Sisram Medical Ltd

(Incorporated in Israel with limited liability)

Enhancing **Quality of Life**

2019 Annual Report

Sisram Med

Stock Code: 1696.HK

CONTENTS

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,				
	2019	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
Operating results					
Revenue	**173,520**	153,919	136,887	118,156	110,406
Gross profit	**95,874**	82,297	73,197	62,223	57,363
Profit before tax	**24,839**	22,784	15,821	11,860	10,927
Profit for the year	**21,935**	21,831	11,049	8,501	8,593
Profit attributable to owners of the parent	**20,785**	21,831	11,049	8,055	7,814
Profitability					
Gross margin	**55.3%**	53.5%	53.5%	52.7%	52.0%
Net profit margin	**12.6%**	14.2%	8.1%	7.2%	7.8%

Assets and liabilities

	As at December 31,				
	2019	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
Assets					
Total assets	**393,476**	350,075	346,615	279,161	272,992
Total liabilities	**67,906**	35,975	53,639	238,675	240,447
Net assets	**325,570**	314,100	292,976	40,486	32,545
Cash and bank balances	**107,792**	104,530	104,137	41,653	39,306

Notes:

The consolidated results of the Group for the five years ended December 31, 2015, 2016, 2017, 2018 and 2019 and the consolidated assets and liabilities of the Group as at December 31, 2015, 2016, 2017, 2018 and 2019 have been extracted from the published audited consolidated financial statements.

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

Celebrating 20 Years of Business Success With 30,000 Platforms Sold, Yielding Over 225 Million Treatments Performed on 45 Million Consumers!

Throughout the 20 years' business activities of Alma, Sisram's core subsidiary, we have lived up to our promise of creating long-term and sustainable value. Growing from a small-scale start-up to one of the top global industry leaders, we have been committed to leading an innovation-driven culture, which is manifested in our creativity, passion, agility and accountability – the essential building blocks of a successful and sustainable business operation.

With our track record of solid business performance growth, coupled with comprehensive global channel network covering over 90 countries, we are able to overcome market dynamics and global economy fluctuations to ensure long-term value to our shareholders.

Alma, with its unique and valuable experience in the global medical technology market, is the first corner stone of Sisram's Med-Tech eco-system, facilitating the latter's development and growth. In 2019, Sisram's experienced business development professionals introduced dermal facial fillers as a new business line for Sisram. These days, Sisram's R&D, clinical affairs and surgical business unit teams are broadening the scope of fat harvesting and fat grafting fields, exploring future therapeutic applications for fat-originated stem cells.

Sisram's expansion into the greater wellness industry is in accordance with the global prevailing trend of exploring new forces and sources in health and healing domains. Both doctors and wellness practitioners are uncovering the potential of electromagnetic, light and sound interventions to heal "energy body". At the 2019 Global Wellness Summit (GWS) special attention was allocated to how energy medicine is now moving far beyond traditional therapies. The discussions concluded that medicine will be disrupted by discoveries of the bioelectric "language" that cells use to coordinate many of our biophysical processes and will invent new technologies to positively impact/regulate the body's "command central" electromagnetic fields. Frequency therapies (using sound, light and electromagnetic interventions) will rise in the wellness world. As summarised in the words of Albert Szent-Gyorgyi, Biochemist and Nobel Prize Winner "In every medical tradition before ours, healing was accomplished by moving energy".

Looking forward to 2020, we plan to continue developing broader applications of energy sources (such as laser), utilizing our research and development division capabilities along with 3rd party cooperation in the fields of aesthetic medicine and surgery. We intend to further strengthen our direct sales network and extend the width and depth of products and services we provide in key regions such as Asia Pacific, North America, and Europe. In coordination with the development of our eco-system and global operation, we will also develop digitalization strategy to be implemented across our entire business scope. Lastly, we will continue to explore potential synergies with Fosun's Med-Tech eco-system, as well external M&A initiatives that will accelerate Sisram's transformation into a higher-growth company. Adhering to the mission of "Enhancing Quality of Life", Sisram, with its solid technology-oriented DNA, will continue to capitalise on growth opportunities in the greater Med-Tech industry.

Appreciation

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

Yi LIU
Chairman

Creating Sustainable Value Through Trendology, Glocalization and Optimization

Dear Shareholders,

It is with pleasure that I share with you, our valued stakeholders, 2019 performance highlights and notable achievements.

We live in an era where change is the only constant. The velocity and magnitude of change in every domain, from technology to consumer behaviour, from distribution channels to communication methods, from geopolitical landscape to environmental issues and more, are overwhelming.

This challenging business atmosphere is manifested in pricing pressure, rapid development of disruptive technologies, a crowded competitive industry and ever-changing consumer trends. Achieving a growth rate that exceeds the industry CAGR while maintaining sustainable value, under these conditions, is considered a major accomplishment.

Our commitment to thrive in this constantly changing environment led us to develop and utilize new tools and methodologies, creating a golden triangle formula, we name "Trendology-Glocalization-Optimization".

Trendology – the practice of trend monitoring, environment observation and hype (buzz) forecasting. We continuously follow these practices across the globe to optimize the products and services we offer to our customers. In 2019, we identified 2 important trends – anti-pollution and #nofilter. The increased level of air pollution, especially in urban areas, damages facial skin tissue, accelerates skin aging and increases risks of skin-related diseases. On the other hand, the evolving selfie era has introduced a new trend, celebrating natural and healthy-looking skin. The #nofilter hashtag on Instagram features 266 million posts and similar hashtags are gaining momentum too.

Connecting the dots, we realized that the market was searching for an effective dermatology treatment with natural and organic ingredients. With this in mind, we developed DermaClear, a powerful 3-in-1 treatment platform for deep cleansing, nourishment, and hydration of facial skin that was recently launched. This new platform is designed as a consumable-based system, offering a variety of branded skin care solutions to increase both our customers' business revenues and the recurring revenues attributable to Alma.

Glocalization – global outlook with local focus. In 2019, we crossed the "operating in 90 countries" mark! With this great achievement comes the responsibility of addressing each market as a universe of its own, acknowledging its unique attributes, desires and needs, and balancing business focus with local market adaptation.

One of the ways in which we deploy glocalization is by identifying customers' leading value in each region and addressing it to form a "best-in-class" practice that is then implemented across our global operation. In line with this initiative, we developed a regional service center in South Korea to serve the Asia Pacific countries and are conducting several FDA clinical studies. Our efforts have been recognised with an excellence award for "outstanding business performance in Japan" in 2019 and two "MyFaceMyBody" product awards in the UK. These local "best practices" are shared and implemented worldwide, forming a global network of cumulative expertise.

Optimization – we believe that, in order to create great products, optimization is just as important as innovation. Promising technologies are born through innovation, but they become important and valuable through optimization.

The development and launch of our Soprano Titanium platform is a perfect example. Based on the same core technologies as our previous laser hair removal platforms, Soprano Titanium managed to reinvent laser hair removal, increasing the entire product segment's revenue by 31.5% YOY in the first 11 months of its commercial distribution. This remarkable figure is the result of our extensive market research into all stakeholders' experiences with previous platforms, which enabled us to define the required optimization element: shortening treatment time without compromising the comfort and safety of the patients.

Optimization is more than perfecting good products. It's an important facilitator of effective business management. Acknowledging optimization as a key module to obtaining sustainable growth and expansion, we have dedicated 2019 to redesigning and perfecting our production operation, procurement, manufacture, quality assurance and compliance as evidenced by investments in new and advanced infrastructures such as our new campus and ERP system that are designed and implemented to facilitate our growth throughout the coming years.

On the product front, we continued our research and development investments in the fat harvesting and fat grafting fields, broadening the scope to include future therapeutic applications for fat-originated stem cells. Stem cells are considered the primary source of regenerative medicine and cellular therapies and are expected to transform the healthcare industry in the next few years. Key players are focusing on developing advanced therapeutics based on stem cells for the treatment of Alzheimer's disease, Parkinson's disease, degenerative eye disorders, cancer, stroke and more.

The size of the global stem cells market was estimated at USD9.6 billion in 2019 and is expected to reach USD17.9 billion by 2027, expanding at a CAGR of 8.2%[1]. Processing and storage automation of stem cells are expected to drive market growth significantly.

We have been exploring this field for a few years now, developing the required technologies and applications in three layers:

1. Optimal fat harvesting to preserve the vitality of stem cells using our LipoLife platform, a laser-assisted liposuction solution that utilizes a 360˚ radial emission of low-power laser energy, which targets water and selectively creates a thermal environment that softens and detaches the fat for effortless separation during simultaneous aspiration.

2. Autologous fat grafting – the reimplantation of harvested fat for multiple indications such as facial dermal enhancement and breast augmentation, using our BeautiFill by LipoFlow solution, which is the first and only energy-based device cleared by the FDA for autologous fat grafting. This application has recently positioned us as one of the top 4 companies in the industry, which together hold 80% of the market share for fat grafting[2].

3. Stem cells processing automation – we have recently filed a provisional application in the United States for a patent on harvesting high quality stromal vascular fraction (SVF) cells and adipose-derived stromal cells (ASCs) from lipoaspirate fat. This pending patent and the underlying harvesting technology are expected to further expand our surgical and regenerative medicine applications.

With our unique insight into the medical aesthetics industry, recognised by our strong global presence, extensive product portfolio and diverse business lines, I believe we are well positioned to pursue future opportunities in the greater wellness industry, fulfilling our vision of enhancing quality of life.

Appreciation

On behalf of the Board, I would like to thank our employees for their passion and dedication, and our customers, shareholders and partners for their trust and support.

Lior M. Dayan
Chief Executive Officer

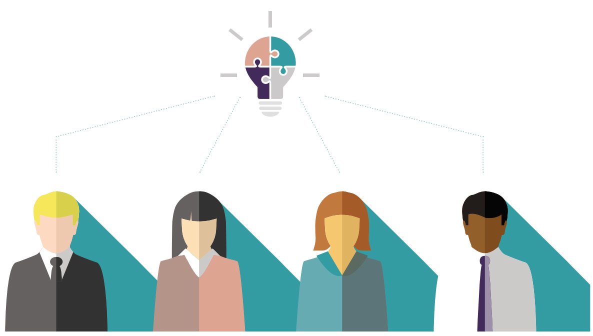
1 Stem Cells Market Size, Share & Trends Analysis Report, 2020 – 2027, Grand View Research, Inc.

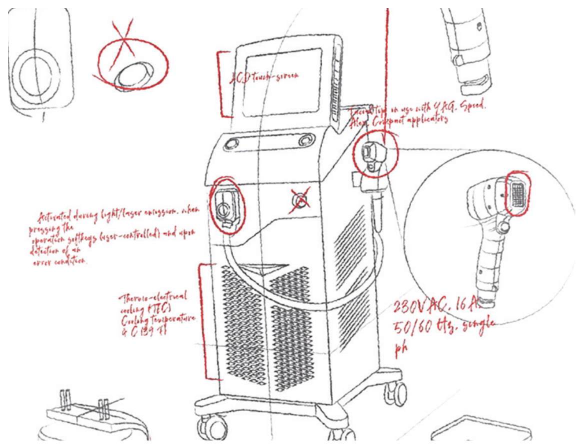
2 Autologous Fat Grafting Market Forecast, Trend Analysis & Competition Tracking: Global Market Insights 2019 to 2029, Fact.MR

