active steps to minimize potential harm to the environment. Our environmental management approaches cover the stages of product research & development, production, and disposal.

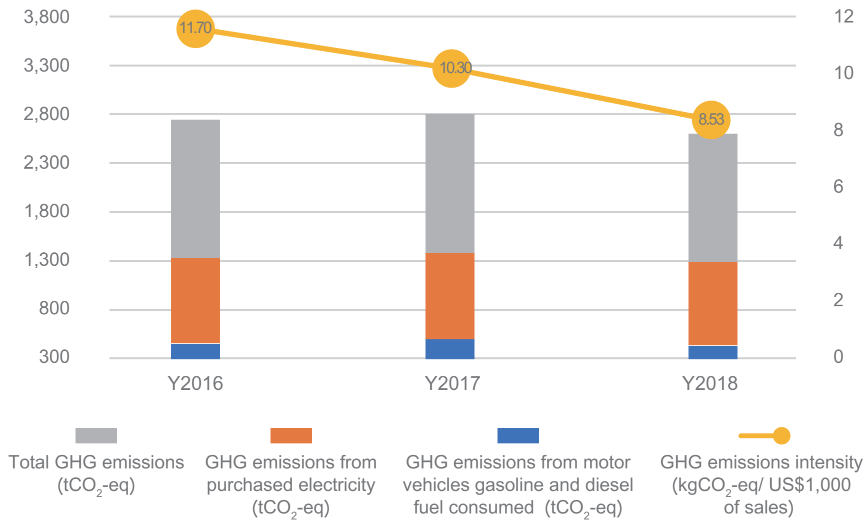


3.2 Emissions

In the production process, our technicians assemble the semi-finished main consoles and applicators for the treatment systems mainly by using manual tools. Therefore, the Group consumes no natural gas, gas or other fuels of direct combustion and do not produce any hazardous substance or any material environmental pollutants during the production process. The Group's emissions mainly comprise the exhaust of its vehicles, the greenhouse gases (GHGs) indirectly emitted during its operation, and such non-hazardous wastes as plastics, and administration related waste. The group also takes energy saving and carbon reduction measures to reduce emissions.

3.2.1 Greenhouse Gas Emissions

The major source of the GHG emissions was from the consumption of electricity and the usage of gasoline and diesel fuel by the Group's motor vehicles. The total net GHG emissions emitted by the Group's operation was 1,312.51 tonnes of carbon dioxide equivalent (tCO_2-eq) (mainly carbon dioxide, methane and nitrous oxide), with an intensity of 8.53 $KgCO_2$-eq/1,000 U.S. dollar ("US$") of sales.



Note:

1. The GHG emissions are calculated according to Greenhouse Gas Protocol tool for stationary combustion (Version4.7) and mobile combustion (Version2.6), published by World Resources Institute.

3.2.2 Waste Management

In Israel and Germany, the Company and its subsidiaries mainly generate packaging waste (cartons and plastics) and general office waste. Other subsidiaries mainly generate general office waste as they are responsible for the distribution of medical equipment. Since there is no waste generated during production and the office related waste is not significant, the Group does not track the data regarding total non-hazardous waste produced.

	Type of wastes	Methods taken to reduce wastes
General office waste	• Office paper, plastics, etc.	• Set duplex printing as the default mode for most network printers and disseminate information by electronic means as far as possible. • Printed paper not in use is shredded and collected by an authorised recycling company.
Other wastes	• Raw materials such as metals, plastic and glass optical parts scrapped from handpieces disposed and returned by customers.	• Raw material wastes are collected and recycled by an authorized waste contractor.

3.3 Use of Resources

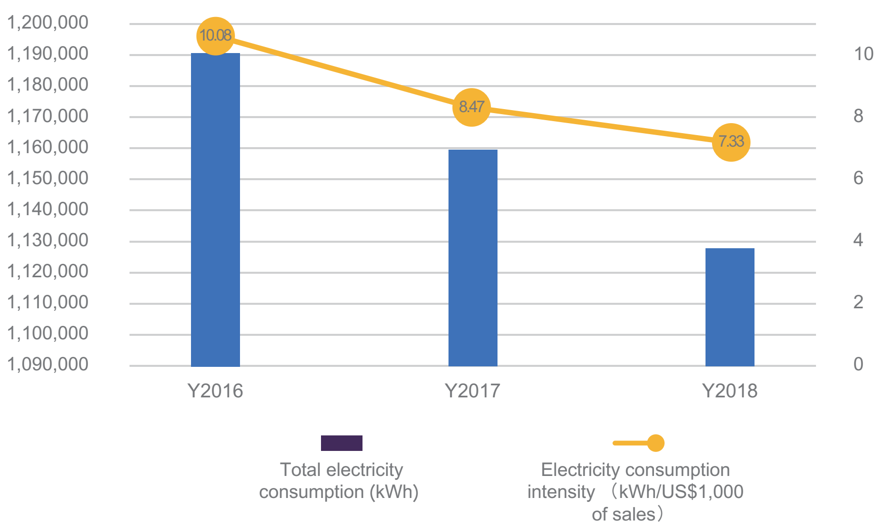
The Group actively reduces its consumption of energy and other resources to mitigate the environmental impact of its operation. The total electricity consumption of the Group was 1,127,564 Kilowatt-hour (kWh), with an energy intensity of 7.33 kWh/1,000 U.S. dollar ("US$") of sales. There are several motor vehicles being used for transportation purposes. A total of 105,162 litres of gasoline and 80,868 litres of diesel fuel were consumed for the Group's motor vehicles.

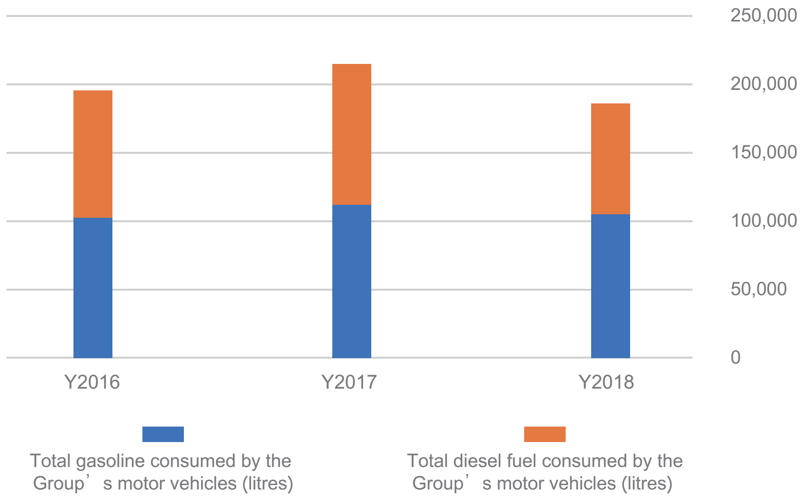
During its operation, the Group only consumes the water from municipal supply. Given its small consumption of water, the Group has no problem in obtaining appropriate water sources. The total water consumed by the Company and its subsidiaries in Israel and Germany in the reporting period was 6,145 m^3. As all of the Group's offices are leased, the water usage of the rest of the subsidiaries was included in the management fee and therefore, the figures were not available.

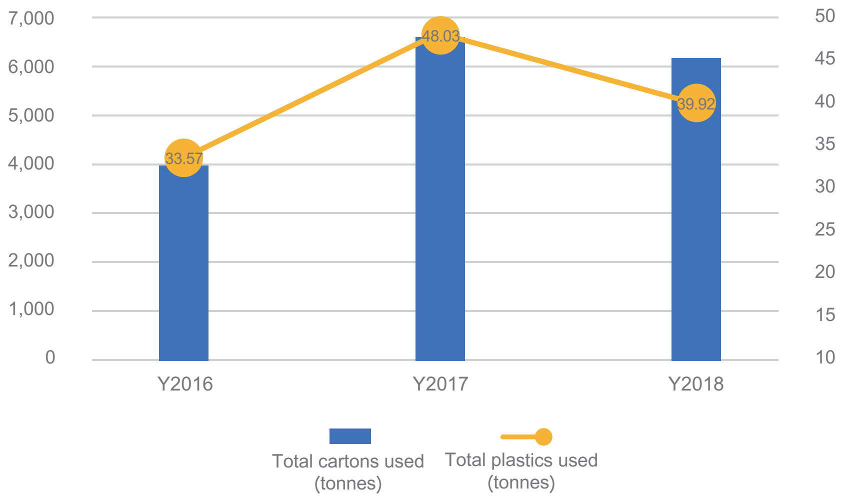
The Group in Israel strictly complies with the Packaging Management Law, 2011, and take active measures to reduce use of packaging materials.

The following resources saving measures are generally adopted in the Group's daily operations:

	Type of resources	Methods taken to save resources
Energy	• Purchased electricity • Gasoline and diesel fuels consumed by the Group's motor vehicles	**Purchased electricity:** • Use energy-saving light bulbs. • Switch off all electrical appliances or, where appropriate, switch them to the energy-saving mode when not in use. **Vehicle Maintenance:** • Avoid sudden acceleration as it increases fuel consumption. • Switch off when idling.
Water	• Municipal water	• Fix dripping taps immediately. • Determine water requirements for each facility and check usage frequently.
Packaging materials	• Cartons and plastics	• Packaging materials not in use are collected and recycled by an authorized company.