2019 Results Outlook

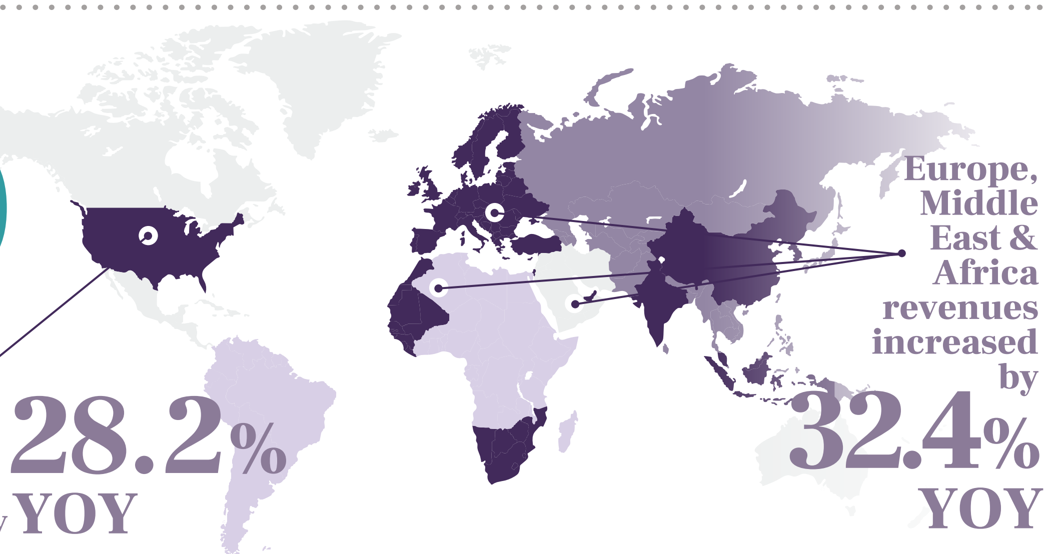
Revenue increase 12.7% YOY

25.6%
of corporate employees are R&D specialists





R&D investments increased by 13.9% YOY



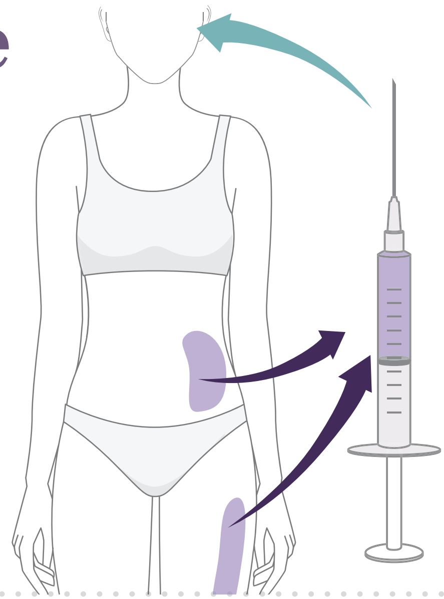
Active across 90 countries

North America revenue increased by 28.2% YOY

Europe, Middle East & Africa revenues increased by 32.4% YOY

Minimally-invasive product line revenue increased by

16% YOY



Core product line revenue increased by

10.2% YOY

Award Winning Products

MY FACE MY BODY AWARDS

ClearLift™

"Best Anti-Ageing Treatment of the Year"

Soprano Titanium

"Best New Product of the Year"

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. Alma, the Company's core subsidiary, has recently entered the injectables market with a distribution agreement from IBSA Derma, a Swiss cosmeceutical company and a leading subsidiary of IBSA Pharma Corporation, for the distribution of its products in Israel, Hong Kong, India and China. The "Alma" brand, as well as the brands of many of the Group's products such as "Soprano", "Harmony", "ClearLift", "Accent", "FemiLift" and "BeautiFill" are widely recognised and well regarded among treatment providers and treatment recipients worldwide. The Group also sells its treatment systems via distributors and direct sales customers in over 90 countries and jurisdictions worldwide.

The treatment systems developed and manufactured by the Company can be used for a broad range of non-invasive and minimally invasive medical aesthetic 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, body contouring, skin tightening, treatment of vascular and pigmented lesions, tattoo removal, acne treatment and cellulite reduction. The Company's treatment systems can also be utilized to perform minimally invasive treatments such as assisted liposuction and fat grafting, feminine health, treatment of varicose veins and ear, nose and throat procedures. The Company's flagship offerings include: (i) the "Soprano" family, primarily used for laser hair removal; (ii) the Harmony family, a versatile multi-application platform that can be used to treat more than 65 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; (iv) "FemiLift", a minimally invasive treatment system for various feminine conditions; and (v) "BeautiFill" by LipoFlow platform, the first and only energy-based device cleared by the FDA for autologous fat grafting. In addition, the Company offers Beauty product line treatment systems such as REJUVE and SPADEEP.

2. Business review of 2019

Alma, our core subsidiary, celebrated its 20th anniversary in 2019. Having achieved such major milestone, we also embarked 2019 by reflecting, regrouping and refining our mission, long-term strategy and concrete workplan.

In 2019, Sisram's established global sales and distribution network recorded a total revenue of US$173.5 million for the Reporting Period, representing an increase of 12.7% when compared to 2018. The increase was primarily attributable to the revenue growth from sales of both non-invasive products and minimally invasive products across three main treatment domains – hair removal, body contouring and fat grafting, surpassing industry trend analysis and forecast. The corporate attention allocated to the surgical (minimally-invasive) business unit had resulted in significant research and development achievements as well as an impressive 16.0% YOY revenue increase.

The gross profit margin amounted to 55.3%, compared to 53.5% in 2018. Gross profit increased by 16.5% in 2019 primarily due to a higher proportion of sales to direct sales customers, which usually derived a higher margin, compared to distributors. The shifting towards direct sales is a result of the deployment of a value creation methodology aimed to strengthen our brand awareness and brand positioning. The establishment of direct operation offices in chosen territories has enabled the Company to shorten the supply chain, gain a higher brand visibility and ensure consistency among the communications with the target clientele. During 2019, Alma has established three new direct sales offices in Israel, Australia and South Korea, respectively. With this methodology in place, revenue derived from direct sales has surpassed revenue derived from distributors for the first instance in 2019, with 53.9% attributed to the former and 46.1% to the latter.

For the Reporting Period, the Group recorded profit before tax of US$24.8 million and recorded profit for the year of US$21.9 million, representing an increase of 9.0% and 0.5% respectively, when compared with the year ended December 31, 2018. The increase in profit before tax and profit for the year was mainly due to the steady business growth (US$1.6 million) and lower finance interest expenses (US$0.2 million).

For the Reporting Period, the Group recorded an adjusted net profit of US$27.0 million representing a decrease of 8.5% when compared with the corresponding period of 2018. The adjusted net profit margin for the Reporting Period was 15.5%. 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$21.0 million, representing an increase of 29.6% when compared to 2018, The increase is attributed to one-off IPO bonus expenses that were paid during 2018.

R&D

- R&D investments increased by 13.9% YOY, excluding one-off IPO bonus expenses incurred in 2018.

- 25.6% of corporate employees are R&D specialists.

- We have launched 2 new products – (1) Soprano Titanium, the most advanced laser hair removal platform on the market today, that swept the market by storm, demonstrating 31.5% growth in the laser hair removal product line revenues YOY and (2) Colibri technology, a needle-thin Microplasma applicator designed for non-surgical blepharoplasty and wrinkles reduction, creating significant market traction.

- On the clinical research front, we have recently filed a provisional application in the USA for a patent on harvesting high quality stromal vascular fraction (SVF) cells and adipose-derived stromal cells (ASCs) from lipoaspirate fat. This patent and technology are expected to further expand our surgical and regenerative medicine applications.

Sales and Marketing

- The infrastructure work and investment in developing and excelling our North America sales operation has already registered success with an amazing 28.2% revenues growth YOY

- Alma triumphed two Global Aesthetic Awards by MyFaceMyBody, the largest, most respected and highly recognised awards in the aesthetic industry, celebrating excellence all over the world:

  - o "Best New Product of the Year" for its recently launched Soprano Titanium™, the most advanced laser hair removal platform on the market

  - o "Best Anti-Ageing Treatment of the Year" for its ClearLift™ – Harmony XL PRO™, a leading fractional non-ablative Q-Switched laser primarily used for skin rejuvenation treatments

M&A

On January 15, 2019, Alma, a subsidiary of the Company, acquired 60% equity interest in Nova at a consideration of US$7.9 million. The acquisition was undertaken to consolidate its distribution operation and gain more market opportunities in Israel.

Business Development

During the Reporting Period, we have continuously explored new business opportunities, following the charted guidelines – strengthen our APAC position, diverse our business and create synergistic value with Alma.

Operations

- Global ERP project, designed to accelerate the Company's growth, is in implementation phase, go live on first quarter of 2020

- Alma's new campus project is in execution phase with 65% of plan accomplished. The campus will consolidate five operation sites into one with future expansion capacity of 50%. Facility transition is planned for August 2020

- Competitive procurement project, including advanced suppliers' control structural methods, has been designed and is in implementation process

3. Outlook for 2020

In 2020, Sisram intends to adopt a constructive disruption strategy by evaluating and implementing near-future technologies, ventures and synergies so as to bolster our global position. The Group's efforts throughout 2020 will strategically focus on digitalization, brand and eco-system building and lean innovation.

We will continue to the pursuit of our mission to provide modular, cost-effective and high-performance systems based on the very latest clinical research and cutting-edge technologies, and to adhere to its corporate vision of "Enhancing Quality of Life".

We plan to focus on the following targets:

1. Develop our market share in the new territories such as Australia and South Korea;

2. Continue the North America's sales and marketing focus following the successful results achieved in 2019;

3. Explore untapped direct operation opportunities worldwide;

4. Allocate R&D resources to explore the combination of energy sources and pharmaceuticals, develop technologies, products and protocols that will best utilise the findings of the Company's research;

5. Conduct additional clinical studies, including FDA focused trials;

6. Distribute affiliating products and technologies in a private label/ODM model;

7. Leverage Fosun's channels in China to capture a larger market share (for surgical, injectables, beauty and cosmeceuticals segments);

8. Follow our eco-system strategic planning by searching, evaluating and executing relevant M&A's initiatives that will further strengthen our R&D capabilities, products portfolio and distribution channels; and

9. Since the outbreak of COVID-19, we have been closely monitoring our global operation, following each country's specific official instructions. Practicing in an agile operation mode, we respond quickly to local challenges and shift required resources across the globe. In addition, we are digitizing sales, marketing and service activities to maintain adequate business operation.

4. 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 over 90 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:

	2019		2018		YOY %
	(US$ in thousands, except for percentages)				
	Amount	% of revenue	Amount	% of revenue	
REVENUE	173,520	100.0%	153,919	100.0%	12.7%
Cost of sales	(77,646)	44.7%	(71,622)	46.5%	8.4%
Gross profit	95,874	55.3%	82,297	53.5%	16.5%
Other income and gains	2,395	1.4%	2,109	1.4%	13.6%
Selling and distribution expenses	(43,496)	25.1%	(32,662)	21.2%	33.2%
Administrative expenses	(15,833)	9.1%	(14,774)	9.6%	7.2%
Research and development expenses	(10,470)	6.0%	(10,380)	6.7%	0.9%
Other expenses	(2,902)	1.7%	(2,863)	1.9%	1.4%
Finance costs	(729)	0.4%	(943)	0.6%	(22.7%)
PROFIT BEFORE TAX	24,839	14.3%	22,784	14.8%	9.0%
Income tax expense	(2,904)	1.7%	(953)	0.6%	204.7%
PROFIT FOR THE YEAR	21,935	12.6%	21,831	14.2%	0.5%

A. Revenue

During the Reporting Period, revenue of the Group increased from US$153.9 million to US$173.5 million, representing an increase of 12.7% when compared to 2018.

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, as well as increased demand for medical aesthetic treatments globally.

Revenue by main product segments

We generate revenue from the following revenue streams: (i) sale of goods; and (ii) services and others. The revenue from sale of goods amounted to US$160.7 million, representing an increase of 12.4% as compared with 2018, which was mainly attributed to the growing revenue from sales of non-invasive products and minimally invasive products across three main treatment domains – hair removal, body contouring and fat grafting. The revenue from service and others amounted to US$12.8 million, representing an increase of 16.9% as compared with 2018.

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

	2019		2018		YOY %
	(US$ in thousands, except for percentages)				
	Amount	**% of revenue**	Amount	% of revenue	
Sale of Goods:					
Non-invasive medical aesthetics					
Core	**124,369**	**71.7%**	112,834	73.3%	10.2%
Beauty	**11,079**	**6.4%**	11,082	7.2%	0.0%
Subtotal	**135,448**	**78.1%**	123,916	80.5%	9.3%
Minimally invasive	**22,120**	**12.7%**	19,071	12.4%	16.0%
Non-EBD*	**3,172**	**1.8%**	—	—	100.0%
Subtotal	**160,740**	**92.6%**	142,987	92.9%	12.4%
Services and Others	**12,780**	**7.4%**	10,932	7.1%	16.9%
Total	**173,520**	**100.0%**	153,919	100.0%	12.7%

* Non-EBD (Energy Based Devices) – includes sales of Dermal Fillers.

We have derived a substantial majority of our revenue from our Core product line, representing 71.7% of our total revenue for the Reporting Period. This includes our flagship non-invasive medical aesthetics treatment systems: "Soprano", "Harmony" and "Accent" platforms, as well as our Aesthetic Precision product line. Revenue from the sale of our Core product line was US$124.4 million in 2019, representing an increase of 10.2% in comparison with a revenue of US$112.8 million in 2018. The increase was mainly attributed to our laser hair removal line of products.

Revenue from our minimally invasive product line increased by 16.0% and amounted to US$22.1 million compared to US$19.1 million in 2018. The increase is primarily attributed to the growth in sales volume of our "BeautiFill" by LipoFlow platform, the first and only energy-based device cleared by the FDA for autologous fat grafting.

Revenue by geographic segments

The following table sets forth our revenue by geographic segments for the years indicated:

	2019		2018		YOY %
	(US$ in thousands, except for percentages)				
	Amount	**% of revenue**	Amount	% of revenue	
Europe	**48,334**	**27.9%**	46,549	30.2%	3.8%
North America	**47,479**	**27.4%**	37,040	24.1%	28.2%
APAC	**43,762**	**25.2%**	48,487	31.5%	(9.7%)
Middle East and Africa	**21,736**	**12.5%**	6,381	4.2%	240.6%
Latin America	**12,209**	**7.0%**	15,462	10.0%	(21.0%)
Total	**173,520**	**100.0%**	153,919	100.0%	12.7%

During 2019, APAC, 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 minimise risks from regional economics downfalls.

The revenue derived from the Europe segment increased by 3.8% to US$48.3 million in 2019 from US$46.5 million in 2018. The increase is attributed to a higher portion of direct sales of 53.9% when compared to 38.2% in 2018.

The revenue derived from North America increased by 28.2% to US$47.5 million in 2019 from US$37.0 million in 2018. The increase is attributed to our prominent position in the body contouring market with the successful launch of our fat grafting solution – "BeautiFill" by LipoFlow, the first and only energy-based device cleared by the FDA for autologous fat grafting.

The revenue derived from APAC decreased by 9.7% to US$43.8 million in 2019 from US$48.5 million in 2018. We have been tracking the APAC region results for few quarters, as well as designing and executing regional focus strategy which is manifested through the establishment of two new subsidiaries in South Korea and Australia.

The revenue derived from Middle East and Africa increased by 240.6% to US$21.7 million in 2019 the from US$6.4 million in 2018. The increase is mainly attributed to the transition from distributors sales model to direct sales model, as a result of the acquisition of Nova, Alma's distributor in Israel. Please see the "Mergers & Acquisitions" section above for further details.

Our Latin America revenue decreased by 21.0% to US$12.2 million in the Reporting Period from US$15.5 million in the corresponding period in 2018. The decrease is related to the challenging geo-economical atmosphere in Latin America manifested in local currencies exchange rates fluctuations.

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 overheads and other miscellaneous costs relating to production For the Reporting Period, the cost of sales of the Group increased by 8.4% to US$77.6 million from US$71.6 million in 2018, which is mainly caused by 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 16.5% to US$95.9 million from US$82.3 million for in 2018 for the reasons set out in Revenue and Cost of sales above.

The gross profit margin increased to 55.3% for the Reporting Period from 53.5% in 2018. The increase relates mainly to a higher portion of direct sales 53.9% when compared to 38.2% in 2018.

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.

During the Reporting Period, selling and distribution expenses of the Group increased by 33.2% to US$43.5 million from US$32.7 million for the corresponding period in 2018, the increase resulted from the transition to direct sales, which was in turn mainly attributed to the growth in sales in the North America segment. The increase was also attributed to the consolidation of Nova's expenses.

E. Administrative expenses

Administrative expenses primarily consist of: (i) amortisation 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 7.2% to US$15.8 million from US$14.8 million in 2018. The increase is mainly attributed to the consolidation of Nova's expenses and the revaluation of contingent consideration related to the acquisition of Nova.

Administrative expenses also include amortization of intangible assets arising from the acquisitions of Alma and Nova. During the Reporting Period, the amortization expense amounted to US$5.2 million, representing an increase of US$0.4 million when compared to US$4.8 million in 2018.

F. R&D expenses

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

During the Reporting Period, R&D expense increased by 0.9% to US$10.5 million from US$10.4 million for the corresponding period in 2018.

During the Reporting Period, R&D expenses increased by 13.9% from the corresponding period in 2018, excluding one-off IPO bonus expenses incurred in 2018.

G. Finance costs

Finance costs are comprised mainly of interest on bank loans. In the Reporting Period, finance costs also include interest on lease liabilities, which were recognised upon the adoption of IFRS 16 – Leases on January 1, 2019. Finance costs decreased to US$0.7 million in 2019 from US$0.9 million in 2018, since lower interests is recorded on debts during 2019 due to the repayment of bank loans.

H. Income tax expense

The Israeli corporate tax rates are both 23% in 2019 and 2018. Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

During the Reporting Period, income tax expense increased to US$2.9 million, representing an increase of 204.7% from US$1.0 million in 2018. This was primarily attributable to Alma special taxation terms enjoyed from January 1, 2017 to December 31, 2018, details of which are set out below:

1. On December 4, 2018 a ruling from the Israeli Income Tax Authority granted Alma a SPTE status, in accordance with the legal criteria and the conditions mentioned in the ruling, effective from January 1, 2017.

2. 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 (US$2.0 million with respect to 2018 and US$2.3 million with respect to 2017).

As the one-off two-year SPTE status has expired on December 31, 2018, in lieu of any renewed SPTE status, the income tax expense during the Reporting Period increased and the effective tax rate of the Group is 11.7% for the Reporting Period, an increase from that of 4.2% in 2018.

I. Profit for the year

As a result of the foregoing, during the Reporting Period, our profit for the year increased by 0.5% to US$21.9 million from US$21.8 million for the corresponding period in 2018. The net profit margin of the Group for 2019 and 2018 were 12.6% and 14.2%, respectively.

J. Adjusted net profit and adjusted net profit margin

The Group calculates adjusted net profit by taking profit for the period and adjusting: (i) amortization of other intangible assets; (ii) changes in contingent consideration arising from the acquisition of Nova; (iii) bonus to managements and employees as a result of the completion of the Listing; (iv) due diligence; (v) deferred tax liability arising from other intangible assets, which primarily relates acquisitions; (vi) one-off VAT adjustment; and (vii) 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.

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 reporting period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is profit for the year:

	2019 US$'000	2018 US$'000	YOY %
PROFIT FOR THE YEAR	**21,935**	21,831	0.5%
Adjusted for:			
Amortization of other intangible assets arising from acquisitions	**5,171**	4,827	7.1%
Contingent consideration arising from acquisitions	**552**	—	100.0%
Bonus to managements and employees relating to IPO	**–**	3,992	(100.0%)
Due diligence	**–**	739	(100.0%)
Deduct: deferred tax arising from other intangible assets	**(704)**	(596)	18.1%
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	**26,954**	29,460	(8.5%)
Adjusted net profit margin	**15.5%**	19.1%	

5. Debt Structure, Liquidity and Sources of Funds

A. Treasury Policy

The Board aims to have a better control in its treasury operations and endeavors to maintain an adequate level of cash and cash equivalents. The functional currency of the Group is the U.S. Dollar and most of the sales proceeds are denominated in U.S. Dollar. Please see "Risk Management – Foreign Currency Exposure" for further details. The Group generally finances its operation with internally generated resources.

To ensure that the financial resources have been used in the most cost-effective and efficient way, the Board would also consider various funding sources to address the Group's financial obligations and operational needs. The Board would also review and evaluate the adequacy and effectiveness of the treasury functions from time to time.

B. Gearing Ratio

As at December 31, 2019 and December 31, 2018, the Group's cash and cash equivalents exceeded the total debt. As such, no gearing ratio was presented.

C. Interest Coverage

During the Reporting Period, the interest coverage, which is calculated by EBIT (Earnings Before Interest and Taxes) divided by financial costs was 35.1 times as compared with 25.2 times for the corresponding period in 2018. The interest coverage increased mainly because the Group's EBIT during the Reporting Period increased by 7.8% to US$25.6 million from US$23.7 million in 2018, and finance cost decreased by 22.7% to US$0.7 million from US$0.9 million in 2018.

D. Available Facilities

As of December 31, 2019, Sisram did not have any unutilised banking facilities. Sisram is mainly financing its operations through cash generated from operating activities.

E. Interest Rate

As at December 31, 2019, total interest-bearing bank and other borrowings at a floating interest rate amounted to US$2.8 million (As at December 31, 2018: US$2.2 million).

F. Maturity Structure of Outstanding Debts

The following tables sets forth the maturity structure of outstanding debts as at December 31, 2019 and December 31, 2018. Lease liabilities were initially recognised upon the adoption of IFRS 16 – *Leases* on January 1, 2019 and no such liabilities were recorded as of December 31, 2018.

	2019			2018		
	Effective interest rate (%)	**Maturity**	**US$'000**	Effective interest rate (%)	Maturity	US$'000
Current						
Bank loan, secured (a)/(b)	**3.25-3.65**	**2020**	**958**			–
Current portion of long-term bank loans, secured	**6-month LIBOR+3.75**	**2020**	**1,452**	6-month LIBOR+3.75	2019	2,171
			2,410			2,171
Non-current	**6-month LIBOR+**					
Bank loan, secured (a)/(b)	**3.25-3.65**	**2021-2022**	**402**			–
			2,812			2,171

Note: LIBOR stands for London Interbank Offered Rate.

	December 31, 2019 US$'000	December 31, 2018 US$'000
Within 1 year	**2,410**	2,171
1 to 2 years	**297**	–
2 to 5 years	**105**	–
Total	**2,812**	2,171

G. Collateral and Pledged Assets

On April 13, 2014, the Company entered into a loan agreement pursuant to which an unconditional guarantee agreement with the banks was entered into, pursuant to which, the Company granted and pledged to the banks a continuing security interest in all the Company's assets. In addition, the Company granted and pledged to the banks all of the issued and outstanding shares of Alma and a floating charge over all of the present and future assets of the Company as they may be from time to time. The Company also agreed not to sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its assets. The Company has met all the aforementioned financial covenants. The remaining balance of such loan amounted to US$0.7 million as at December 31, 2019, which is fully covered by the Company's cash balance.

Nova, Alma's subsidiary, entered into loan agreements pursuant to which Nova pledged to the banks all of the issued and outstanding shares of Nova and a floating charge over all of the present and future assets of the Company as they may be from time to time. The remaining balance of such loan amounted to US$1.1 million as at December 31, 2019, which is fully covered by the Company's cash balance.

6. Cash Flow

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

The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for 2019 and 2018.

	2019 US$'000	2018 US$'000	YOY %
Net cash flows from operating activities	**21,037**	16,236	29.6%
Net cash flows from/(used in) investing activities	**53,687**	(4,055)	1,424.0%
Net cash flows used in financing activities	**(9,358)**	(17,425)	(46.3%)
Net increase/(decrease) in cash and cash equivalents	**65,366**	(5,244)	1,346.5%
Cash and cash equivalents at the beginning of the period	**33,840**	38,081	(11.1%)
Effect of foreign exchange rate changes, net	**529**	1,003	(47.3%)
Cash and cash equivalents at the end of the period	**99,735**	33,840	194.7%
Cash and cash equivalents			
Pledged bank balances for long term bank loans	**57**	70	(18.6%)
Term deposits with original maturity of more than three months	**8,000**	70,620	(88.7%)
Cash and bank balance at the end of the period	**107,792**	104,530	3.1%

Net cash flows from operating activities

For the Reporting Period, the net cash flows from operating activities were US$21.0 million, which was primarily attributable to: (i) the profit before tax of US$24.8 million; (ii) total adjustments for profit or loss items of US$10.2 million; (iii) working capital adjustments of US$11.6 million; and (iv) income tax paid of US$2.4 million.

Net cash flows from investing activities

For the Reporting Period, the net cash flows provided by investing activities were US$53.7 million, which was primarily attributable to: (i) a decrease of US$62.6 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$1.9 million interest received from term deposits; (iii) offset by US$7.6 million investment in affiliate; and (iv) US$3.2 million in purchase of plant and equipment.

Net cash flows used in financing activities

For the Reporting Period, the net cash flows used in financing activities was US$9.4 million, which was primarily attributable to: (i) distribution of dividend of US$5.8 million; and (ii) payment of lease payments of US$3.5 million.