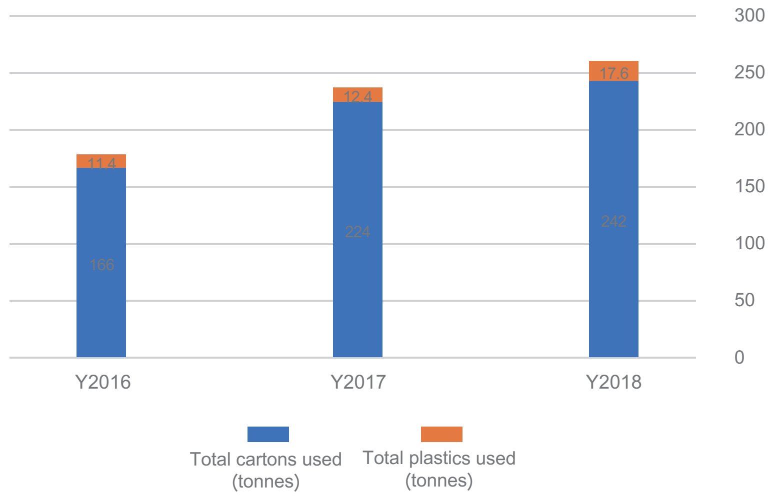






Note:

1. Total water consumption only includes consumption in Germany and Israel.



Note:

1. The total weight of packaging material used are estimated by the total weight of packaging material brought.

2. Cartons are used for packing main consoles and plastics are used for packing applicators.

4. Our People and Operation

4.1 Employment Policy and Compliance

The Group is committed to the well-being of the people who play an essential role in helping to drive the growth of its business. In the countries where we have employees, we comply with applicable employment laws and regulations.

Aspect	Main laws and regulations identified by jurisdictions
Employment	**Israel:** *The Israeli Severance Pay Law, The Employment of Women Law, The Sick Pay Law, The Annual Leave Law, Minimum Wage Law, etc.* **U.S.:** *Title VII of the Civil Rights Act of 1964, Age Discrimination in Employment Act, Fair Labour Standards, etc.* **India:** *Employees compensation Act 1923, The Payment of Wages Act 1926, The maternity benefit Act 1970, etc.* **EU:** *Buergerliches Gesetzbuch (German Civil Code), Bundesurlaubsgesetz (National Vacation Law), etc.*
Occupational health and safety	**Israel:** *The Israeli Work Safety Ordinance (New Version) 1970, The Labour Inspection (Organization) Law 1954, The Safety at Work Regulations (Safety Glasses) 1947, Regulations of the Labour Supervision Organization (Provision of Information and Employee Training) 1999, Safety at Work (Occupational Hygiene and Safety Dealing with Laser Radiation) Regulations 2005, etc.*
Child labour and forced labour	**Israel:** *Youth Labour Law, 1953.* **U.S.:** *Fair Labour Standards Act, and various relevant state laws.* **India:** *Child and Adolescent Labour (Prohibition and Regulation) Act, 1986,Juvenile Justice (care and protection) of Children Act, 2000.*

We actively promote and foster an inclusive work environment where we recruit, employ, train, compensate, and promote high-quality, competent, and responsible people without regard to race, religion, creed, color, national origin, age, gender, marital status, disability, or any other legally protected basis, in accordance with relevant local laws or regulations. Employee dismissal within the Group is conducted according to relevant local laws and articles stipulated into the employment contract, and in mutual agreement between the Group and its employees.

During the reporting period, there were no reported violations of laws and regulations with respect to employment and labour practices.

4.1.1 Employee Working Time, Compensation and Benefits

Employee working time varies in jurisdictions where the Group is operating, and employees are entitled to payments or compensatory hours for working overtime.

As part of the Group's overall talent management strategy, compensation and benefits play a key role in its ability to constantly attract, retain, and motivate its global workforce. The Group's employee compensation is structured in alignment with local regulations and minimal wage requirements. In Y2018, Alma Lasers Ltd. initiated an annual employee wage adjustment benchmarked against the local market rate in Israel.

Being a valuable component of the Group's benefits packages, employee benefits vary by country and comply with relevant national regulations. They typically include:

- Retirement plans
- Social insurance
- Legal housing insurance
- Commercial insurance
- Allowances (e.g. transportation, lunch, mobile phone, etc.)

4.1.2 Supporting Work-Life Balance

Recognizing that work-life balance is imperative in developing a motivated and dedicated workforce, the Group has flexible work options in place to support parents and others in need of alternative time schedules. In addition, the Group implements parental leave policy as stipulated by local laws and regulations. In the U.S., eligible employees are entitled to maternity leave, while in Israel, Germany and India, the Group provide its employees with fully paid parental leave time for either parent. In Israel, employees are provided with paid bereavement leave time for immediate family, including parents, spouses and children.

Alma Lasers Ltd. organizes team-bonding activities for its employees on a regular basis to promote a harmonious work environment and nurture a work-life balance culture. Such activities include but not limited to:

- Annual company trip
- Employee sports activities
- Happy Hour afterwork

Employment Data

Indicator			2016	2017	2018
Workforce	Total number of staff (number of people)		337	388	**433**
	Gender	Male	237	272	**307**
		Female	100	116	**126**
	Age group	<30y	41	35	**41**
		30-50y	233	270	**297**
		>50y	63	83	**95**
	Employment type	Full-time	318	368	**407**
		Part-time	19	20	**26**
	Geographical region[1]	Israel	217	230	**251**
		U.S.	71	91	**87**
		Germany & Austria	27	36	**41**
		India	22	31	**53**
		Hong Kong	/	/	**1**
Employee turnover[2]	Total employee turnover rate (%)		14.47	12.02	**16.09**
	Gender	Male	13.50	10.82	**14.96**
		Female	16.67	14.71	**18.71**
	Age group	<30y	26.79	45.31	**30.51**
		30-50y	13.70	6.90	**16.34**
		>50y	7.35	4.60	**6.86**
	Geographical region	Israel	9.96	8.37	**8.39**
		U.S.	26.80	22.22	**38.73**
		Germany & Austria	6.90	12.20	**0**
		India	18.52	3.13	**8.62**
		Hong Kong	/	/	**0**

Notes:

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

2. Including voluntary turnover, lay-off, work-related fatalities, and retirement; calculated as: employee turnover/(employee turnover + number of workforce).