7. 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 the plant facility and ERP Costs.

As of December 31, 2019, the Group did not have any significant capital commitments.

8. Contingent Liabilities

As of December 31, 2019, the Group did not have any contingent liabilities.

9. Material Acquisition and Disposal

On January 15, 2019, Alma, a subsidiary of the Group, acquired 60% equity interests in Nova at a consideration of US$7,884,000. The acquisition was undertaken to further strengthen the Group's distribution abilities in Israel.

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

10. 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, 2019. The Group did not have other plans for material investments and capital assets.

11. 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 the U.S. Dollar. 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 subsidiaries are currencies other than the U.S. Dollar, including the Euros, the Indian Rupee, the New Israeli Shekels, the HK Dollar, the South Korean Won and the Australian Dollar. 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.

12. Employees and remuneration policies

The following table sets forth the number of our employees by function as at December 31, 2019:

Function	Number of Employees
Operations	194
R&D	70
Sales & Marketing	193
General and Administration	54
Total	511

Employees' headcount in 2019 increased by 20% with 86 new employees, mainly attributed to the establishment of new direct sales offices in Israel, Australia and South Korea as well as bolstering sales and marketing operation in North America and Europe.

The employees' remuneration includes 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 locating position-oriented performance targets and formulating performance standards, the Company has managed to assess employees' performance in an objective manner. By materializing reward and penalty in the performance-related portion of the employees, the Company is able to achieve the coexistence of incentives and restraints.

13. 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$273.1 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	Intended amount to be used as set out in the Prospectus	Amounts not utilised as at December 31, 2018 (HK$ million)	Amounts utilised during the period from January 1, 2019 to December 31, 2019 (HK$ million)	Actual amounts utilised up to December 31, 2019 (HK$ million)	Amounts not yet utilised as at December 31, 2019 (HK$ million)
(a) expanding sales channels and distribution network and intensify marketing efforts					
Expanding sales channels in the United States, Germany and India and distribution network globally	approximately 11.2% (HK$86.39 million)	53.42	30.36	56.03	23.06
Invest in global digital marketing	approximately 3.7% (HK$28.54 million)	26.02	0.80	3.32	25.22
Develop analytics capabilities	approximately 3.7% (HK$28.54 million)	28.08	0.76	1.23	27.32
(b) capital investments					
Upgrade existing or establish new service centers in direct sales markets	approximately 4.2% (HK$32.78 million)	32.71	0.27	0.34	32.44
Upgrade and remap production lines	approximately 4.7% (HK$35.90 million)	34.79	8.54	9.65	26.25
Optimize and update information technology systems and infrastructure	approximately 4.7% (HK$35.90 million)	35.5	6.4	6.8	29.10
(c) research and development activities					
Develop and expand minimally invasive product line	approximately 4.7% (HK$35.90 million)	35.90	0.44	0.44	35.46
Increase the funding for clinical studies in the United States	approximately 4.7% (HK$35.90 million)	35.51	0.80	1.19	34.71
Bolster regulatory capabilities	approximately 4.7% (HK$35.90 million)	29.27	7.47	14.10	21.80

Intended use of proceeds as set out in the Prospectus	Intended amount to be used as set out in the Prospectus	Amounts not utilised as at December 31, 2018 (HK$ million)	Amounts utilised during the period from January 1, 2019 to December 31, 2019 (HK$ million)	Actual amounts utilised up to December 31, 2019 (HK$ million)	Amounts not yet utilised as at December 31, 2019 (HK$ million)
(d) repay the buy-out loan from Fosun Industrial Co., Limited	approximately 9.3% (HK$71.74 million)	–	–	–	–
(e) strategic acquisition, enter into strategic partnerships and other business development	approximately 29.5% (HK$227.53 million)	227.41	68.06	68.18	159.35
(f) supplement working capital and other general corporate purpose	approximately 10.0% (HK$77.13 million)	4.42	–	72.71	4.42
(g) repay a loan with HSBC Bank Plc, Israel Discount Bank Ltd. and Mizrahi Tefahot Bank Ltd.	approximately 5.1% (HK$39.15 million)	–	–	39.15	–

Report of Directors

The Board is pleased to present its 2019 annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2019.

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. Other than the entry into the cosmeceuticals segment, 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, 2019 are set out in the Consolidated Statement of Profit or Loss on page 57.

The Board has resolved to declare a final dividend of HK$0.11 (inclusive of tax, equivalent to approximately US$0.014) per Share for the year ended December 31, 2019.

Dividends 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 page 5 and "Management Discussion and Analysis" on page 10, 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, 2019 are set out in note 28 to the financial statements.

Property, Plant and Equipment

Details of movements in property, 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, 2019, no property, plant and equipment was pledged to banks as loan security (December 31, 2018: Nil).

Details of collateral and pledged assets are set out in the section headed "Collateral and Pledged Assets" on page 20 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.

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

For the year ended December 31, 2019, 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, 2019, calculated in accordance with Israeli rules and regulations, was US$69.7 million.

Details of the movements in the respective reserves of the Group and the Company during the year 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, and the aggregate amount of revenue attributable to the Group's five largest customers was less than 30% of total revenue of the Group.

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, 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 *(resigned on August 20, 2019)*
Ms. Kun DAI *(appointed on August 20, 2019)*

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. Lior Moshe DAYAN, Ms. Kun DAI and Mr. Yao WANG 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 46 to 50 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, while Ms. Yang YANG resigned as a non-executive Director on August 20, 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 22 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$0.8 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. Yi LIU (our executive Director), Mr. Yifang WU and Mr. Yao WANG (our non-executive Directors and also the directors of CML), and Mr. Guojun BU (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, 2019, 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:

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
Lior Moshe DAYAN	Company	Ordinary Shares	Beneficial owner	113,500	0.01%
Yifang WU	Fosun Pharma	H shares	Beneficial owner	342,000	0.06%
		A shares	Beneficial owner	718,900	0.04%
Yao WANG	Fosun Pharma	A shares	Beneficial owner	50,000	0.002%

Save as disclosed in the foregoing, as at December 31, 2019, none of the Directors or chief executives of the Company or their respective close associates had any interests or short positions in any shares, underlying shares, or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

As at December 31, 2019, so far as is known to the Directors, the persons or entities, other than the Directors or chief executives 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	Beneficial owner	127,318,640(L)[1]	28.79%
Magnificent View	Beneficial owner	96,976,000(L)	21.93%
Pramerica-Fosun Fund[2]	Interest in controlled corporation	96,976,000(L)	21.93%
Fosun Equity Investment[3]	Interest in controlled corporation	96,976,000(L)	21.93%
Fosun Industrial Holdings Limited[4]	Interest in controlled corporation	96,976,000(L)	21.93%
Ample Up[5]	Beneficial owner	203,240,160(L)	
	Interest in controlled corporation	127,318,640(L)	
		330,558,800(L)	74.76%
Fosun Industrial[6]	Interest in controlled corporation	330,558,800(L)	74.76%
Fosun Pharma[7]	Interest in controlled corporation	330,558,800(L)	74.76%
Fosun High Tech[8]	Interest in controlled corporation	330,558,800(L)	74.76%
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) Magnificent View is wholly owned by Pramerica-Fosun Fund. Pramerica-Fosun Fund is deemed to be interested in the Shares in which Magnificent View is interested as legal and beneficial owner. On September 30, 2019, Ample Up and Magnificent View, both being the controlled corporations of Fosun International, entered into a sale and purchase agreement, pursuant to which Magnificent View agreed to sell and Ample Up agreed to purchase 96,976,000 Shares. As at the date of this annual report, the transaction completed, accordingly Magnificent View did not hold any Shares and Ample Up had since directly held 203,240,160 Shares instead.

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

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

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

(6) Ample Up is wholly owned by Fosun Industrial. Therefore, Fosun Industrial is deemed to be interested in an aggregate holding of 330,558,800 Shares which Ample Up is interested in, comprising 203,240,160 Shares held by Ample Up and 127,318,640 Shares held by CML. On September 30, 2019, Ample Up and Magnificent View, both being the controlled corporations of Fosun International, entered into a sale and purchase agreement, pursuant to which Magnificent View agreed to sell and Ample Up agreed to purchase 96,976,000 Shares. As at the date of this annual report, the transaction completed, accordingly Magnificent View did not hold any Shares and Ample Up had since directly held 203,240,160 Shares instead.

(7) 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.

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

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

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

(11) FHL is wholly owned by FIHL. 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. 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, 2019, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 under Part XV of the SFO or who is, directly or indirectly, interested in 5% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of 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, 2019, 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.

Donations

During the Reporting Period, the Group made donations of HK$120,000.

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 36 to the financial statements. The related party transactions disclosed in note 36 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 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$273.1 million has been used in accordance with the plan as disclosed in the Prospectus (as adjusted according to the announcement of the Company on October 8, 2018). For details, please see "Management Discussion and Analysis – 13. Use of Proceeds from the Global Offering".

Subsequent Events

The outbreak of COVID-19 continues to spread across the world. The management holds weekly meeting discussing the risk factors of COVID-19 and uses its best endeavour to mitigate the adverse impact of COVID-19 outbreak. The Group will continue closely monitoring the development of COVID-19 situation and ensure the stable operations. By the date of this annual report, the impact of COVID-19 on the Group's subsequent operating results is still under assessment.

Compliance with Laws and Regulations

The Group recognises 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 will be set out in the Environmental, Social and Governance Report to be published.

Significant Legal Proceedings

For the year ended December 31, 2019, 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 recognises 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 organisations.

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 collaborates 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 authorise 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, 2020

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended December 31, 2019.

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 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 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. Kun DAI

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 January 17, 2019, Mr. Jianping HUA resigned as an executive Director and chief financial officer of the Company while Mr. Guojun BU was appointed as an executive Director and chief financial officer of the Company. On August 20, 2019, Ms. Yang YANG resigned as a non-executive Director while Ms. Kun DAI was appointed as a non-executive Director.

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 46 to 50 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 has expired 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 January 17, 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 retired and re-elected at the annual general meeting in 2019.

On August 20, 2019, Ms. Yang YANG resigned as a non-executive Director and Ms. Kun DAI has been appointed as a non-executive Director. In accordance with Article 41(g) of the Articles of Association, Ms. Kun DAI will retire and being eligible, offer herself for re-election at the forthcoming Annual General Meeting.

In accordance with Articles 41(c) and (d) of the Articles of Association, Mr. Lior Moshe DAYAN and Mr Yao WANG, being the group III 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, Accountabilities and Contributions of the Board and Management

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.

CPD 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 CPD 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 CPD 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)]	N/A
Mr. Guojun BU[(2)]	A/B
Non-executive Directors	
Mr. Yifang WU	B
Mr. Yao WANG	B
Ms. Yang YANG[(3)]	N/A
Ms. Kun DAI[(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 resigned as an executive Director on January 17, 2019.

(2) Mr. Guojun BU was appointed as an executive Director on January 17, 2019.

(3) Ms. Yang YANG resigned as a non-executive Director on August 20, 2019.

(4) Ms. Kun DAI was appointed as a non-executive Director on August 20, 2019.

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 137.

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, 2019, 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 notes 8 and 9 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 recognises 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. Jianping HUA and Ms. Yang YANG resigned as an executive Director and a non-executive Director while Mr. Guojun BU and Ms. Kun DAI were appointed as an executive Director and a non-executive Director respectively.

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 CPD 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				1/1
Mr. Jianping HUA(1)	N/A				N/A
Mr. Guojun BU(2)	4/4				1/1
Mr. Yifang WU	4/4				1/1
Mr. Yao WANG	4/4				1/1
Ms. Yang YANG(3)	4/4				1/1
Ms. Kun DAI(4)	4/4				N/A
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	1/1
Ms. Jenny CHEN	4/4	2/2			1/1
Mr. Kai Yu Kenneth LIU	4/4				1/1

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

(2) Mr. Guojun BU was appointed as an executive Director on January 17, 2019.

(3) Ms. Yang YANG resigned as a non-executive Director on August 20, 2019.

(4) Ms. Kun DAI was appointed as a non-executive Director on August 20, 2019.

Apart from regular Board meetings, the chairman also held meeting 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 unauthorised 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 51 to 56.

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$356,000 and US$149,700, 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	356.0
Non-audit Services	149.7
– Tax Services	67.7
– IT Services	82.0
	505.7

Company Secretary

Ms. Yee Har Susan LO of Tricor Services Limited, external service provider, has resigned as the Company's company secretary with effect from December 18, 2019 and the Company has engaged Ms. Mei Ha Wendy KAM of Tricor Services Limited as the Company's company secretary to fill the vacancy left by Ms. Yee Har Susan LO. 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 Director

Executive Directors

Mr. Yi LIU (劉毅), aged 44, 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 50, 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 18 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 44, was appointed as an executive Director and the Chief Financial Officer of the Company on January 17, 2019.

Mr. Bu has more than 21 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.

* *For identification purpose only*

Non-executive Directors

Mr. Yifang WU (吳以芳), aged 50, 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 and the non-executive director of Shanghai Henlius Biotech, Inc.* (上海復宏漢霖生物技術股份有限公司) (a company listed on The Stock Exchange of Hong Kong Limited (stock code: 2696)). 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 46, 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. Kun DAI (戴昆), aged 42, was appointed as a non-executive Director of the Company on August 20, 2019.

Ms. Dai has been the vice president and the general manager of the human resources of Fosun Pharma since March 2018. She is currently the non-executive director of Sinopharm Group Co. Ltd.* (國藥控股股份有限公司) (a company listed on The Stock Exchange of Hong Kong Limited (stock code: 1099)) and the supervisor of Shanghai Henlius Biotech, Inc.* (上海復宏漢霖生物技術股份有限公司) (a company listed on The Stock Exchange of Hong Kong Limited (stock code: 2696)). Previously, she worked as a customer service representative for China International Intellectech Co., Ltd.* (中國國際技術智力合作有限公司) from July 2000 to November 2001. From November 2001 to February 2012, she worked successively as the assistant to the vice president of the human resources, the human resources specialist, the human resources supervisor, the manager of the human resources shared center, the human resources manager of the business department and the deputy director of the human resources of Beijing Novartis Pharma Ltd.* (北京諾華製藥有限公司). From March 2012 to August 2015, she worked as the head of human resources of both the Greater China region and Korean area of the OTC drug division of Novartis* (諾華集團). From November 2015 to March 2018, Ms. Dai worked as the head of the recruitment center of the Greater China region and the head of human resources of the enterprise services of Novartis China* (諾華集團(中國)). Ms. Dai obtained a bachelor degree in Arts from China University of Political Science and Law in June 2000.

* *For identification purpose only*

Independent Non-executive Directors

Mr. Heung Sang Addy FONG (方香生), aged 60, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Mr. Fong has more than 22 years of audit, financial and capital market experiences. Mr. Fong has been the chief financial officer of Adlai Nortye Biopharma Co., Ltd. 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 41, 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 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 40, was appointed as an independent non-executive Director of the Company on August 30, 2017.

Ms. Chen has more than 16 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 50, 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 53, was appointed as the Chief Operating Officer of the Group on April 1, 2018.

Mr. Ezioni has over 24 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 65, 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 59, 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 currently responsible for financial operations of the Group.

Mr. Yannai has more than 22 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. Mei Ha Wendy KAM (甘美霞), aged 52, was appointed as the company secretary of the Company on December 18, 2019.

Ms. Kam is an executive director of Corporate Services of Tricor Services Limited. She has over 20 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. Kam is currently the company secretary/joint company secretaries of six listed companies on the Stock Exchange. Ms. Kam is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators"). She is a holder of the Practitioner's Endorsement from HKICS and is also a member of the Companies Registry Customer Liaison Group.

Ms. Kam graduated from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong).

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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 57 to 136, which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019, 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$111,183,000 as at December 31, 2019. 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. 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 15 "Goodwill" to the consolidated financial statements, which specifically explain the key assumptions management used for the calculation 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, the discount rate and the 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, 2019. 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 16 "Other intangible assets" to the consolidated financial statements, which specifically explain the key assumptions management used for the calculation 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, the discount rate and the royalty rate of the individual asset. We paid specific attention to the forecasts used with respect to future revenues 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 its 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 21 "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 evaluated techniques and methodology in the expected credit losses model against the requirements of IFRS 9. We assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluated whether the historical loss rates are adjusted based on current economic conditions and forward-looking information and assessed whether there was an indication of management bias when recognising loss allowance. 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
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
March 18, 2020

Consolidated Statement of Profit or Loss

	Notes	2019 US$'000	2018 US$'000
REVENUE	5	**173,520**	153,919
Cost of sales		**(77,646)**	(71,622)
Gross profit		**95,874**	82,297
Other income and gains	5	**2,395**	2,109
Selling and distribution expenses		**(43,496)**	(32,662)
Administrative expenses		**(15,833)**	(14,774)
Research and development expenses		**(10,470)**	(10,380)
Other expenses		**(2,902)**	(2,863)
Finance costs	7	**(729)**	(943)
PROFIT BEFORE TAX	6	**24,839**	22,784
Income tax expense	10	**(2,904)**	(953)
PROFIT FOR THE YEAR		**21,935**	21,831
Profit attributable to:			
Owners of the parent		**20,785**	21,831
Non-controlling interests		**1,150**	—
		21,935	21,831
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the year (US cents)	12	**4.70**	4.94

	Note	2019 US$'000	2018 US$'000
PROFIT FOR THE YEAR		**21,935**	21,831
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**56**	(601)
Effective portion of changes in fair value of hedging instruments arising during the year		**78**	(91)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**134**	(692)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement loss of a defined benefit plan	30	**(625)**	(65)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(625)**	(65)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(491)**	(757)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**21,444**	21,074
Total comprehensive income attributable to:			
Owners of the parent		**20,294**	21,074
Non-controlling interests		**1,150**	—
		21,444	21,074

Consolidated Statement of Financial Position

	Notes	2019 US$'000	2018 US$'000
NON-CURRENT ASSETS			
Plant and equipment	13	**5,328**	2,716
Right-of-use assets	14 (a)	**8,921**	—
Goodwill	15	**111,183**	108,351
Other intangible assets	16	**58,630**	59,089
Deferred tax assets	18	**4,791**	4,451
Other non-current assets	19	**211**	61
Total non-current assets		**189,064**	174,668
CURRENT ASSETS			
Inventories	20	**33,018**	27,520
Trade receivables	21	**57,171**	36,490
Prepayments, other receivables and other assets	22	**4,195**	3,205
Tax recoverable		**2,204**	3,543
Derivative financial instruments	23	**32**	119
Cash and bank balances	24	**107,792**	104,530
Total current assets		**204,412**	175,407
CURRENT LIABILITIES			
Contract liabilities	25	**4,308**	2,216
Trade payables	26	**11,992**	6,947
Other payables and accruals	27	**18,431**	12,840
Interest-bearing bank borrowings	28	**2,410**	2,171
Lease liabilities	14 (b)	**2,921**	—
Total current liabilities		**40,062**	24,174
NET CURRENT ASSETS		**164,350**	151,233
TOTAL ASSETS LESS CURRENT LIABILITIES		**353,414**	325,901
NON-CURRENT LIABILITIES			
Contract liabilities	25	**684**	423
Interest-bearing bank borrowings	28	**402**	—
Lease liabilities	14 (b)	**6,469**	—
Deferred tax liabilities	18	**10,645**	10,082
Other long-term liabilities	29	**9,644**	1,296
Total non-current liabilities		**27,844**	11,801
NET ASSETS		**325,570**	314,100
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**1,254**	1,254
Reserves	32	**324,316**	312,846
Total equity		**325,570**	314,100

Yi LIU
Director

Lior Moshe DAYAN
Director

	Attributable to owners of the parent								
	Share capital US$'000 (note 31)	Share premium* US$'000 (note 31)	Other reserve* US$'000 (note 32)	Cash flow hedge reserve* US$'000	Exchange fluctuation reserve* US$'000	Retained earnings* US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At January 1, 2019	1,254	240,766	17,580	(78)	(571)	55,149	314,100	–	314,100
Profit for the year	–	–	–	–	–	20,785	20,785	1,150	21,935
Other comprehensive income for the year:									
Effective portion of changes in fair value of hedging instruments arising during the year	–	–	–	78	–	–	78	–	78
Exchange differences on translation of foreign operations	–	–	–	–	56	–	56	–	56
Remeasurement loss on a defined benefit plan	–	–	–	–	–	(625)	(625)	–	(625)
Total comprehensive income for the year	–	–	–	78	56	20,160	20,294	1,150	21,444
Final 2018 dividend declared	–	–	–	–	–	(5,633)	(5,633)	–	(5,633)
Acquisition of a subsidiary	–	–	–	–	–	–	–	3,368	3,368
Reclassification of non-controlling interests of a subsidiary embedded with put options	–	–	(3,191)	–	–	–	(3,191)	(4,518)	(7,709)
At December 31, 2019	1,254	240,766	14,389	–	(515)	69,676	325,570	–	325,570

Consolidated Statement of Changes in Equity

Year ended December 31, 2019

	Attributable to owners of the parent						
	Share capital US$'000 (note 31)	Share premium* US$'000 (note 31)	Other reserve* US$'000 (note 32)	Cash flow hedge reserve* US$'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 on 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

* These reserve accounts comprise the consolidated reserves of US$324,316,000 (2018: US$312,846,000) in the consolidated statement of financial position.

	Notes	2019 US$'000	2018 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**24,839**	22,784
Adjustments for:			
Finance costs	7	**729**	943
Bank interest income	5	**(1,830)**	(1,851)
Loss on disposal of items of plant and equipment		**247**	–
Fair value gains from foreign exchange forward contracts not qualifying as hedges	5	**(565)**	(258)
Depreciation	6	**1,197**	871
Depreciation of right-of-use assets	6	**3,078**	–
Amortisation of other intangible assets	6	**5,450**	4,950
Provision for impairment of trade receivables	6	**696**	884
Provision for impairment of inventories	6	**1,243**	1,485
		35,084	29,808
Increase in inventories		**(4,966)**	(5,107)
Increase in trade receivables		**(14,719)**	(2,125)
(Increase)/decrease in prepayments, other receivables and other assets		**(752)**	15
(Increase)/decrease in other non-current assets		**(150)**	78
Increase in trade payables		**2,943**	205
Increase/(decrease) in other payables and accruals		**3,996**	(3,210)
Decrease in deferred income		**–**	(573)
Increase in contract liabilities		**1,901**	2,639
Increase in other long-term liabilities		**144**	185
Cash generated from operations		**23,481**	21,915
Income tax paid		**(2,444)**	(5,679)
Net cash flows from operating activities		**21,037**	16,236
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,887**	1,831
Purchases of items of plant and equipment		**(3,172)**	(1,266)
Acquisition of a subsidiary	33	**(7,648)**	–
(Increase)/decrease in term deposits with original maturity of more than three months		**62,620**	(4,620)
Net cash flows from/(used in) investing activities		**53,687**	(4,055)

	Notes	2019 US$'000	2018 US$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue expenses		**–**	(7,361)
New bank loans		**1,002**	–
Repayment of bank loans		**(1,527)**	(9,321)
Lease payments	14 (b)	**(3,467)**	–
Dividends paid		**(5,633)**	–
Dividends paid to non-controlling shareholders		**(130)**	–
Interest paid		**(333)**	(546)
Proceeds from/(payment to) settlement of foreign currency forward contracts		**730**	(197)
Net cash flows used in financing activities		**(9,358)**	(17,425)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**65,366**	(5,244)
Cash and cash equivalents at beginning of year		**33,840**	38,081
Effect of foreign exchange rate changes, net		**529**	1,003
CASH AND CASH EQUIVALENTS AT END OF YEAR		**99,735**	33,840
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of cash flows		**99,735**	33,840
Pledged bank balances for bank loans	24	**57**	70
Term deposits with original maturity of more than three months	24	**8,000**	70,620
Cash and bank balances as stated in the consolidated statement of financial position	24	**107,792**	104,530

1. CORPORATE INFORMATION

Sisram Medical Ltd 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 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 95.16% equity interest in 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" under the section headed "History and Corporate Structure" in the prospectus of the Company dated September 5, 2017 (the "**Prospectus**"). 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 Stock Exchange. 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 of the Company were issued and allotted 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.