4.2 Occupational Health and Safety

We are dedicated to the safety, health and wellness of our employees and continuously address the safety in our operations.

Alma Lasers Ltd. has set up a safety committee. Compromising of management and employee representatives, and a third-party safety contractor, the Committee is responsible for effectively formulating, executing and monitoring the health and safety programs. Committee members meet every year to review hazards identified in the workplace, conducted situation appraisal and formulated response procedures accordingly.

The Group conducts regular work safety trainings covering topics such as safe equipment operation, workplace hazards identification, etc. The Group also organizes yearly fire drills to improve employees' emergency awareness and preparedness.

The Group has in place systems that help to track, manage and report occupational injuries. In the event of work-related safety incidents, the Group provides all necessary and timely medical treatment and support to affected employees, and as prevention measures, the Group will investigate root causes and implements corrective actions accordingly.

Occupational Health and Safety Data

Indicator	Unit	2016	2017	2018
Number of work-related fatalities	No. of ppl	0	0	**0**
Lost days due to work-related injury[1]	No. of days	33	11	**152**
Number of employees participating in laser-safety training	No. of ppl	70	70	**115**
Number of employees participating in work safety trainings	No. of ppl	/	/	**214**
Number of employees participating in fire drills	No. of ppl	/	/	**275**

Note:

1. In Y2018, one employee at Alma fell and broke his leg at work. Y2018 lost days due to work-related injury was the time he took to recover.

4.3 Development and Training

The Group believes that employees are its greatest assets, and it invests heavily in training and learnings programs to further develop talent. We are committed to developing and nurturing future leaders and enhancing their capability to inspire fellow employees to thrive and get the best out of them. Our training programs comprise of new employee orientation, mid-level management development program, and team leader development plan.

New hires orientation

- The orientation provides newly hired employees a general overview of the Group's buisness, combined with technical trainings conducted by senior engineers.

Mid-level management development program

- This programs provides employees with trainings of managerial skills and other types of soft skills.

Team leader development plan

- This training program is designed to help employees improve their mentoring skills.

The Group evaluates effectiveness of training by testing its employees for their knowledge and on-the-job skills, to help ensure they are capable of performing their job functions. Employees who have failed the evaluation test cannot be qualified to perform job tasks until they are re-trained and passes the test successfully to the instructor's complete satisfaction.

4.4 Labor Standards

Being a global organization, the Group keeps exporting its way of working with labour rights to ensure that all its subsidiaries apply our common standards. The Group rejects any form of child or forced labour and complies with local regulations concerning non-use of child and forced labour. During the reporting period, there was no child nor forced labour in the Group.

The Group also recognises its employees' legal right to freely join labour organisations of their choosing and to bargain collectively on issues related to employee rights and benefits.

4.5 Supply Chain Management

Product quality and safety are one of the Group's top priorities. Given the geographical scope of its global suppliers, the Group extends its commitment to achieve the highest quality standards of its global supply chain by consistently supervising and monitoring procurement of supplies, materials and equipment, as well as suppliers' selection and the selection criteria.

The Group classifies its suppliers into five categories (A-E, A- Critical, E-non-critical) based on the service supplied or materials critically as affect to the quality of our finished products. The Group requires its suppliers to present formal accreditation to ISO 13485 and/or ISO 9001 when entering into business with us. In the absence of such credential, however, a questionnaire evaluating quality capabilities is needed for suppliers' categories A, B, C & D.

Supplier Classification and Selection Criteria

Supplier Classification	Accepted & Approved Criteria
Category A Turn-Key and Calibration Subcontractors	Supplier Questionnaire[1] + Third Party Registration[2]
Category B Subcontractors for Material and Services to Company's specifications	Supplier Questionnaire[1] + Third Party Registration[2]
Category C Manufacturers of Components to own specs Contract Laboratories	Supplier Questionnaire[1] + Third Party Registration[2]
Category D Suppliers and Distributors of *Off The Shelf* materials.	Supplier Questionnaire[1]
Category E Consultants	Consultant CV + Confirmation of references

Notes:

1. Supplier Questionnaire is needed in case the supplier is not certified to ISO 13485 or ISO 9001.

2. Registration shall be to ISO 13485 or ISO 9001 as applicable.

Supply Chain Management Data

Indicator		2016	2017	2018
Total number of suppliers		376	401	**553**
Geographical region	Israel	180	193	**241**
	North America[1]	55	40	**81**
	Asia Pacific[2]	39	26	**70**
	Europe[3]	127	117	**161**

Notes:

1. Including U.S. and Canada.

2. Including PRC, Japan, Taiwan, India, Philippines, and Australia.

3. Including Great Britain, Netherlands, Slovenia, Germany, France and Switzerland.

4.6 Product Responsibility

Safety and Wellness are an integral part of the Group's values. The Group maintains the highest standards of safety in all of its practices and products, through stringent clinical testing, protocol optimisations and uncompromising safety standards to ensure that all of its products are safe and reliable for use. In the meantime, the Group strives to base all of its business endeavours on long-term commitments, building strong relationships with its customers and partners and promoting a better quality of life for all. In countries where we operate, we undertake our product responsibility in compliance with relevant local laws and regulations. During the reporting period, there were no reported violations of laws and regulations with respect to product health and safety, advertising, labelling, intellectual property, customer data and privacy matters.

The Group sells its products either (i) by direct sales to treatment providers or (ii) to distributors who on-sell to treatment providers, who use its treatment systems to perform procedures on their treatment recipients. These treatment providers primarily include core physicians (plastic surgeons and dermatologists), non-core physicians (including primary care physicians, obstetricians, gynaecologists, and ear, nose and throat specialists) and aestheticians. As a result, the term of "customer" in this report refers only to treatment providers.

Aspect	Main laws and regulations identified by jurisdictions
Product Quality Assurance	**Israel:** *Medical Device Law 2012, The Medical Device (Medical Device Registration and Renewal) Regulations 2013, The Israeli Public Health Regulations (Clinical Trials in Human Subjects), etc.* **U.S.:** *501 (K) clearance, Pre-market approval, Radiation Control Provisions, etc.* **India:** *Grading and Marking) Act 1937, ISI (Certification Mark) Act 1952, The Food Safety and Standards Act (FSS) 2006, Export (Quality Control and Inspection) Act 1963, etc.* **EU:** *CE Marking, German Medical Devices Act (Medizinproduktegesetz), Austrian trade law (Gewerberecht), etc.* **PRC:** *Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), Guideline for Clinical Trial of Medical Devices (《醫療器械臨床評價技術指導原則》), The Product Quality Law of the PRC (《中華人民共和國產品質量法》), etc.*
Product Advertising	**Israel:** *Consumer protection law 1981.* **U.S.:** *Federal Trade Commission Act.* **India:** *Code for Self-Regulation in Advertising.* **EU:** *Gesetz gegen unlauteren Wettbewerb (Act against unfair advertising practices)*
Intellectual Property	**Israel:** *The Patents Law 1967, The Trade Marks Ordinance 1972, The Copyright Law 2007, The Patents and Designs Ordinance 1924, etc.* **PRC:** *Patent Law of the PRC (《中華人民共和國專利法》), The Trademark Law of the PRC (《中華人民共和國商標法》), etc.* **India:** *The Copyright Act 1957, The Patents Act 1970, The Designs Act 2000, etc.* **EU:** *German Copyright Law (Urheberrechtsesetz), European Patent Convention, European Union Trade Mark Regulation* **US:** *U.S. Code Title 35* **International:** *Patent Cooperation Treaty, Madrid Agreement Concerning the International Registration of Marks*
Product labelling	**India:** *The Legal Metrology Act 2009, Legal Metrology (Packaged Commodities) Rules 2011.* **EU:** *EU MDD 93/42/EEC, etc.*
Customer data protection and privacy	**Israel:** *Consumer protection law 1981.* **U.S.:** *Fair Credit Reporting Act, etc.* **India:** *Information Technology Act, 2000, Indian Penal Code, 1860.* **EU:** *Bundes-Datenschutzgesetz (German Data Protection Act), European Data Protection Convention, etc.* **PRC:** *The Law of the PRC on the Protection of Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》).*

Notes:

1. EU refers to member states of the European Union & contracting states of EFTA, with the exception of Switzerland.

2. Advertising refers to product sales and promoting practices such as fair disclosure of product information, etc.

4.6.1 Quality Management System (QMS)

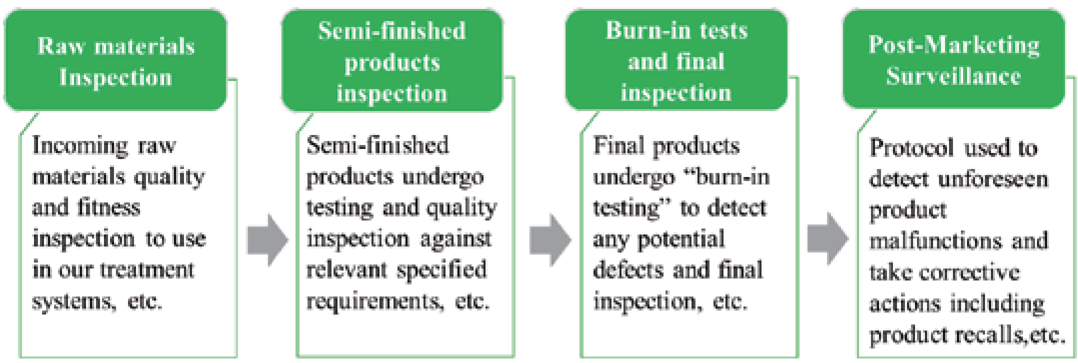
Quality is important to the Group as its patients rely on its products to be safe and effective. The Group's Quality Policy lays out the goals of product excellence it is striving to achieve, and the responsibility its management and employees must undertake to deliver top-quality products to the full satisfaction of domestic and global customers.