1. CORPORATE INFORMATION *(Continued)*

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	Indirect	Principal activities
Alma Lasers Ltd.	Israel October 5, 1999	NIS 14,000,000	100%	–	Manufacture and sale of medical equipment
Alma Lasers Inc.	United States August 1, 2005	US$10	–	100%	Distribution of medical equipment
Alma Lasers GmbH	Germany July 31, 2012	EUR25,000	–	100%	Distribution of medical equipment
Alma Lasers AT GmbH	Austria March 22, 2010	EUR35,000	–	100%	Distribution of medical equipment
Alma Medical Private Limited	India December 3, 2014	INR 7,500,000	–	100%	Distribution of medical equipment
Alma Medical HK Limited	Hong Kong June 6, 2018	Hong Kong Dollar HK$ 100	–	100%	Distribution of medical equipment
Nova Medical Israel Ltd.	Israel January 7, 2007	NIS2,750,000	–	60%	Distribution of medical equipment
Alma Lasers Australia Pty Ltd	Australia May 17, 2019	AUD 100	–	100%	Distribution of medical equipment
Alma Korea Limited	Republic of Korea June 25, 2019	Korean Won 100,000,000	–	100%	Distribution of medical equipment

During the year, the Group acquired Nova. Further details of this acquisition are included in note 33 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by 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 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, 2019. 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 derecognises (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 recognises (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 recognised 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 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and Annual Improvements 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) (a) 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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of January 1, 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at January 1, 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from January 1, 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at January 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and included in interest-bearing bank borrowings. The right-of-use assets were 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 January 1, 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 as at January 1, 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application; and

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

Financial impact as at January 1, 2019

The impact arising from the adoption of IFRS 16 as at January 1, 2019 was as follows:

	Increase US$'000 (Unaudited)
Assets	
Increase in right-of-use assets	9,085
Liabilities	
Increase in interest-bearing bank and other borrowings	9,085

The lease liabilities as at January 1, 2019 reconciled to the operating lease commitments as at December 31, 2018 is as follows:

	US$'000 (Unaudited)
Operating lease commitments as at December 31, 2018	9,389
Interest calculated using weighted average incremental borrowing rate as at January 1, 2019	(154)
Discounted operating lease commitments as at January 1, 2019	9,235
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before December 31, 2019	193
Add: Payments for optional extension periods not recognised as at December 31, 2018	43
Lease liabilities as at January 1, 2019	9,085

(b) 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 assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on January 1, 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[4]

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

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

3 No mandatory effective date yet determined but available for adoption

4 Effective for annual periods beginning on or after January 1, 2022

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. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after January 1, 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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.

2.4 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 recognised directly in the equity of the associate, the Group recognises 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 recognises 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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, recognised 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 recognised. An impairment loss recognised 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 minimising 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 recognised 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, deferred tax assets, financial assets and non-current 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 recognised 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 recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation) had no impairment loss been recognised 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 capitalised 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 recognises 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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortised. 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 amortised 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 amortised. 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 amortised 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 amortised 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 capitalised 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.

Leases (applicable from January 1, 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from January 1, 2019) *(Continued)*

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant	3.5-6 years
Motor vehicles	3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases (applicable before January 1, 2019)

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.

Investments and other financial assets

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" 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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.

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

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 *(Continued)*

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

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)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (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 recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises 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.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach (Continued)

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.

Financial liabilities

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 recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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.

After initial recognition, loans and borrowings are subsequently measured at amortised 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 recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised 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 amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised 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 recognised in profit or loss.

Offsetting of financial instruments

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 recognised 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 and hedge accounting

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 recognised 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 recognised 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:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

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

- hedges of a net investment in a foreign operation.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting *(Continued)*

Initial recognition and subsequent measurement (Continued)

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised 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 recognised 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 recognised 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 recognised 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 recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised 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 recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised, 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 recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised 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

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 consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with 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.

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 *(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.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 recognised 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 recognises 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 recognised 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 recognised 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 recognised 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 recognised in other comprehensive income or profit or loss is also recognised 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 recognised 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 recognised 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, 2019 was US$111,183,000. Further details are given in note 15 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 (including the right-of-use 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 customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 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.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised 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 utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, 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, minimally invasive treatment systems, non-EBD devices and cosmeceuticals. Therefore, no analysis by operating segment is presented.

Geographical information

(a) Revenue from external customers

	2019 US$'000	2018 US$'000
Europe	**48,334**	46,549
North America*	**47,479**	37,040
Asia Pacific	**43,762**	48,487
Middle East and Africa	**21,736**	6,381
Latin America	**12,209**	15,462
	173,520	153,919

* 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

	2019 US$'000	2018 US$'000
Israel	**180,907**	169,913
United States	**1,571**	94
Other countries	**1,795**	210
	184,273	170,217

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

Information about a major customer

No revenue from sales to a single customer accounted for more than 10% of the total revenue for the Reporting Period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 US$'000	2018 US$'000
Revenue from contracts with customers	**173,520**	153,919

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended December 31, 2019

	2019 US$'000	2018 US$'000
Types of goods or services		
Sale of industrial products	**160,740**	142,987
Services provided	**12,780**	10,932
Total revenue from contracts with customers	**173,520**	153,919
Timing of revenue recognition		
Goods transferred at a point in time	**160,740**	142,987
Services transferred over time	**12,780**	10,932
Total revenue from contracts with customers	**173,520**	153,919

The following table shows the amounts of revenue recognised in the 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:

	2019 US$'000	2018 US$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting periods:		
Sale of industrial products	**824**	1,455
Services provided	**1,392**	573
Total revenue from contracts with customers	**2,216**	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 amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 are as follows:

	2019 US$'000	2018 US$'000
Amounts expected to be recognised as revenue:		
Within one year	**4,307**	2,216
After one year	**684**	423
	4,991	2,639

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.

Other income and gains

	2019 US$'000	2018 US$'000
Bank interest income	**1,830**	1,851
Fair value gains from foreign exchange forward contracts not qualifying as hedges	**565**	258
	2,395	2,109

6. PROFIT BEFORE TAX

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

	2019 US$'000	2018 US$'000
Cost of inventories sold	**52,648**	48,496
Cost of services and others	**24,998**	23,126
Employee benefit expense (including directors' and senior management's remuneration (note 8)):		
Wages and salaries	**36,982**	22,844
Listing bonuses	**–**	3,992
Defined benefit plan costs	**812**	727
	37,794	27,563
Research and development expenses:		
Current year expenditure	**10,470**	10,380
Auditors' remuneration	**287**	262
Minimum lease payments under operating leases	**–**	2,064
Lease payments not included in the measurement of lease liabilities (note 14 (c))	**940**	–
Depreciation of plant and equipment (note 13)	**1,197**	871
Depreciation of right-of-use assets	**3,078**	–
Amortisation of other intangible assets (note 16)	**5,450**	4,950
Provision for impairment of inventories	**1,243**	1,485
Provision for impairment of trade receivables (note 21)	**696**	884
Foreign exchange differences, net	**963**	494

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 US$'000	2018 US$'000
Interest on loans and borrowings	**371**	943
Interest on lease liabilities	**358**	–
	729	943

8. DIRECTORS' AND CHIEF EXECUTIVE'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:

	2019 US$'000	2018 US$'000
Fees	**100**	100
Other emoluments:		
Salaries, allowances and benefits in kind	**606**	615
Performance related bonuses	**–**	218
Listing bonuses	**153**	99
	759	932

(a) Independent non-executive directors

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

	2019 US$'000	2018 US$'000
Mr. Heung Sang Addy FONG	**25**	25
Mr. Chi Fung Leo CHAN	**25**	25
Ms. Jenny CHEN	**25**	25
Mr. Kai Yu Kenneth LIU	**25**	25
	100	100

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'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, 2019					
Director:					
Mr. Yao WANG	–	–	–	–	–
Mr. Yi LIU	–	–	–	–	–
Mr. Yifang WU	–	–	–	–	–
Mr. Jianping HUA (i) (ii)	–	–	–	–	–
Ms. Yang YANG (i) (iii)	–	–	–	–	–
Mr. Guojun BU (ii)	–	–	–	–	–
Ms. Kun DAI (iii)	–	–	–	–	–
Chief executive:					
Mr. Lior Moshe DAYAN	–	606	153	–	759
	–	606	153	–	759
Year ended December 31, 2018					
Director:					
Mr. Chun LI (i)	–	–	–	–	–
Ms. Yu HU (i)	–	–	–	–	–
Mr. Yao WANG	–	–	–	–	–
Mr. Yi LIU	–	–	–	–	–
Mr. Yifang WU	–	–	–	–	–
Mr. Jianping HUA (i) (ii)	–	55	12	–	67
Ms. Yang YANG (i) (iii)	–	–	–	–	–
Chief executive:					
Mr. Lior Moshe DAYAN	–	560	225	99	884
	–	615	237	99	951

(i) 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.

(ii) Mr. Jianping HUA resigned as a director of the Company and Mr. Guojun BU was appointed as a director of the Company on January 17, 2019.

(iii) Ms. Yang YANG resigned as a director of the Company and Ms. Kun DAI was appointed as a director of the Company on August 20, 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:

	2019 US$'000	2018 US$'000
Salaries, allowances and benefits in kind	1,238	545
Performance related bonuses	2,260	1,018
Listing bonuses	–	235
	3,498	1,798

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	
	2019	2018
US$350,001 to US$400,000	–	1
US$400,001 to US$450,000	–	2
US$500,001 to US$550,000	1	–
US$550,001 to US$600,000	–	1
US$700,001 to US$750,000	1	–
US$800,001 to US$850,000	1	–
US$1,450,001 to US$1,500,000	1	–
	4	4

10. INCOME TAX

The Israeli corporate tax rate applicable to the Company was 23% for the Reporting Period (2018: 23%). 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.

Nova is taxed based upon the tax law in Israel, the country of residence. Income was taxed at corporate income tax rate of 23% for the Reporting Period (2018: 23%).

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 the Reporting Period.

10. INCOME TAX *(Continued)*

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 The Organisation for Economic Co-operation and Development's 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 NIS10 billion. 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 Israel regions.

A SPTE – where the parent company total revenues are more than NIS10 billion 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 criteria in the law mentioned above and the conditions mentioned in the ruling, effective from 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 the dividends paid from a Preferred Technology Enterprise's income (with an exemption from such withholding tax applying to dividends paid to an Israeli company). Such rate may be reduced to 4% on the dividends paid to a foreign resident company, subject to certain conditions regarding the percentage of foreign ownership of the distributing entity.

As of December 31, 2019, Alma enjoyed a new preferential effective tax rate of 8.44% and 9%, for being a SPTE for the years ended December 31, 2018 and 2019, respectively.

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 implemented new limits on the deductibility of certain expenses and deduction.

10. INCOME TAX *(Continued)*

Rate Reduction *(Continued)*

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 Reporting Period 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 Reporting Period and was also subject to additional trade income taxes as applicable.

The income of Alma Medical Private Limited, a subsidiary incorporated in India, is taxed based upon the tax law in India, the country of residence. Income was taxed at a corporate income tax rate of 30.9% during the Reporting Period (which was not a flat rate but included many deductions/exemptions/rebates as per 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.

The income of Alma Medical Australia Pty Ltd, a subsidiary incorporated in Australia, is taxed at the rate of 30%.

The income of Alma Korea Limited, a subsidiary incorporated in Korea, is taxed at the rate of 11%.

	2019 **US$'000**	2018 US$'000
Current	**3,935**	740
Deferred (note 18)	**(1,031)**	213
Total tax charge for the year	**2,904**	953

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:

	2019 **US$'000**	2018 US$'000
Profit before tax	**24,839**	22,784
Statutory tax rate	**23%**	23%
Tax at the statutory tax rate	**5,713**	5,240
Different tax rates for certain entities	**(2,764)**	(3,105)
Effect on opening deferred tax from changes in tax rates	**(389)**	625
Expenses/(income) not deductible/(recognised) for tax	**(7)**	462
Taxes in respect of previous years	**182**	(2,343)
Others	**169**	74
Total tax charge for the year	**2,904**	953

11. DIVIDEND

On March 18, 2020, the Board resolved to declare a final dividend of HK$0.11 (inclusive of tax, equivalent to approximately US$0.014) per share for the year ended December 31, 2019 (for the year ended December 31, 2018: HK$0.10).

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 Reporting Period attributable to ordinary equity holders of the parent, and the weighted average number of the Company's ordinary Shares of 442,155,600 (year ended December 31, 2018: 442,155,600) in issue during the Reporting Period.

The calculation of basic earnings per share is based on:

	2019 US$'000	2018 US$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**20,785**	21,831

	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**442,155,600**	442,155,600

No adjustment has been made to the basic earnings per share presented for the years ended December 31, 2019 and 2018 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, 2019	5,132	587	831	6,550
Additions	1,431	422	1,520	3,373
Acquisition of a subsidiary (note 33)	358	228	97	683
Disposal	(342)	(38)	–	(380)
At December 31, 2019	6,579	1,199	2,448	10,226
Accumulated depreciation:				
At January 1, 2019	3,244	292	298	3,834
Depreciation provided during the year (note 6)	916	161	120	1,197
Disposal	(95)	(38)	–	(133)
At December 31, 2019	4,065	415	418	4,898
Net carrying amount:				
At December 31, 2019	2,514	784	2,030	5,328
At January 1, 2019	1,888	295	533	2,716
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

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant, motor vehicles and other equipment used in its operations. Leases of plant generally have lease terms between 3.5 and 6 years, while motor vehicles generally have lease terms of 3 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Plant US$'000	Motor US$'000	Total US$'000
At January 1, 2019	7,425	1,660	9,085
Additions	1,977	876	2,853
Depreciation charge	(2,320)	(758)	(3,078)
Effect of foreign exchange rate changes, net	29	32	61
At December 31, 2019	7,111	1,810	8,921

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	US$'000
Carrying amount at January 1, 2019	9,085
Additions	2,853
Interest expense	358
Payments	(3,467)
Effect of foreign exchange rate changes, net	561
Carrying amount at December 31, 2019	9,390
Analysed into:	
Current portion	2,921
Non-current portion	6,469

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 US$'000
Interest on lease liabilities	358
Depreciation charge of right-of-use assets	3,078
Expense relating to short-term leases and other leases with remaining lease terms ended on or before December 31, 2019	940
Total amount recognised in profit or loss	4,376

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 39 to the financial statements.

15. GOODWILL

	2019 US$'000
Cost and net carrying amount at January 1, 2018 and December 31, 2018	108,351
Acquisition of a subsidiary (note 33)	2,832
Cost and net carrying amount at December 31, 2019	111,183

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 15.6% for the year (2018: 17.4%). The growth rate used to extrapolate the cash flows of the above cash-generating unit beyond the five-year period is 3% (2018: 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 55.5% (2018: 52.7%).

15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

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.

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

	2019	2018
Budgeted gross margins	**52.8%**	50.8%
Pre-tax discount rate	**18.2%**	19.3%
Growth rate beyond the five-year period	**(3.4%)**	(2.4%)

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, for 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**	
	2019	2018
Gross margins decrease by 1%	**37,014**	14,116
Gross margins decrease by 3%	**(5,914)**	(18,444)
Pre-tax discount rate increases by 1%	**30,369**	13,228
Pre-tax discount rate increases by 3%	**(5,533)**	(14,772)
Growth rate beyond the five-year period decreases by 1%	**45,133**	24,284
Growth rate beyond the five-year period decreases by 3%	**30,649**	12,691

16. OTHER INTANGIBLE ASSETS

	Customer relationships US$'000	Trademarks US$'000	Patents and technology US$'000	Licence agreement and others US$'000	Total US$'000
Cost:					
At January 1, 2019	39,896	24,493	19,676	2,383	86,448
Acquisition of a subsidiary (note 33)	3,971	–	–	1,020	4,991
December 31, 2019	43,867	24,493	19,676	3,403	91,439
Accumulated amortization:					
At January 1, 2019	15,362	–	11,435	562	27,359
Amortization provided during the year (note 6)	3,068	–	1,860	522	5,450
At December 31, 2019	18,430	–	13,295	1,084	32,809
Net carrying amount:					
At December 31, 2019	25,437	24,493	6,381	2,319	58,630
At January 1, 2019	24,534	24,493	8,241	1,821	59,089
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

16. 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 trademarks depending on the royalty saved with regard to the trademarks.

The recoverable amount of trademarks has 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 17.5% (2018: 17.8%) for the reporting period. The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2018: 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.

	2019	2018
Pre-tax discount rate	30.4%	28.8%
Growth rate beyond the five-year period	(46.1%)	(37.3%)

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

Possible changes of key assumptions	Recoverable amount of trademarks exceeding/(below) its carrying amount by	
	2019	2018
Pre-tax discount rate increases by 1%	19,352	13,724
Pre-tax discount rate increases by 3%	14,200	9,564
Growth rate beyond the five-year period decreases by 1%	21,645	15,556
Growth rate beyond the five-year period decreases by 3%	20,044	14,275

17. INVESTMENT IN AN ASSOCIATE

	2019 US$'000	2018 US$'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	6.56	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 unrecognised share of losses of this associate was US$128,000 for the current year (2018: US$112,000). As at December 31, 2019, the accumulated unrecognised share of losses of this associate was US$312,000 (2018: US$221,000).

18. 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	Contract liabilities US$'000	Unrealized intercompany profit and others US$'000	Total US$'000
Gross deferred tax assets at 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 and January 1, 2019	109	1,056	961	98	171	2,190	4,585
Acquisition of a subsidiary	–	24	–	–	–	–	24
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	37	(185)	8	(26)	(21)	573	386
Gross deferred tax assets at December 31, 2019	146	895	969	72	150	2,763	4,995

18. 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, 2018	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
Acquisition of a subsidiary	1,278	–	1,278
Deferred tax (credited)/charged to the statement of profit or loss during the year (note 10)	(543)	(102)	(645)
Gross deferred tax liabilities at December 31, 2019	10,615	234	10,849

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:

	2019 US$'000	2018 US$'000
Gross deferred tax assets	**4,995**	4,585
Offsetting with deferred tax liabilities	**(204)**	(134)
Net deferred tax assets recognised in the consolidated statement of financial position	**4,791**	4,451
Gross deferred tax liabilities	**10,849**	10,216
Offsetting with deferred tax assets	**(204)**	(134)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**10,645**	10,082

19. OTHER NON-CURRENT ASSETS

	2019 US$'000	2018 US$'000
Long-term deposits	**211**	61

20. INVENTORIES

	2019 US$'000	2018 US$'000
Raw materials	**15,520**	11,573
Work in progress	**1,654**	5,664
Finished goods	**17,350**	12,004
Provision	**(1,506)**	(1,721)
	33,018	27,520

21. TRADE RECEIVABLES

	2019 US$'000	2018 US$'000
Trade receivables	**57,900**	37,877
Impairment	**(729)**	(1,387)
	57,171	36,490

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 minimise 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 39 to the financial statements.

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

	2019 US$'000	2018 US$'000
Within 1 month	**17,132**	12,302
1 to 2 months	**7,982**	5,168
2 to 3 months	**4,867**	3,775
Over 3 months	**27,190**	15,245
	57,171	36,490

21. TRADE RECEIVABLES *(Continued)*

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

	2019 US$'000	2018 US$'000
At beginning of year	1,387	1,059
Impairment losses recognised (note 6)	696	884
Written off	(1,354)	(556)
At the end of year	729	1,387

Impairment under IFRS 9 for the year ended December 31, 2019

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, 2019

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.2%	0.3%	0.6%	3.8%	1.3%
Gross carrying amount (US$'000)	33,679	3,531	3,440	16,521	57,171
Expected credit losses (US$'000)	78	10	20	621	729

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

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 US$'000	2018 US$'000
Advances to suppliers	**1,632**	1,524
Deposits and other receivables	**2,563**	1,681
	4,195	3,205

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.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 US$'000	2018 US$'000
Foreign exchange forward contracts assets	**32**	119

24. CASH AND BANK BALANCES

	2019 US$'000	2018 US$'000
Cash and cash equivalents as stated in the consolidated statement of cash flows	**99,735**	33,840
Pledged bank balances for bank loans	**57**	70
Term deposits with original maturity of more than three months	**8,000**	70,620
Cash and bank balances as stated in the consolidated statement of financial position	**107,792**	104,530

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.

25. CONTRACT LIABILITIES

Details of contract liabilities as at December 31, 2019 and 2018 are as follows:

	2019 US$'000	2018 US$'000
Short-term advances received from customers		
Sale of goods and installation services	3,118	824
Warranty services	1,190	1,392
	4,308	2,216
Long-term advances received from customers		
Warranty services	684	423
Total contract liabilities	4,992	2,639

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

26. TRADE PAYABLES

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

	2019 US$'000	2018 US$'000
Within 1 month	8,982	5,361
1 to 2 months	2,596	1,468
2 to 3 months	266	118
Over 3 months	148	–
	11,992	6,947

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

27. OTHER PAYABLES AND ACCRUALS

	2019 US$'000	2018 US$'000
Payroll	9,018	6,504
Accrued expenses	6,274	5,309
Sales tax	657	170
Others	2,482	857
	18,431	12,840

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

28. INTEREST-BEARING BANK BORROWINGS

	2019 Effective interest rate (%)	2019 Maturity	2019 US$'000	2018 Effective interest rate (%)	2018 Maturity	2018 US$'000
Current						
Bank loan, secured (a)/(b)	3.25-3.65	2020	958			–
Current portion of long-term bank loans, secured (a)/(b)	6-month LIBOR+ 3.75	2020	1,452	6-month LIBOR+ 3.75	2019	2,171
Bank loan, secured (a)/(b)			2,410			2,171
Non-current						
Bank loan, secured (a)/(b)	6-month LIBOR+ 3.25-3.65	2021 – 2022	402	–		
			2,812			2,171

Note: LIBOR stands for London Interbank Offered Rate.

	2019 US$'000	2018 US$'000
Loan balance	2,812	2,291
Less: loan arrangement fees	–	120
	2,812	2,171
Analyzed into:		
Within one year	2,410	2,171
In the second year	297	–
In the third to fifth years, inclusive	105	–
	2,812	2,171

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, 2019 and 2018, the Company has met all the financial covenants. The remaining balance of such loan amounted to US$0.7 million as of December 31, 2019, which is fully covered by the Company's cash balance.

(b) Nova, Alma's subsidiary, entered into loan agreements pursuant to which Nova pledged to the banks all of the issued and outstanding shares of Nova and a floating charge over all of the present and future assets of the Company as they may be from time to time. The remaining balance of such loan amounted to US$1.1 million, which is fully covered by the Company's cash balance.

29. OTHER LONG-TERM LIABILITIES

	2019 US$'000	2018 US$'000
The share redemption option granted to non-controlling shareholders of a subsidiary	**7,579**	–
Employee benefit liabilities, net (note 30)	**1,754**	1,013
Others	**311**	283
	9,644	1,296

30. DEFINED BENEFIT OBLIGATIONS

The Group operates a defined benefit plan in respect of severance pay pursuant to 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 recognised 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, 2019 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:

	2019	2018
Discount rate		
Employees	**2.15%-2.30%**	3.80%
Officers	**2.15%-2.28%**	3.57%

	2019	2018
Expected rate of salary increase		
Employees	**1.5%-5.00%**	5.00%
Officers	**1.5%-5.00%**	5.00%

The actuarial valuation showed that the market value of the Plan Assets was US$5,998,000 as at December 31, 2019 (December 31, 2018: US$4,742,000), and that the actuarial value of these assets represented 77.4% (December 31, 2018: 82.4%) 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

	2019	2018
Recorded liability	**6,569**	4,352
Discount rate changed to	**3.30%**	4.80%
Adjusted liability	**5,999**	3,996
Discount rate changed to	**1.30%**	2.80%
Adjusted liability	**7,242**	4,770
Expected rate of salary increase changed to	**6.00%**	6.00%
Adjusted liability	**6,998**	4,600
Expected rate of salary increase changed to	**4.00%**	4.00%
Adjusted liability	**6,206**	4,151

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

	2019	2018
Recorded liability	**1,183**	1,403
Discount rate changed to	**3.28%**	4.57%
Adjusted liability	**1,066**	1,297
Discount rate changed to	**1.28%**	2.57%
Adjusted liability	**1,322**	1,523
Expected rate of salary increase changed to	**6.00%**	6.00%
Adjusted liability	**1,310**	1,514
Expected rate of salary increase changed to	**4.00%**	4.00%
Adjusted liability	**1,074**	1,304