The Group establishes, documents, implements, and maintains a Quality Management System (QMS) in accordance with the requirements of applicable statutory and regulatory requirements. Our Quality Management System conforms to the requirements of ISO 13485:2012 international standard. As of December 31st, 2018, Alma Lasers, Alma Lasers GmbH and Alma Lasers Inc. have been fully certified to ISO13485:2016. Alma Lasers and Alma Lasers GmbH has been certified to ISO13485:2016 and Medical Device Single Audit Program (MDSAP), and in addition obtained EC Certificate of Full Quality Assurance System.

4.6.2 Quality Assurance Process

The Group has a Quality Assurance Process in place spanning the entire life-cycle of its products. With it, we are able to ensure that our product development performance is consistent with our stringent quality control protocols. Post-marketing surveillance allows us to monitor the performance of our products in use and gather information necessary to detect any unforeseen malfunction via channels such as customer feedback and distributor reporting.

Product Quality Assurance Process



4.6.3 Protecting Intellectual Property Rights

The Group has established relevant policy to protect its proprietary position by, among other methods, filing patent and trademark applications in various jurisdictions such as the U.S., Europe and the PRC related to its proprietary technology, inventions and improvements that are important to the development of its business. The Group employs a manager of intellectual property, who carries out this policy, with assistance from outside counsel. As of December 31st, 2018, we own 55 patents in total and have 25 pending patent applications material to our business.

Each of the Group's distributors is under the supervision of a regional sales manager who coordinates with the manager of intellectual property so that IP right infringement at the local level can be addressed appropriately. The manager of IP and outside counsel assess the situation and take appropriate action where necessary. Actions may include further IP registrations, warning letters, or invitations to mediation. To protect the company's brands on the Internet marketplaces, the manager of IP together with the company's social media content specialist and manager of digital media use trademark takedown procedures.

The manager of IP is in regular contact with R&D, clinical, regulatory, marketing, and sales personnel to ensure awareness of IP rights protection management. When new product names are proposed, the manager of IP performs a clearance search. As new products are developed, the manager assesses freedom to operate and patentability. In addition, the manager performs periodic reviews of new patent applications and trademarks across the world to keep our employees informed of any changes.

4.6.4 Product Sales and Advertising

Earning the confidence and trust of customers is key to the Group's continued business growth. To do so, the Group makes sure that its products are marketed and advertised accurately and are in line with local laws and regulations. The Group's clinical department review its product advertising materials on a regular basis to ensure they are complaint with different local laws and regulations. In addition, the Group's sales representatives undergo yearly training sessions relating to responsible sales and marketing, including fair disclosure of product information to customers, responsible use and management of product labelling, etc.

In some countries where we sell our products through regional distributors, we ensure that their marketing practices comply with our ethical policies and external regulations by entering into distribution agreements with them, which require distributors to comply with relevant laws and regulations, submit their own advertising and promotional materials subject to the Group's approval, etc.

4.6.5 Product Labelling

Product labelling refers to any written, printed or graphic matter related to identification, technical description, and use of the medical device.

To assure compliance with EU regulations, Health Canada, the FDA requirements or any documents specified by national or regional regulations, the Group has product labelling related procedures in place such as *Labelling & OM Approval*, which defines the method and information for marking and labelling finished products.

4.6.6 Products and Service-Related Complaints

Customer complaints refer to any written or oral notification related to the identity, quality, durability, reliability, safety, effectiveness or performance of device manufactured and supplied by the Group. The Group addresses customer complaints at the local distributor level. A Customer Support Representative is available to handle complaints via emails or customer calls. For any complaint, the initial response to the customer shall be issued no later than 2 working days from the day of complaint/service call reception. The Group's Customer Support Team will handle and assess each complaint on a case-by-case basis. For complaints that do not require further investigation, the Group's Customer Support Team Manager will close the complaint. Complaints in need of technical analysis will be forwarded to designated personnel, who will then decide whether to close the complaint or to initiate Corrective Action and Preventive Action (CAPA) to determine and eliminate the root cause of product nonconformities. As part of the CAPA process and effectiveness evaluation, the Customer Support Team Manager will review the complaints and service call records as required to detect recurring problems.

The Group keeps improving its customer relation management. Our customer service system runs on SAP, an enterprise resource planning software, with which we can review each service call status, as well as monitor each case of customer complaints in accordance to their importance from low to high.