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 recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2019 US$'000	2018 US$'000
Current service cost	**775**	702
Net interest expense	**37**	25
Net benefit expenses	**812**	727
Recognised in cost of sales	**364**	324
Recognised in selling and distribution expenses	**257**	229
Recognised in administrative expenses	**64**	62
Recognised in research and development expenses	**127**	112
Net benefit expenses	**812**	727

30. DEFINED BENEFIT OBLIGATIONS *(Continued)*

Officers *(Continued)*

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

	2019 **US$'000**	2018 US$'000
At beginning of year	**5,755**	5,833
Current service cost	**775**	702
Net interest expense	**37**	25
Benefits paid	**(926)**	(723)
Return on plan assets	**207**	155
Loss from measurement in other comprehensive income	**880**	112
Effect of changes in foreign exchange rate	**511**	(349)
Acquisition of a subsidiary (note 33)	**513**	–
At end of year	**7,752**	5,755

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

For the year ended December 31, 2019

		Expenses recognised in profit or loss				Gain/(loss) from measurement in other comprehensive income						
	Balance at January 1, 2019 US$'000	Current service cost US$'000	Net interest expense US$'000	Total expense recognised in profit or loss for the year US$'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	Acquisition and contributions by employer US$'000	Balance at December 31, 2019 US$'000
Defined benefit obligations	5,755	775	37	812	(926)	207	745	135	880	511	513	7,752
Fair value of plan assets	4,742	–	–	–	(810)	207	–	255	255	452	1,152	5,998
Net defined benefit liability	1,013	775	37	812	(116)	–	745	(120)	625	59	(639)	1,754

30. DEFINED BENEFIT OBLIGATIONS *(Continued)*

For the year ended December 31, 2018

		Expenses recognised 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$'000	Total expense recognised in profit or loss for the year US$'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

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

	2019 **US$'000**	2018 US$'000
Within the next 12 months	**697**	676

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

	2019 **US$'000**	2018 US$'000
Within the next 12 months	**667**	495
Between 1 and 2 years	**1,317**	802
Between 2 and 5 years	**1,099**	1,341
Between 5 and 10 years	**3,340**	1,889
Over 10 years	**4,827**	4,172
Total expected payments	**11,250**	8,699

31. SHARE CAPITAL

Shares

	2019 US$'000	2018 US$'000
Authorised:		
1,000,000,000 (2018: 1,000,000,000) ordinary shares of NIS0.01 each	**2,835**	2,835
Issued and fully paid:		
442,155,600 (2018: 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 authorised 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.

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 in the financial statements.

Other reserves

(i) The Company has granted a share redemption option to the non-controlling shareholders of Nova. The share redemption option provides the holders the option to require the Company to purchase the shares held by the non-controlling shareholders at a determinable price after three years from the date of issuance of the option. As at December 31, 2019, although the share redemption option remained unexercised, the Company derecognised the non-controlling interests as if they were acquired at that date, and recognised as a financial liability, which is measured on the basis of the estimated present value of the consideration to be transferred upon the exercise of the share redemption option. The difference between the amount of non-controlling interests and the financial liability was recognised to other reserves. The Group recognised US$3,191,000 debit amount to other reserves during the reporting period (2018: Nil).

33. BUSINESS COMBINATION

On January 15, 2019, Alma Lasers Ltd., a subsidiary of the Company, acquired 60% equity interest in Nova Medical Israel Ltd. at a consideration of US$7,884,000. The acquisition was undertaken to consolidate its distribution operation and gain more market opportunities in Israel.

The fair values of the identifiable assets and liabilities of Nova Medical Israel Ltd. as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition US$'000**
Plant and equipment	13	683
Other intangible assets	16	4,991
Deferred income taxes	18	24
Inventories		1,775
Trade receivables		6,658
Prepayments, deposits and other receivables		282
Tax receivables		204
Cash and bank balances		197
Contract liabilities		(452)
Trade payables		(2,102)
Other payables and accruals		(1,467)
Interest-bearing bank and other borrowings		(1,095)
Deferred tax liabilities	18	(1,278)
Total identifiable net assets at fair value		8,420
Non-controlling interests		(3,368)
		5,052
Goodwill on acquisition		2,832
		7,884
Satisfied by:		
Cash consideration paid		7,845
Cash consideration payable		39
		7,884

The Group incurred transaction costs of US$150,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

33. BUSINESS COMBINATION *(Continued)*

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	US$'000
Cash consideration	(7,845)
Cash and bank balances acquired	197
Net outflow of cash and cash equivalents included in cash flows from investing activities	(7,648)
Transaction costs of the acquisition included in cash flows from operating activities	(150)
	(7,798)

Since the acquisition, Nova Medical Israel Ltd. contributed US$18,549,000 to the Group's revenue and US$3,595,000 to the consolidated profit for the year ended December 31, 2019.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US$2,853,000 and US$2,853,000, respectively, in respect of lease arrangements for plant and equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Interest-bearing bank borrowings US$'000	Lease liabilities US$'000
At December 31, 2018	2,171	–
Effect of adoption of IFRS 16	–	9,085
At January 1, 2019 (restated)	2,171	9,085
Changes from financing cash flows	(858)	(3,467)
Finance costs	371	358
Increase arising from acquisition of a subsidiary	1,095	–
New leases	–	2,853
Effect of foreign exchange rate changes, net	–	561
Others	33	–
At December 31, 2019	2,812	9,390

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities *(Continued)*

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	–
At December 31, 2018	2,171	(119)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 US$'000
Within operating activities	940
Within financing activities	3,467
	4,407

35. COMMITMENTS

Operating lease arrangements as at December 31, 2018

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
Within one year	2,653
In the second to fifth years, inclusive	6,348
After five years	388
	9,389

Commitments

The Group has a lease contract that has not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are US$791,000 due within one year, US$7,615,000 due in the second to fifth years, inclusive and US$32,487,000 due after five years.

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had no transaction with its related parties during the reporting period.

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

	2019 **US$'000**	2018 US$'000
Salaries, allowances and benefits in kind	**1,330**	1,238
Performance related bonuses	**514**	492
Listing bonuses	**–**	303
Total compensation paid to key management personnel	**1,844**	2,033

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

(c) In December 2019, Alma separately signed contracts with Chindex (Beijing) International Trade Co. Ltd ("Chindex") and IBSA Farmaceutici Italia Srl ("IBSA") in which Chindex will provide Alma regulation services of registration of IBSA products in China. IBSA will reimburse Alma on these services. No revenue nor expenses are recognised for the year ended December 31, 2019.

37. 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

	2019 **US$'000**	2018 US$'000
Financial assets at fair value through profit or loss designated as such upon initial recognition		
Derivative financial instruments	**32**	119
Loans and receivables		
Other non-current assets	**211**	61
Trade receivables	**57,171**	36,490
Financial assets included in prepayments, deposits and other receivables	**1,491**	617
Cash and bank balances	**107,792**	104,530
	166,665	141,698
	166,697	141,817

Financial liabilities

	2019 **US$'000**	2018 US$'000
Financial liabilities at amortised cost		
Trade payables	**11,992**	6,947
Financial liabilities included in other payables and accruals	**9,491**	6,336
Interest-bearing bank borrowings	**2,812**	2,171
Lease liabilities	**9,390**	–
	33,685	15,454

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at December 31, 2019 and 2018, 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.

38. 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, 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

Assets measured at fair value:

As at December 31, 2019

	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	**–**	**32**	**–**	**32**

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 (2018: Nil).

39. 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 summarised 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, 2019 and 2018.

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, 2019	**100**	**122**
	(100)	**(122)**
For the year ended December 31, 2018	100	(23)
	(100)	23

39. 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$'000
For the year ended December 31, 2019		
If US$ strengthens against NIS	**5**	**589**
If US$ weakens against NIS	**(5)**	**(589)**
If US$ strengthens against EUR	**5**	**(1,528)**
If US$ weakens against EUR	**(5)**	**1,528**
If US$ strengthens against CAD	**5**	**(148)**
If US$ weakens against CAD	**(5)**	**148**
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

Credit risk

The Group trades only with recognised 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 Group applied the simplified approach in assessing ECL for trade receivable.

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 recognised 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, 2019, the Group had certain concentrations of credit risk as 8.96% of the Group's trade receivables were due from the Group's largest customer (2018: 3.64%), and 37% of the Group's trade receivables were due from the five largest customers (2018: 25%).

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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, 2019, 86% of all the Group's borrowings would mature in less than one year (2018: all the Group's borrowings would mature in less than one year), 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, 2019

	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	11,992	–	–	–	11,992
Financial liabilities included in other payables and accruals	9,491	–	–	–	9,491
Interest-bearing bank borrowings	–	195	2,219	398	2,812
Lease liabilities	–	755	2,361	6,440	9,556
	21,483	950	4,580	6,838	33,851

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

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, 2019 and 2018, the Group's cash and cash equivalents exceeded the total debt. As such, no gearing ratio as at December 31, 2019 and 2018 was presented.

40. EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 continues to spread across the world. The management holds weekly meeting discussing the risk factors of COVID-19 and uses its best endeavors to mitigate the adverse impact of COVID-19 outbreak. The Group will continue closely monitoring the development of COVID-19 situation and ensure the stable operations. By the issuance of the financial statements, the impact of COVID-19 on the Group's subsequent operating results is still under assessment.

41. 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:

	2019 **US$'000**	2018 US$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**229,233**	229,233
CURRENT ASSETS		
Due from subsidiaries	**13,329**	13,329
Prepayments, other receivables and other assets	**115**	112
Cash and bank balances	**58,870**	55,361
Total current assets	**72,314**	68,802
CURRENT LIABILITIES		
Other payables and accruals	**696**	559
Interest-bearing bank borrowings	**764**	2,171
Total current liabilities	**1,460**	2,730
NET CURRENT ASSETS	**70,854**	66,072
TOTAL ASSETS LESS CURRENT LIABILITIES	**300,087**	295,305
NON-CURRENT LIABILITIES		
Other long-term liabilities	**–**	283
Total non-current liabilities	**–**	283
NET ASSETS	**300,087**	295,022
EQUITY		
Share capital	**1,254**	1,254
Reserves (note)	**298,833**	293,768
Total equity	**300,087**	295,022

41. 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, 2018	240,766	20,474	27,949	289,189
Total comprehensive income for the year	–	–	4,579	4,579
At December 31, 2018 and January 1, 2019	240,766	20,474	32,528	293,768
Total comprehensive income for the year	–	–	10,698	10,698
Final 2018 dividend declared	–	–	(5,633)	(5,633)
At December 31, 2019	240,766	20,474	37,593	298,833

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 18, 2020.

Directors

Executive Directors

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

Non-executive Directors

Mr. Yifang WU (吳以芳)
Mr. Yao WANG (汪曜)
Ms. Kun DAI (戴昆)

Independent Non-executive Directors

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Company Secretary

Ms. Mei Ha Wendy KAM (甘美霞) *(FCS (PE), FCIS)*

Authorised Representatives

Mr. Yi LIU (劉毅)
Ms. Mei Ha Wendy KAM (甘美霞)

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Israeli Legal Adviser

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Tel-Aviv, 67025
Israel

Stock Short Name

SISRAM MED

Stock Code

01696

Company Website

www.sisram-medical.com

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 Pharma
"Articles of Association"	the articles of association of the Company currently in force
"APAC"	Asia-Pacific
"AUD"	Australian Dollars, the lawful currency of Australia
"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 capitalised upon Listing
"CFDA"	State Administration for Market Regulation (previously known as China Food and Drug Administration)
"CG Code"	the Corporate Governance Code and the Corporate Governance Report
"CML"	Chindex Medical Limited (美中互利醫療有限公司), a wholly-owned subsidiary of Fosun Pharma
"Company" or "Sisram"	Sisram Medical Ltd (復銳醫療科技有限公司*), a company incorporated in Israel with limited liability, the Shares of which are listed on the Stock Exchange
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules
"COVID-19"	Coronavirus disease 2019
"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

* *For identification purpose only*

"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., a company incorporated in the Cayman Islands with limited liability
"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
"INR"	Indian Rupees, the lawful currency of India
"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

* *For identification purpose only*

"Listing", "Global Offering" or "IPO"	the initial public offering of the Company's shares
"M&A"	mergers & acquisitions
"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
"NIS"	New Israeli Shekels, the lawful currency of Israel
"NOL"	net operating losses
"Nova"	Nova Medical Israel Ltd., a private company organised under the laws of Israel
"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
"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, 2019
"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
"SPTE"	special preferred technological enterprise
"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)