4.6.7 Product Recalls

When failure of its products may compromise the safety of users, the Group will employ Recall and Field Safety Corrective Action and Procedure (FSCA). Depending on the situation and degree of the malfunction, the FSCA typically include return of the device to its supplier, device modification including software upgrades and change to labelling or user instructions, device exchange, device destruction and other necessary measures. For malfunction concerning a series of products, the Group will implement a product identification and traceability procedure to ensure that customers of the faulty devices be notified of any potential hazards, and relevant distributors well aware of their responsibility in tracing the suspected faculty devices for recall. Corrective action will follow the recall procedure to prevent recurrence of the problem. During the reporting period, the Group had not been subject to any product recalls due to safety and health reasons.

4.6.8 Protecting Customer Data and Privacy

Protecting information is critically important to the Group as it relies on data to make its products effective. As a result, our customers expect us to keep their data secure and this responsibility remains a high priority for us. The Group in Israel manages its data security in accordance with the HIPPA regulation (Health Insurance Portability and Accountability Act of 1996), which was created to the protect health information existed in the healthcare industry.

In addition, our Employee Code of Conduct specifies that employees are expected to preserve the confidentiality of information including that of customers, suppliers, etc., unless disclosure is required by law, regulation, or legal or judicial process.

Product Responsibility Data

Indicator	2016	2017	2018
Percentage of total products recalled due to safety and health reasons	0%	0%	**0%**
Number of reported violations of consumer data and privacy	0	0	**0**

4.7 Anti-corruption

The Group has zero tolerance towards corruption. The Group does not condone any form of illicit and unlawful activities, and it is committed to managing all of its business with the highest standards of honesty, integrity, and fairness in accordance with local laws and regulations.

According to the Group's Employee Code of Conduct, all employees are prohibited from offering or accepting bribes, as well as using other means to obtain undue or improper advantage, which may give rise to conflict of interest. In addition, employees are responsible for promptly reporting any actual, attempted or apparent violations.

During the reporting period, there were no reported violations of laws and regulations with respect to bribery, extortion, fraud, money laundering and other corruption related aspects.

Aspect	Main laws and regulations identified by jurisdictions
Anti-corruption	**U.S.:** *Foreign Corrupt Practices Act.* **India:** *Prevention of Corruption Act 1988, The Benami Transactions (Prohibition) Act 1988, Indian Penal Code 1860, The Prevention of Money Laundering Act 2002.* **EU:** *Bundes Anti Korruptionsgesetz (German Anti-Corruption Law), Anti Korruptions Verordnung (Anti-Corruption Act).* **Others:** *UN Convention against Corruption – UNCAC, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.*

Note: EU refers to member states of the European Union & contracting states of EFTA, with the exception of Switzerland

4.7.1 Whistle-blowing Procedures and No Retaliation Policy

Our whistle-blowing policy provides employees with well-defined and accessible channels such as a compliant box or intranet webpage for reporting corruption related matters. Any one reporting in good faith will be protected from reprisal and adverse employment actions and all reports are kept confidential.

Reports or complaints received from employees regarding unlawful conduct shall be handled appropriately and with discretion. In the event that complaints are brought to the attention of any member of management, Human Resources and the Legal department will initiate thorough investigations, which may include interviews with employees involved in the complaint. Confidentiality will be maintained throughout the duration of the investigation to the extent that a proper and thorough investigation allows. If a report of inappropriate conduct is confirmed through investigation, the Group management will take quick and effective remedial actions to put a halt to any such conduct, as well as to prevent its recurrence.

4.8 Community Investment

The Group believes in active contribution to the communities in which we operate. It also encourages employees to participate in public welfare affairs and volunteer their time to serve the community.

In Y2018, the Group made a total of $51,400 corporate charitable donations to the communities where it operates globally. In addition, Alma Lasers Ltd. organized blood donations with a total participation of 42 employees.

ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant chapters in Report
A. Environment		
Aspect A1: Emissions		
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3.1 Environmental Protection Management
KPI A1.1	The types of emissions and respective emissions data.	3.2 Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not Applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not Available. Explained in 3.3.3 Waste Management
KPI A1.5	Description of measures to mitigate emissions and results achieved	3.2.2 Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
Aspect A2: Use of Resources		
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	3.3 Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
Aspect A3: The Environment and Natural Resources		
General Disclosure A3	Policies on minimising the issuer's significant impact on the environment and natural resources.	3.1 Environmental Protection Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant chapters in Report
B. Social		
Aspect B1: Employment		
General Disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Employment Policy and Compliance
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	
Aspect B2: Health and Safety		
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	4.2 Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	
Aspect B3: Development and Training		
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category.	N/A
Aspect B4: Labour Standards		
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.4 Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No Reported Use of Child or Forced Labour
Aspect B5: Supply Chain Management		
General Disclosure B5	Policies on managing environmental and social risks of the supply chain.	4.5 Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant chapters in Report
Aspect B6: Product Responsibility		
General Disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.6 Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4.6.7 Product Recalls
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	4.6.6 Products and Service-Related Complaints
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.6.3 Protecting Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	4.6.1 Quality Management System (QMS); 4.6.2 Quality Assurance Process
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.6.8 Protecting Customer Data and Privacy
Aspect B7: Anti-corruption		
General Disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.7 Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.7 Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4.7.1 Whistle-blowing Procures and No Retaliation Policy
Aspect B8: Community Investment		
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	4.8 Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

Directors

Executive Directors

Mr. Yi LIU (劉毅) *(Chairman)*
Mr. Lior Moshe DAYAN *(Chief Executive Officer)*
Mr. Jianping HUA(1) (華劍平) *(Chief Financial Officer)*
Mr. Guojun BU(2) (步國軍) *(Chief Financial Officer)*

Non-executive Directors

Mr. Yifang WU (吳以芳)
Mr. Chun LI(3) (李春)
Mr. Yao WANG (汪曜)
Ms. Yu HU(4) (胡羽)
Ms. Yang YANG(5) (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)

Notes:

(1) Mr. Jianping HUA was appointed as an executive Director on March 19, 2018 and resigned as an executive Director on January 17, 2019.

(2) Mr. Guojun BU was appointed as an executive Director on January 17, 2019.

(3) Mr. Chun LI resigned as a non-executive Director on March 19, 2018.

(4) Ms. Yu HU resigned as a non-executive Director on March 19, 2018.

(5) Ms. Yang YANG was appointed as a non-executive Director on March 19, 2018.

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 annual report, the following expressions have the meanings set out below unless the context requires otherwise.

"AGM" or "Annual General Meeting"	the annual general meeting of the Company
"Alma Acquisition"	the acquisition of Alma Lasers by the Company, which was completed on May 27, 2013
"Alma" or "Alma Lasers"	Alma Lasers Ltd., a company incorporated in Israel with limited liability, a wholly-owned subsidiary of the Company
"Ample Up"	Ample Up Limited (能悦有限公司), a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of Fosun Industrial
"Articles of Association"	the articles of association of the Company currently in force
"APAC"	Asia-Pacific
"Board" or "Board of Directors"	the board of Directors of the Company
"Capital Notes"	the interest-free long-term capital notes issued to the existing shareholders before Listing which were capitalized upon Listing
"CFDA"	State Administration for Market Regulation (previously known as China Food and Drug Administration)
"CG Code"	the Corporate Governance Code
"CML"	Chindex Medical Limited, a wholly-owned subsidiary of Ample Up
"Company" or "Sisram Medical"	Sisram Medical Ltd, a company incorporated in Israel with limited liability and whose Shares are listed on the Stock Exchange
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules
"CPD"	continuous professional development
"DACH"	Germany, Austria and Switzerland
"Director(s)"	the director(s) of the Company
"DTC"	Direct to Customer
"EBITDA"	earnings before interest, taxes, depreciation and amortization
"EMEA"	Europe, the Middle East and Africa
"ESG"	Environmental, Social and Governance
"FDA"	Food and Drug Administration of the United States
"FHL"	Fosun Holdings Limited (復星控股有限公司), a company incorporated in Hong Kong with limited liability, which is wholly owned by FIHL
"FIHL"	Fosun International Holdings Ltd. (復星國際控股有限公司), a company incorporated in the British Virgin Islands with limited liability
"Fosun Equity Investment"	Fosun Equity Investment Ltd.
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司), a wholly-owned subsidiary of Fosun International

"Fosun Industrial"	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a wholly-owned subsidiary of Fosun Pharma
"Fosun International"	Fosun International Limited (復星國際有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed and traded on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, respectively
"Fosun Pharma Group"	Fosun Pharma and its subsidiaries (excluding the Group)
"Group", "we", "us" or "our"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"HKSAs"	Hong Kong Standards on Auditing
"Hong Kong"	Hong Kong Special Administration Region of the PRC
"IASB"	the International Accounting Standards Board
"IFRSs"	International Financial Reporting Standards
"IoT"	Internet of Things
"IPO Bonus"	the bonus in connection with the completion of the Global Offering
"Listing Date"	September 19, 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Listing", "Global Offering" or "IPO"	the initial public offering of the Company's shares
"Magnificent View"	Magnificent View Investments Limited, a company incorporated in Hong Kong with limited liability
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"NOL"	net operating losses
"Non-Compete Deed"	a non-compete deed dated August 30, 2017 that the Company entered into with Fosun Pharma to ensure a clear delineation between the respective businesses of the Group and the remaining Fosun Pharma Group with effect from the Listing Date
"Plan Assets"	assets held by a long-term employee benefit fund or qualifying insurance policies
"Pramerica-Fosun Fund"	Pramerica-Fosun China Opportunity Fund, L.P. (復星－保德信中國機會基金(有限合夥)), which wholly owns Magnificent View, whose general partner is a wholly-owned subsidiary of Fosun International and whose limited partners are independent third parties
"PRC"	the People's Republic of China, which for purpose of this annual report only, excludes Hong Kong, Macau Special Administrative Region and Taiwan

Definitions

"Prospectus"	the Prospectus issued by the Company on September 5, 2017 in connection with the Hong Kong public offering and the international offering of the Shares
"R&D"	research and development
"Reporting Period"	the year ended December 31, 2018
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	the share(s) in the capital of the Company
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"US$"	United States Dollars, the lawful currency of the United States
"YOY"	year over year
"2011 Amendment of the Investment Law"	the Law for the Encouragement of Capital Investments, 1959 (as amended in 2011)